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 May 4, 2017

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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 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Office of the General Counsel (Harper) *AH*
Division of Accounting and Finance (Golden) *ms*
Division of Economics (Rome) *RR AD* *ALM*
S.M.C.

RE: Docket No. 160246-WS – Proposed adoption of Rule 25-30.444, F.A.C., Utility Reserve Fund, and 25-30.4445, F.A.C., Notice of Application for Utility Reserve Fund.

AGENDA: 05/04/17 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

RULE STATUS: May Not Be Deferred. Rules must be filed for adoption by June 7, 2017

SPECIAL INSTRUCTIONS: None

Case Background

During the 2016 Legislative Session, the Florida Legislature enacted House Bill 491, which modified Section 367.081(2)(c), F.S., and required the Commission to adopt rules to implement a utility reserve fund for water and wastewater utilities. The Commission proposed the adoption of Rule 25-30.444, F.A.C., Utility Reserve Fund, and Rule 25-30.4445, F.A.C., Notice of Application for Utility Reserve Fund, at its March 7, 2017, agenda conference. Pursuant to Section 120.54, Florida Statutes, the notice of proposal of Rules 25-30.444 and 25-30.4445, F.A.C., was published in the March 9, 2017, edition of the Florida Administrative Register.

Docket No. 160246-WS

Date: April 21, 2017

On March 22, 2017, the Joint Administrative Procedures Committee (JAPC), sent a letter with comments for Rule 25-30.444, F.A.C, which is appended hereto as Attachment A. JAPC did not have any comments or recommended changes for Rule 25-30.4445, F.A.C.

This recommendation addresses whether the Commission should change the proposed Rule 25-30.444, F.A.C., based on JAPC's comments. The Commission has jurisdiction pursuant to Sections 120.54, 350.127(2)(c), 367.081, and 367.121, F.S.

Discussion of Issues

Issue 1: Should the Commission change proposed Rule 25-30.444, F.A.C., based on JAPC's comments? (Harper)

Recommendation: Yes. Staff recommends changing proposed Rule 25-30.444, F.A.C., as set forth in Attachment B.

Staff Analysis: In its March 22, 2017 letter, JAPC commented that Subsection (1) of Rule 25-30.444, F.A.C., should be clarified to state that the utility reserve fund could be used only for repairs to existing distribution and collection infrastructure. JAPC suggested that the statutory language, "existing distribution and collection infrastructure that is nearing the end of its useful life or is detrimental to water quality or reliability of service" be added to the proposed rule as shown in Attachment B to clarify that the utility reserve fund would not apply to future new construction. Therefore, staff recommends that this language be added. The additional rule language is simply for clarification and has no effect on the scope or intent of the rule proposed by the Commission.

In addition, JAPC suggested that the statutory language "existing distribution and collection infrastructure that is nearing the end of its useful life or is detrimental to water quality or reliability of service" also be added to Subsection 25-30.444(4)(f), to clarify that the rule would apply to repairs of existing infrastructure only. Therefore, staff recommends that this language be added as shown in Attachment B. Again, the additional rule language is simply for clarification and has no effect on the scope or intent of the rule proposed by the Commission.

Staff has contacted JAPC staff regarding the rule language set forth in Attachment B. JAPC staff stated that if the proposed rule is changed as set forth in Attachment B, JAPC staff will not have any further issues or comments on the rule and the rule may be filed for adoption with the Department of State 21 days after a Notice of Change is published in the Florida Administrative Register.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendation in Issue 1, a Notice of Change will be published in the Florida Administrative Register. The rules may be then filed for adoption with the Department of State 21 days after the Notice of Change is published in Florida Administrative Register, and this docket should be closed. (Harper)

Staff Analysis: If the Commission approves staff's recommendation in Issue 1, a Notice of Change will be published in the Florida Administrative Register. The rules may be then filed for adoption with the Department of State 21 days after the Notice of Change is published in Florida Administrative Register, and this docket should be closed.

JOE NEGRON
President



Representative George R. Moraitis, Jr., Chair
Senator Kevin Rader, Vice Chair
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March 22, 2017

Ms. Adria E. Harper
Office of the General Counsel
Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

**RE: Public Service Commission
Rules 25-30.444 and .445**

Dear Ms. Harper:

I have reviewed the above-referenced rules and offer the following comments for your consideration and response:

25-30.444(1): Section 367.081(2)(c), Florida Statutes, permits the Commission to authorize a utility reserve fund for infrastructure repair and replacement for a utility "for existing distribution and collection infrastructure that is nearing the end of its useful life or is detrimental to water quality or reliability of service...." The same paragraph directs the Commission to adopt rules to govern the "implementation, management, and use of the fund, including, but not limited to, rules related to expense for which the fund may be used...." Therefore, it appears that implementation is required to specify eligible expenses, but the eligible expenses must constitute "existing distribution and collection infrastructure that is nearing the end of its useful life or is detrimental to water quality or reliability of service," pursuant to the statute.

Subsection (1) purports to set forth eligible projects for the creation of a utility reserve fund, but refers only to a "future infrastructure repair or replacement project." It appears that the quoted language may exceed the statutory requirement that the project be "for existing distribution and collection infrastructure that is nearing the end of its useful life or is detrimental to water quality or reliability of service," as stated in section



Ms. Adria E. Harper
March 22, 2017
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367.081(2)(c). See § 120.52(8)(c), Fla. Stat. (2016). Please review and advise.

25-30.444(4)(f): Please see the comments above regarding section 367.081(2)(c), as they relate to the authorization granted in this paragraph. The paragraph permits the disbursement of utility reserve funds for an “emergency repair or replacement that is critical to the operation of the utility facilities,” which appears to expand the statutory requirement that the project be “for existing distribution and collection infrastructure that is nearing the end of its useful life or is detrimental to water quality or reliability of service.” Please review and advise.

If you have questions, please do not hesitate to contact me. Otherwise, I look forward to your written response.

Sincerely,



Jamie L. Jackson
Senior Attorney

JLJ:DF WORD/JACKSON/25_030.444LS032217_162690_162691

1 25-30.444 Utility Reserve Fund

2 (1) PROJECT ELIGIBILITY. The following considerations shall be applied in
3 determining whether a future infrastructure repair or replacement project of existing
4 distribution and collection infrastructure that is nearing the end of its useful life or is
5 detrimental to water quality or reliability of service is eligible for advance funding through a
6 utility reserve fund and whether a utility reserve fund is the most appropriate methodology to
7 address the requested project.

8 (a) The following projects shall be eligible for a utility reserve fund:

9 1. Projects to repair or replace existing utility infrastructure that is nearing the end of
10 its useful life or is detrimental to water quality or reliability of service that is recorded in the
11 National Association of Regulatory Utility Commissioners' Uniform System of Accounts
12 (NARUC USOA) water utility plant account numbers 304, 305, 306, 307, 308, 309, 310, 311,
13 320, 330, 331, 333, 334, 335, 336, and 339, and wastewater utility plant account numbers 354,
14 355, 360, 361, 362, 363, 364, 365, 366, 367, 370, 371, 374, 375, 380, 381, 382, and 389;

15 2. Future expenditures related to land or land rights recorded in NARUC USOA water
16 utility plant account number 303 or wastewater utility plant account number 353 if the
17 expenditure is necessary to the successful completion of an eligible repair or replacement
18 project;

19 3. Upgrades or enhancements of existing facilities if it can be demonstrated that the
20 upgrade or enhancement is necessary to comply with federal, state, or local regulatory
21 requirements, or provides a more cost-effective or more reliable alternative than an identical
22 replacement, and that the upgrade or enhancement is not designed solely to address future
23 customer growth;

24 4. Repair projects that may be expensed rather than capitalized, as prescribed by Rule
25 25-30.140(1)(g)(3), F.A.C., if it can be demonstrated that the repair expense is not already
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1 reflected in the utility's current rates as an annual or amortized annual expense, or that the
2 annual repair and maintenance expense allowance reflected in the utility's current rates is
3 insufficient to cover the projected costs of the proposed repair project; or

4 5. If a project includes both the repair or replacement of existing infrastructure and the
5 expansion or improvement of facilities to meet future customer growth, the portion of the
6 project that is related to the repair and replacement of existing infrastructure is eligible if those
7 costs can be identified and segregated from the portion of the project related to the expansion
8 or improvements designed to meet future customer growth.

9 (b) The following projects shall not be eligible for a utility reserve fund:

10 1. Projects to repair or replace general plant that is not directly associated with the
11 physical operation of the utility's water or wastewater systems that are recorded in NARUC
12 USOA water utility plant account numbers 340, 341, 342, 343, 344, 345, 346, 347, and 348,
13 and wastewater utility plant account numbers 390, 391, 392, 393, 394, 395, 396, 397, and 398;

14 2. Expenditures related to NARUC USOA water utility plant accounts 301 and 302,
15 and wastewater utility plant accounts 351 and 352, which cover organization and franchise
16 related expenditures;

17 3. Expenditures related to land or land rights recorded in NARUC USOA water utility
18 plant account number 303 or wastewater utility plant account number 353 if the expenditure is
19 necessary solely to meet future customer growth; or

20 4. Capital improvement projects to expand existing facilities or construct new facilities
21 solely to meet future customer growth.

22 (c) When evaluating whether the utility's request to create a utility reserve fund is the
23 most appropriate methodology to address the utility's eligible future infrastructure repair and
24 replacement projects, the following additional factors will be considered:

25 1. Whether the anticipated completion date of the project allows sufficient time to
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1 accumulate the funds necessary to fund the project;

2 2. Whether the anticipated completion date is within 24 months of the end of the
3 historic test year used in a jointly filed rate application, if applicable, thereby making the
4 project eligible for consideration as a pro forma project in the rate proceeding pursuant to
5 Section 367.081(2)(a)2., F.S.;

6 3. Whether the contributions-in-aid-of-construction that will result from the utility
7 reserve fund will cause the utility to exceed the service availability policy guidelines provided
8 in Rule 25-30.580, F.A.C.;

9 4. Whether any of the eligible projects included in the utility reserve fund will result in
10 the complete elimination of either the water or wastewater treatment process;

11 5. Whether it has been more than seven years since the utility's last rate case, if the
12 request is filed as a stand-alone application or in conjunction with a limited proceeding; or

13 6. Whether the total increase resulting from implementation of the utility reserve fund
14 surcharge will exceed the utility's annual revenues for the most recent 12-month period or test
15 year by more than 30 percent.

16 (2) UTILITY RESERVE FUND FILING REQUIREMENTS. Each applicant that
17 requests approval to create a utility reserve fund shall provide the following information to the
18 Commission. The request may be filed as a stand-alone application or in conjunction with an
19 application for rate increase filed pursuant to Sections 367.081(2)(a), 367.0814, or 367.0822,
20 F.S. If the request is filed in conjunction with an application for rate increase that also
21 requires the applicant's general information, paragraphs (2)(a), (b), and (c) may be omitted
22 from the utility reserve fund portion of the joint application. A utility that qualifies for staff
23 assistance as provided by Rule 25-30.455(1), F.A.C., may also request assistance with the
24 utility reserve fund process.

25 (a) The utility's name as it appears on the utility's certificate, address, telephone
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1 number, and, if available, email address and fax number.

2 (b) The name(s), address(es), and telephone number(s) of the person(s) that should be
3 contacted regarding this application.

4 (c) The address within the service area where the application is available for customer
5 inspection during the time the rate application is pending.

6 (d) A statement of the reason(s) why the utility is requesting approval of a utility
7 reserve fund.

8 (e) A capital improvement plan that includes: a general description of the age and
9 condition of the utility's facilities; a description of all infrastructure repair or replacement
10 projects that the utility anticipates will be necessary within the next five years, at a minimum,
11 even if some projects will not be included in the utility reserve fund; and the following
12 information for each infrastructure repair or replacement project that the utility requests be
13 included in the utility reserve fund:

14 1. A description of each plant asset that will be repaired or replaced, including the
15 NARUC USOA account number for each asset;

16 2. The date each asset was originally placed into service or an estimate of the age of
17 the plant asset(s) as reflected in the utility's depreciation records if the original service date is
18 unknown;

19 3. A detailed description of the reason(s) each repair or replacement project is
20 necessary to maintain or improve the quality or reliability of the water or wastewater service,
21 including whether any asset will be replaced prior to the end of its average service life as
22 provided by Rule 25-30.140, F.A.C.;

23 4. If the repair or replacement project is required by a governmental or regulatory
24 agency, include a copy of the rule, regulation, order, or other regulatory directive that requires
25 the repair or replacement;

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1 5. The projected cost to repair or replace each asset, and documentation that supports
2 the utility's calculation of the projected cost. The utility shall make all reasonable efforts to
3 obtain at least three comparative cost estimates for each requested project. Acceptable forms
4 of projected cost documentation are: an estimate by a professional engineer or other person
5 knowledgeable in design and construction of water and wastewater plants; a bid from a vendor
6 or service provider that includes a description of all work to be completed and an itemized list
7 of all costs associated with the project; vendor information regarding the purchase price of
8 plant components that will be purchased directly by the utility and labor estimates for work
9 that will be performed on the project by a utility employee or contractual service provider,
10 along with a statement that confirms that the employee's or contractual service provider's
11 work on the project is not included in their normal duties; or other information that shows a
12 detailed and verifiable estimate of the projected cost. If the utility is unable to obtain three cost
13 estimates for each project, the utility shall provide a statement explaining what steps the utility
14 took to obtain the estimates, why the utility was unable to obtain three estimates, and any
15 responses received from any contractors solicited.

16 6. Detailed specifications for each asset that can be used to verify the projected repair
17 or replacement cost, such as type, size, quantity, or quality of the materials used to complete
18 the repair or replacement of the asset. If the type, size, quantity, or quality of the components
19 used to make the repair or replacement will be materially different than the plant asset(s) being
20 repaired or replaced, describe the specific differences and why the change is either necessary
21 or provides a better resolution for the repair or replacement;

22 7. If the repair or replacement will change the design of the system, include a statement
23 explaining how the design of the system will change and why the change is either necessary or
24 will provide a better resolution for the repair or replacement;

25 8. A description of any alternatives to the proposed infrastructure repair or replacement
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1 project that the utility considered, such as new technologies or interconnection with another
2 utility system, and why the proposed project was determined to be the most cost-effective
3 option or will provide a better resolution for the repair or replacement;

4 9. If the infrastructure that is being replaced was subject to a non-used and useful
5 adjustment in the utility's last rate proceeding, include a statement explaining whether the
6 utility considered reducing the size of the replacement infrastructure to better match the
7 utility's capacity needs and the results of that analysis;

8 10. A description of any expense increases or decreases that the utility anticipates will
9 occur following completion of the infrastructure repair or replacement project; and

10 11. The projected timeline and anticipated completion date for the repair or
11 replacement project, including a detailed description of any target dates and significant
12 milestones if the project will be completed in multiple phases. If the repair or replacement
13 project is required by a governmental or regulatory agency, include any specific deadlines that
14 have been imposed by that agency, and describe any penalties that will be incurred by the
15 utility if the deadlines are not met.

16 (f) A description of any other funding sources that may be used for the project,
17 including a breakdown of the estimated project costs that will be funded with the utility
18 reserve fund, utility investment, and each available external funding source, such as a bank
19 loan, government loan, or government grant, as applicable.

20 (g) A schedule showing the calculation of the annualized revenues for the most recent
21 12-month period using the rates in effect at the time the utility files its application for approval
22 to create a utility reserve fund, broken down by customer class and meter size. This schedule
23 may be omitted from the utility reserve fund portion of the application if filed in conjunction
24 with an application for a rate proceeding that also requires an annualized revenue calculation.

25 (h) A schedule showing the calculation of the proposed utility reserve fund surcharge
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1 based on the number of bills by customer class and meter size for the most recent 12-month
2 period, or test year if filed in conjunction with an application for a rate proceeding.

3 (i) Revised tariff sheets incorporating the utility reserve fund surcharge into the tariff.

4 The utility shall show the utility reserve fund surcharge as a separate charge in its tariff and on
5 its customer bills.

6 (j) A statement indicating whether the applicant will secure the utility reserve fund
7 through an interest-bearing escrow account or an irrevocable letter of credit. If the utility's
8 request to create a utility reserve account is approved by the Commission, the utility will be
9 required to provide documentation showing that the escrow account has been established or
10 the irrevocable letter of credit has been obtained prior to implementation of the utility reserve
11 fund surcharge.

12 (k) A description of the procedures that the utility will implement to segregate the
13 monies collected from the utility reserve fund surcharge on the utility's books and records.
14 Separate accounting records must be maintained to record all transactions associated with the
15 collection, deposit, and use of monies designated for the utility reserve fund. A separate bank
16 account may be used to segregate the utility reserve fund monies that are secured through an
17 irrevocable letter of credit but is not required.

18 (l) A statement signed by an officer of the utility that the utility will comply with the
19 noticing requirements in Rule 25-30.4445, F.A.C., if the request is filed as a stand-alone
20 application, Rule 25-22.0407, F.A.C., if the request is filed in conjunction with an application
21 for a rate increase filed pursuant to Sections 367.081(2)(a) or 367.0814, F.S., or Rule 25-
22 30.446, F.A.C., if the request is filed in conjunction with a limited proceeding filed pursuant to
23 Section 367.0822, F.S.

24 (m) An Asset Management Plan prepared by the Florida Rural Water Association may
25 be provided in lieu of a capital improvement plan in paragraph (2)(e).

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1 (3) Reporting Requirements. Any utility that receives approval from or is required by
2 the Commission to create a utility reserve fund must keep an accurate and detailed account of
3 all monies and report to the Commission all monies it receives from the utility reserve fund
4 surcharge. The reporting requirement shall begin when the utility's reserve fund surcharge
5 tariff becomes effective. The utility must file periodic reports as follows:

6 (a) The utility shall file a report with the Commission Clerk's office no later than the
7 20th of every month indicating the monthly and total amount of money deposited into, and
8 monthly and total amount of disbursements made from the utility reserve fund as of the end of
9 the preceding month. If the utility bills its customers less frequently than once a month, this
10 reporting requirement may be modified to match the utility's normal billing frequency. A copy
11 of a bank statement that separately identifies the utility reserve fund deposits and
12 disbursements may serve as the monthly report.

13 (b) At least once every six months, the utility shall also report the status of all eligible
14 projects included in the utility reserve fund for which work was performed during the last six
15 months including the actual start date, the estimated or actual completion date, the costs
16 incurred during the last six months, and the total cost for any projects completed during the
17 last six months.

18 (c) The reports shall continue as long as the utility reserve fund is in effect and until all
19 funds have been disbursed either to pay for completed eligible projects or as refunds to
20 customers.

21 (d) A request for disbursement from the utility reserve fund escrow account or
22 authorization to use funds secured by an irrevocable letter of credit may be filed in
23 conjunction with the utility's monthly or quarterly reports.

24 (e) The utility shall also separately identify the utility reserve fund in its annual report
25 filed with the Commission each year pursuant to Rule 25-30.110, F.A.C.

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1 (f) The utility shall file an updated capital improvement plan with the Commission at
2 least once every three years for as long as the utility reserve fund remains active.

3 (4) DISBURSEMENT OF FUNDS. A utility requesting disbursement of funds from an
4 escrow account or authorization to use funds secured by an irrevocable letter of credit shall
5 file the following information and supporting documentation:

6 (a) A statement explaining why the disbursement is needed, including a description of
7 the completed project, or if a partial disbursement of funds is necessary prior to completion of
8 the full project, a description of the completed phase of the project, purchase of materials,
9 payments to contractors or vendors, or construction draws, as applicable;

10 (b) The date the project or phase of the project was completed and the replacement
11 asset(s) was placed in service, as applicable;

12 (c) Documentation supporting the amount of the requested disbursement. Acceptable
13 forms of documentation are: invoices, receipts, contractor application and request for payment
14 forms, loan documents, documents showing proof of payment, and other information that
15 shows detailed and verifiable project costs and payments;

16 (d) Documentation showing that the completed work was inspected or approved by the
17 governmental or regulatory authority that required the repair or replacement project, if
18 applicable; and

19 (e) Other documentation that demonstrates the project was completed, such as
20 photographs of the completed work, may be submitted but is not required.

21 (f) A utility may request the disbursement of funds from a utility reserve fund to assist
22 with making an emergency repair or replacement of existing distribution and collection
23 infrastructure that is nearing the end of its useful life or is detrimental to water quality or
24 reliability of service that is critical to the operation of the utility facilities and resulted from
25 events that were out of the utility's control, such as weather related damage, accidents, or
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1 defective parts. The utility's request for an emergency disbursement must include the
2 following information:

- 3 1. The information required in paragraphs (4)(a) through (e) above;
- 4 2. A description of any future funding sources that may be available to assist the
5 utility with the emergency repair or replacement costs, such as government assistance for
6 weather damage, insurance benefits, or manufacturer warranties for defective parts;
- 7 3. A statement explaining how the utility will reimburse the utility reserve fund for the
8 emergency disbursement through future funding sources, such as, government assistance,
9 insurance benefits, manufacturer warranties, bank loans, or utility investment. If no funding
10 sources will be available for reimbursement of the utility reserve fund, the utility shall either
11 provide a statement describing how the utility reserve fund project(s) or timeline may be
12 modified to address the project funding needs without modifying the amount of the utility
13 reserve fund surcharge, or provide the information required in subsection (5) below to request
14 a modification of the utility reserve fund surcharge.

15 (5) UTILITY RESERVE FUND MODIFICATIONS. A utility that must undertake a
16 project that was not anticipated when the utility reserve fund was created or that must make
17 significant modifications to a previously approved project may request a modification of the
18 utility reserve fund at any time following creation of the fund or in the utility's next rate
19 proceeding by filing the following information:

- 20 (a) A statement describing why the new project or modification of a previously
21 approved project is necessary, and whether the utility is requesting a change in the utility
22 reserve fund surcharge or only acknowledgement of the project modifications. If the new
23 project or project modification is required by a governmental or regulatory agency, include a
24 copy of the rule, regulation, order, or other regulatory directive that requires the new project or
25 project modification; and

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1 (b) The information required in paragraphs (2)(e) or (m), and (f), (g), (h), and (i) if the
2 utility is requesting a change in the utility reserve fund surcharge. Also, if the utility reserve
3 fund is secured through an irrevocable letter of credit, the utility shall provide an updated
4 irrevocable letter of credit prior to implementation of the utility reserve fund surcharge
5 increase.

6 (6) FINAL DISPOSITION OF UTILITY RESERVE FUND.

7 (a) The utility reserve fund surcharge shall be discontinued after all approved eligible
8 projects(s) have been completed, sufficient funds have been collected in the utility reserve
9 fund to cover the cost of the approved eligible project(s), and the final disbursement has been
10 made from the utility reserve fund. During the utility's next rate proceeding, the utility's rate
11 base, capital structure, operating expenses, and rates shall be adjusted as needed to reflect the
12 completed projects. The amount of the new plant assets that are funded through a utility
13 reserve fund shall be offset with an equal addition to contributions-in-aid-of-construction.

14 (b) Any monies that remain in the utility reserve fund following the last disbursement
15 for the completed eligible project(s) shall be refunded to the customers with interest in
16 accordance with Rule 25-30.360, F.A.C.

17 (c) All monies collected and held in the utility reserve fund should remain with the
18 utility regardless of any changes in utility ownership. If a utility's ownership changes through
19 a transfer or abandonment, the Commission shall determine whether the utility reserve fund
20 should be continued as follows:

21 1. In the event that the utility's ownership changes through a transfer as provided in
22 Rule 25-30.037, F.A.C., the transfer agreement shall include provisions that state: that the
23 utility reserve fund shall remain with the utility following the close of the sale; that the seller
24 shall provide copies of all documents related to the utility reserve fund to the buyer, including
25 the approved capital improvement plan, financial records, and status reports; whether the
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1 buyer requests to continue the utility reserve fund following the transfer; and whether the
2 buyer will assume responsibility for the escrow account or obtain an irrevocable letter of
3 credit to secure the utility reserve fund. If the buyer does not request to continue the utility
4 reserve fund or does not provide sufficient documentation to guarantee the continued security
5 of the utility reserve fund and compliance with the provisions set forth in this rule, all monies
6 held in the utility reserve fund shall be refunded to the customers with interest in accordance
7 with Rule 25-30.360, F.A.C., and the utility reserve fund surcharge and utility reserve fund
8 shall be discontinued. However, if the transfer of ownership is requested pursuant to Rule 25-
9 30.037(5), F.A.C., and will result in the transfer of ownership to an exempt entity other than a
10 governmental utility, the buyer shall not be required to obtain an escrow account or an
11 irrevocable letter of credit.

12 2. In the event that the utility is abandoned as provided in Rule 25-30.090, F.A.C., all
13 monies held in the utility reserve fund and all documents related to the utility reserve fund
14 shall remain with the utility and be turned over to the court-appointed receiver. If the utility
15 remains under Commission jurisdiction following the abandonment, the court-appointed
16 receiver shall be responsible for managing the utility reserve fund in accordance with this rule
17 and all applicable Commission Orders.

18 (d) If the utility fails to follow through with the eligible project(s) covered by the
19 utility reserve fund or comply with the security, fund maintenance, or reporting requirements
20 set forth in this rule, the Commission shall initiate a review of the utility reserve fund and
21 surcharge to determine whether the utility reserve fund and surcharge should be discontinued
22 and whether all monies in the reserve fund should be refunded to the customers with interest
23 in accordance with Rule 25-30.360, F.A.C.

24 Rulemaking Authority 350.127(2), 367.081(2)(c), 367.121 FS. Law Implemented
25 367.081(2)(c) FS. History–New _____.

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

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 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Office of Telecommunications (Bates, Fogleman, Long, Williams)
Office of the General Counsel (Page) *PHP SML*

RE: Docket No. 170039-TP – Request for submission of proposals for relay service, beginning in March 2018, 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: 05/04/17 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Patronis

CRITICAL DATES: The current contract with Sprint expires February 28, 2018. Significant time is needed to issue the RFP, evaluate proposals, and to set-up the system.

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 existing Florida relay service provider contract expires February 28, 2018. On February 24, 2017, Sprint provided written notice to the Florida Public Service Commission (FPSC or Commission) that it does not intend to extend the relay provider contract into the option period when the existing contract to provide relay service in Florida expires.

This recommendation proposes that the Commission approve the attached Request for Proposals (RFP) (Attachment A) to provide a telecommunications relay service system in Florida. If approved, the RFP will be issued no later than May 11, 2017, with the proposals due by June 16, 2017. The tentative schedule calls for the Commission to select a provider at the September 7, 2017 Agenda, and for the provider to begin providing service on March 1, 2018.

The RFP describes a relay service in compliance with the Florida Telecommunications Access System Act (TASA), Chapter 427, Part II, Florida Statutes, the Federal Americans with Disabilities Act of 1990, 42 USC §12101, and Federal Communications Commission regulations on relay service, 47 CFR Part 64. The RFP mandates many features for relay service including 24 hour a day service every day of the year, answering time and blocking standards, confidentiality conditions, procedures for relaying a call giving substantial control to the user as to how the call is handled, communications assistant and provider requirements, and provisions for complaint resolution and consumer input. In addition, the RFP allows a bidder to provide unsolicited features as part of its basic relay service for which additional evaluation points may be awarded.

The Commission shall award the contract to the bidder whose proposal is the most advantageous to the state, taking into account the factors in Section 427.704(3)(a), Florida Statutes:

- a. The appropriateness and accessibility of the proposed telecommunications relay service for the citizens of the state, including persons with hearing and/or speech loss;
- b. The overall quality of the proposed telecommunications relay system;
- c. The charges for the proposed telecommunications relay service system;
- d. The ability and qualifications of the bidder to provide the proposed telecommunications relay service system as outlined in the RFP;
- e. Any proposed service enhancements and technological enhancements which improve service without significantly increasing cost;
- f. Any proposed inclusion of provision of assistance to deaf persons with special needs to access the basic telecommunications system;
- g. The ability to meet the proposed commencement date for the Florida Relay Service; and

- h. All other factors listed in the RFP.

Each bidder will be required to submit its Proposal on the basis of a charge per billable minute for a three-year contract with the option of four one-year extensions. The price proposal must be submitted in a sealed envelope separate from the technical proposal.

The RFP also provides for a point system for evaluating the proposals. A weight of 50% will be given to the technical aspect of the proposal and a weight of 50% will be given to the price aspect of the proposal.

A Bidders' Conference was held on March 23, 2017. During the Conference, staff conducted a detailed walk-through of the draft RFP and allowed participants to ask questions and present suggested changes. In addition, staff allowed Conference participants, TASA Advisory Committee members, and all interested persons to submit suggested changes to the Draft RFP for staff's consideration. Staff has addressed all suggested changes, and has presented its basis for acceptance or denial in Issue One of the recommendation.

The FPSC has authority over TASA under Chapter 427, Florida Statutes. TASA became effective May 24, 1991, and is found in Chapter 427, Part II of the Florida Statutes.

Discussion of Issues

Issue 1: Should the RFP be issued?

Recommendation: Yes. The Commission should issue the RFP, as set forth in Attachment A. (Bates, Fogleman, Long, Page, Williams)

Staff Analysis: The RFP (Attachment A) was drafted to describe as specifically as possible the relay service that should be provided. The RFP includes services currently being provided by Sprint and complies with Federal Communications Commission regulations. The RFP is substantially similar to the RFP issued by the Commission in June 2014. Staff is recommending the following substantive modifications to the June 2014 RFP:

(a) Section A.21. Limited Liability

Sprint suggests incorporating Section 427.707, Florida Statutes, into the RFP. Section 427.707, Florida Statutes, states that neither the Commission nor the provider shall be liable for any action arising out of the operation of the Telecommunications Relay System, except where there is malicious purpose. Staff believes that the provisions of Section 427.707, Florida Statutes, should be stated in the RFP and this language has been added.

(b) Section A.34. Liquidated Damages for Failure to Initiate Services on Time or to Provide Contracted Services for the Life of the Contract

Sprint suggests that the RFP be clarified by stating that the imposition of liquidated damages is subject to Section A.33, on Force Majeure. Staff agrees and this statement is provided in the language of Section A.34 on Liquidated Damages. Sprint also suggests that paragraph f. of Section A.34 of the RFP be eliminated. This section of the RFP gives the Commission the right to require payment by the provider of liquidated damages in the amount commensurate with the duration and extent of the system deficiencies when the provider fails to provide contracted services for the life of the contract. Staff believes that subsection (f) should not be eliminated because of the essential nature of the services offered by the provider.

(c) Sections B.40-B.45. Billing

Hamilton and Sprint suggest that bidders who obtain an FCC waiver of Sections 64.604(b)(3) and 64.604(a)(3)(ii) of the FCC's TRS Rules should be granted exemption from the terms of Sections 40-45 of the RFP. In addition, they suggest that in accordance with the August 24, 2016 FCC Order of Interim Waiver of Sections 64.604(b)(3) and 64.604(a)(3)(ii), the provider will provide long distance service to TRS and CTS users at no cost to the users. Further, it was suggested that language be added to clarify that Operator handled calls from inmates at correctional facilities, payphones, to and from international locations, to Directory Assistance, and calls placed to pay per call services (e.g., 900 numbers) shall be carefully supervised and disconnects made promptly. Staff agrees with Hamilton and Sprint's suggestions. If necessary, the Florida Relay Contract will be amended to reflect any change in the FCC's temporary waiver at the appropriate time.

(d) Section B.48. IP-Relay Service, IP-Captioned Telephone Service, and Video Relay Service

Staff agrees with a suggestion to replace “IP” with “IP-Relay Service” and “IP-Captioned Telephone Service” in the heading to more clearly present the services.

Below are additional suggested changes to the RFP considered by staff:

- (a) Staff considered a suggestion to Section A.6.f. Definitions/Acronyms to change the Blocked Call definition to calls “blocked by the relay platform” rather than the underlying carrier. Staff does not agree with the suggestion because it may have a negative impact on service quality.
- (b) Upon mutual agreement between the FPSC and the provider, the Contract allows the term to be extended for up to four additional one year periods subject to the same terms and conditions set forth in the initial Contract and any written amendments signed by the parties. Staff considered a suggestion to amend Section A.9 to add language to allow bidders to bid a price for one or more of the optional four year periods. Under the suggested amendment, bidders would be required to bid a fixed price for the initial three year period and could offer rates for the option years. It is staff’s position that the process currently in place operates effectively. Staff is concerned that awarding points for the optional years could affect the outcome of the RFP without the ability to enforce the rates in those optional years. Specifically, either the carrier that is selected or the FPSC can elect to cancel the contract at the end of the initial term. Thus a carrier could propose an unrealistically low rate to maximize its points for the optional year without any consequence of actually have to provide service at that rate.
- (c) Staff reviewed a suggestion on Section A.20 to change the order of precedence in case of a conflict between the bidder’s response to the Request for Proposals and the Request for Proposals. It was recommended that the bidder’s response to the Request for Proposals take priority over the terms of the Request for Proposals. Staff believes that the order of priority expressed in the Agreement signed by both parties is the correct order of priority. When a conflict occurs between the Request for Proposals and the bidder’s response to the Request for Proposals, the Agreement states that the inconsistency shall be resolved by giving precedence in the following order:
- The terms and conditions contained in the Agreement
 - The RFP
 - Relay Provider's response
 - Responses to Questions for RFP
- (d) Staff considered a suggestion to Section A.23 of the RFP to change the amount of time required to cure a breach of the contract from 14 days to 30 days in the Cancellation/Availability of Funds section. Staff disagrees since a breach of the contract may affect the health, safety, and welfare of approximately three million deaf or hard of

hearing Florida citizens. Staff believes it is necessary to cure a breach as soon as possible, but no later than 14 days after being provided written notice.

- (e) Staff considered a suggestion that the requirement to destroy documents be performed by the provider upon written request by the Commission. Staff believes that the written request is not prescribed by Chapter 119, Florida Statutes. The requirement would also impose an additional responsibility on the Commission to notify the provider of the statutory mandate to destroy records upon completion of the contract.
- (f) Staff also considered a suggestion for a provision in the RFP allowing the provider to suspend or terminate the provision of products or services in the event of an uncured breach by the Commission. Staff disagrees with this suggestion since Dispute Resolution is addressed in Section A.30 of the RFP and invoice disputes are addressed in Section B.51 of the RFP titled "Submission of Monthly Invoice."
- (g) Staff reviewed a proposal to allow ANI-based billing¹ for captioned telephone service in Section B-20. However, by Order PSC-10-0152-PAA-TP, issued March 15, 2010, the Commission stated that "...Florida's CapTel service no longer allows Roaming or Guest Options." Allowing ANI-based billing would permit out-of-state residents to bring their CapTel phones into Florida and have Florida be billed for their intrastate calls, which would be a violation of this Order.
- (h) Staff examined a suggestion to revise the blockage requirement in Section B.28. It was suggested that the Commission delete the last sentence of the requirement ("Calls that are blocked must receive a network blockage signal of 120 interruptions per minute."). Staff believes the network blockage signal is needed to help inform users that a blockage has occurred. Blockages can be prevented by the provider by adding more trunk capacity.
- (i) Staff studied a proposal to add additional language to the RFP addressing the provider's waiver of warranties and assignment of the contract. Staff believes the proposed changes could create ambiguity with other contract terms as to which party to the contract has liability. Specific provisions regarding quality of product may also conflict with other existing terms of the contract. Staff also believes that the provider's right to assign the contract could be detrimental to the needs of the telecommunications relay system users.

Staff recommends that the Commission issue the RFP, as set forth in Attachment A.

¹ Automatic number identification (ANI) is a feature of a telecommunications network for automatically determining the origination telephone number on toll calls for billing purposes.

Issue 2: Should this docket be closed?

Recommendation: No. (Page)

Staff Analysis: Rather than a Commission order being issued on this contractual matter, the RFP should be issued pursuant to Section 120.57(3), Florida Statutes. This docket should remain open throughout the life of the contract, and the provider should be selected to begin providing service on March 1, 2018.

STATE OF FLORIDA

FLORIDA PUBLIC SERVICE COMMISSION

REQUEST FOR PROPOSALS

TO PROVIDE

TELECOMMUNICATIONS RELAY SERVICE IN

FLORIDA

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REQUEST FOR PROPOSALS

A. ADMINISTRATIVE REQUIREMENTS AND PROCEDURES

1. Issuing Entity and Point of Contact

This Request For Proposals (RFP) is issued by the Florida Public Service Commission (FPSC). The FPSC's Proposals Review Committee (PRC) Chairman is the sole point of contact concerning this RFP and all communications must be made through the Chairman, Curtis Williams. Mailed correspondence must be addressed to Curtis Williams, c/o Ms. Carlotta Stauffer, Director, Office of Commission Clerk, Commission, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850 and should reference Docket No. 170039-TP. The PRC Chairman can be contacted at (850) 413-6924 and facsimile correspondence should be directed to (850) 413-6925. E-mail should be directed to the PRC Chairman at cjwillia@psc.state.fl.us.

2. Purpose

The purpose of this RFP is to contract for a Florida Relay Service (FRS) System that meets the needs of the people of the State of Florida pursuant to the Telecommunications Access System Act of 1991 (Chapter 427, Florida Statutes) and which satisfies or exceeds the relay system certification requirements of the Federal Communications Commission under the Americans with Disabilities Act. Bidders must comply with the requirements of both laws.

Section E, Table 1 of this RFP contains a summary of the captioned telephone intrastate billable minutes and TRS intrastate billable minutes provided by the current relay provider concerning the Florida relay traffic for the months of March 2016 through March 2017. Section E, Table 2 of this RFP contains a summary of the Florida intrastate and interstate session minutes for the months of March 2016 through March 2017. The bidder assumes all responsibility for the accuracy of data from these reports and billable minute information in using them for bidding purposes.

3. Other Applicable Laws/Legal Considerations

This RFP, and any resulting contract, shall be governed by the laws of the State of Florida. The bidders and provider shall comply with applicable federal, state, and local laws and regulations.

The contract shall be construed according to the laws of the State of Florida. Any legal proceedings against any party relating to or arising out of the RFP or any resultant contract or contractual relation shall be brought in State of Florida administrative or judicial forums. The venue will be Leon County, Florida.

4. Scope

This RFP contains the instructions governing the proposal to be submitted and the material to be included therein, mandatory administrative and operational requirements which a bidder shall meet to be eligible for consideration, specific instructions for proposal submission, and evaluation criteria.

5. FCC Authority to Provide Relay Services

The provider shall have the necessary FCC authority or only use, for relay service, telecommunications providers that have the necessary FCC authority to provide interstate and international service.

6. Definitions/Acronyms

The following terms, when used in this RFP, have the meaning shown below.

a. **Abandoned Calls** – Calls reaching the relay switch and terminated by the caller before a communications assistant answers regardless of the amount of time that has elapsed since the call reached the relay switch.

b. **Administrator** – A not-for-profit corporation incorporated pursuant to the provisions of Chapter 617, Florida Statutes, and designated by the FPSC to administer the telecommunications relay service system and the distribution of specialized telecommunications devices pursuant to Section 427.703(1), Florida Statutes.

c. **Advisory Committee** – A group created by Section 427.706, Florida Statutes, and consisting of up to ten individuals named by the FPSC for the purposes described in Chapter 427, Florida Statutes.

d. **Answer Time** – The point in the progression of inbound calls beginning when it arrives at the call center switch until it is routed to a communications assistant.

e. **Billable Minutes** – For the purpose of calculating and rendering bills to the Administrator pursuant to Section 427.704(2), Florida Statutes, billable minutes is the elapsed time between the time the incoming call enters the Florida Relay System provider's relay center switch and the completion of relay service. Total session time shall be rounded to the nearest one-tenth of a minute or less per session and the time for all call sessions shall be added together for all incoming calls during the month to produce the total billable minutes per month. The total of billable minutes for the month shall be rounded to the nearest one-tenth of a minute. In a

session which includes a mix of intrastate toll or local calls and interstate or international calls, the time associated with the interstate or international calls shall not be included in the billable time for that call session.

- f. Blocked calls – Calls blocked by the carrier’s 800 number network.
- g. Communications Assistant (CA) - A person who relays conversation to and from users of a relay system.
- h. Deaf – Having a permanent hearing loss and being unable to discriminate speech sounds in verbal communication, with or without the assistance of amplification devices.
- i. Dual Sensory Loss – Having both a permanent hearing loss and a permanent visual impairment and includes deaf/blindness.
- j. Electronic Posting - The Florida Department of Management Service's Vendor Bid System website located at http://myflorida.com/apps/vbs/vbs_www.main_menu.
- k. FPSC - Florida Public Service Commission.
- l. General Assistance Calls – Incoming calls to the CA that are not associated with an outgoing relay call. Such calls may provide information about using relay or other types of calls that are normally handled by customer service.
- m. Hard of Hearing – Having a permanent hearing loss which is severe enough to necessitate the use of amplification devices to discriminate speech sounds.
- n. Hearing Loss or Hearing Disabled – Being deaf or hard of hearing and includes dual sensory impairment.
- o. Hearing Carry-Over (HCO) – A feature that allows people who are speech disabled to use their hearing abilities to listen directly to their party. The CA voices the typed responses from the HCO user to the hearing person, who then speaks directly to the HCO user without CA interaction.
- p. Incoming Call – An incoming call refers to the portion of the communications connection from the calling party to the relay service center. An incoming Telecommunications Device for the Deaf (TDD) call is a call originated by a TDD user. An incoming telephone call is a call originated by a telephone user. An incoming call includes calls to the relay service telephone number for completing a relay call as well as general assistance calls.

q. Minor Irregularity – A variation from the request for proposals terms and conditions which does not affect the price of the proposal, give the bidder an unfair advantage or benefit not enjoyed by other bidders, or does not adversely impact the interests of the FPSC.

r. Outgoing Call – An outgoing call refers to the portion of the communications connection from the relay service center to the called party. An outgoing TDD call is a call to a TDD user. An outgoing telephone call is a call to a telephone user.

s. Provider – The entity with whom the FPSC contracts to provide Florida Relay Service.

t. Proposals Review Committee (PRC) – The PRC consists of designated FPSC staff and designated members of the Advisory Committee.

u. Session Minutes – Session minutes include the entire time that the relay call is connected to the communication assistant, including the time used to set up the call until the time the communications assistant disconnects the last party.

v. Speech Impaired or Speech Disabled – Having a permanent loss of verbal communications ability which prohibits normal usage of a standard telephone set as stated in Section 427.703(10), Florida Statutes.

w. Speech to Speech (STS) – A service that enables a person with speech disabilities to use relay service with his own voice or voice synthesizer, rather than using a TDD. A specially trained CA functions as a human translator for people with speech disabilities who have trouble being understood on the telephone. The STS CA repeats the words of the speech disabled user to the other party on the call.

x. Telecommunications Device for the Deaf (TDD or TTY) – A mechanism which is connected to a standard telephone line, operated by means of a keyboard, and used to transmit or receive signals through telephone lines. The term includes mechanisms equipped with sight assisting devices such as a large print screen or Braille printer and also includes computers as stated in Section 427.703(14), Florida Statutes.

y. User - Includes either the calling or called party in a relay call.

z. Video Relay – Video relay interpreting allows the caller, utilizing video conferencing facilities, to use sign language to communicate with the CA who voices the call to the hearing person at the receiving end.

aa. Voice Carry-Over - A feature that enables a user with a hearing disability to utilize his useable speech for direct expression of voice communications and to use the CA for conversion of the other user's communications from voice to TDD.

7. Key Dates

The following dates are target dates. The FPSC and the PRC Chairman reserve the right to change the dates. Any change to the dates shall be accomplished by addendum.

Release Request for Proposals..... by May 11, 2017
Clarifying Questions Submitted in Writing to
PRC Chairman 3:00p.m. EDT.....by May 25, 2017
Answers to Clarifying Questions.....by June 2, 2017
TECHNICAL AND PRICE PROPOSAL
DUE DATE & TIME 3:00p.m. EDT by June 16, 2017
Performance Bond Due Upon Execution of Contract
Begin ServiceMarch 1, 2018

8. Commencement Date

The commencement date for the service is March 1, 2018. Bidders shall provide a work schedule showing how they can meet that deadline and shall provide a statement that they can provide the complete service on March 1, 2018.

9. Term of Contract

The term of the Contract will be an initial three year period. Upon mutual agreement between the FPSC and the provider, the Contract may allow for the term to be extended for up to four additional one year periods subject to the same terms and conditions set forth in the initial Contract and any written amendments signed by the parties. Any extension is subject to the availability of funds and contingent upon satisfactory performance by the provider. The provider shall notify the Commission of its desire to extend service by March 1 the year before the current service period expires. For example, if the contract service period is due to expire on February 28, 2021, the provider should notify the FPSC by March 1, 2020, that it desires a one year extension of service.

10. Restrictions on Communications

From the issue date of this RFP until the staff recommendation on the award of the contract is filed in the docket file, bidders are not to communicate with any FPSC Commissioner, staff member, or Advisory Committee member regarding this RFP except for:

a. Written correspondence to or from the PRC Chairman for clarifying questions only regarding the Commission-approved RFP. All written questions must be submitted to the PRC Chairman by 3:00 pm EDT, May 25, 2017, and written answers to the questions will be posted in Docket No. 170039-TP and on the Florida Department of Management Services Vendor Bid System (http://www.myflorida.com/apps/vbs/vbs_www.main_menu) by June 2, 2017. No changes to the Commission-approved RFP will be considered.

b. Oral discussions at an oral interview or site visit pursuant to Section A.

After the recommendation for award is filed, there will be no oral or written communication with FPSC staff, including the PRC Chairman, or any member of the FPSC concerning the RFP. Written correspondence submitted to the docket file for the sole purpose of identifying a mathematical error will be reviewed by appropriate FPSC staff.

For breach of this provision, the FPSC reserves the right to reject the proposal.

11. Modifications, Withdrawals, and Late Proposals

Proposals may only be modified or withdrawn by the bidder up to the established filing date and time. It is the responsibility of the bidder to ensure that the proposal is received by the Office of Commission Clerk on or before the proposal due date and time. Both the technical and price proposals must be filed by June 16, 2017, at 3:00 p.m. EDT. Late proposals will not be accepted.

12. Bidding Costs

Neither the FPSC, nor the Florida Relay System, is liable for any costs incurred by a bidder in conjunction with the development of its bid.

13. Rejection of Proposals, Correction of Errors

The PRC Chairman and the FPSC reserve the right to reject any or all proposals and to cancel the RFP. The FPSC reserves the right to allow a bidder to correct minor irregularities upon notification by the PRC Chairman. A bidder may not modify its bid after opening; however, calculation or typographical errors may be corrected by the FPSC.

14. Public Availability of Proposals, News Releases and Public Announcements

The technical proposals will each be made available to the general public within 10 days after each is opened. The price proposals will not be opened until after the technical proposals have been evaluated. Such price proposals will be made available after the staff recommendation for award is filed. The FPSC may issue press releases or public announcements concerning filed proposals or the bid process.

15. Protests

Failure to file a protest of either the RFP or the letter of intent within the time prescribed in Section 120.57(3)(b), Florida Statutes, shall constitute a waiver of proceedings under Chapter 120, Florida Statutes.

16. Letter of Intent/Notification to Bidders

Upon selection of a potential provider by the FPSC, the FPSC will issue a letter of intent to the potential provider. The electronic posting of the Notice of Intent to Award is the point of entry to protest the award pursuant to Section 120.57(3), Florida Statutes. A contract shall be completed and signed by all parties concerned within thirty (30) days of mailing the letter of intent. If this date is not met, through no fault of the FPSC, the FPSC may elect to cancel the letter of intent and make the award to another bidder.

All bidders will receive a copy of the letter of intent by certified mail, return receipt requested.

17. Award of Contract

The FPSC shall award the contract to the bidder whose proposal is the most advantageous to the state, taking into account the following considerations in Section 427.704(3)(a), Florida Statutes:

- a. The appropriateness and accessibility of the proposed telecommunications relay service for the citizens of the state, including persons who are deaf, hard of hearing, or speech impaired.
- b. The overall quality of the proposed telecommunications relay system.
- c. The charges for the proposed telecommunications relay service system.
- d. The ability and qualifications of the bidder to provide the proposed telecommunications relay service system as outlined in the RFP.

- e. Any proposed service enhancements and technological enhancements which improve service without significantly increasing cost.
- f. Any proposed provision of assistance to deaf persons with special needs to access the basic telecommunications system.
- g. The ability to meet the proposed commencement date for the FRS.
- h. All other factors listed in the RFP.

18. Award Without Discussion

The FPSC reserves the right to make an award without discussion of proposals with the bidder. Therefore, it is important that each technical and price proposal be submitted in the most complete, understandable, and accurate manner possible.

19. Oral Interviews/Site Visits/Written Data Requests

Bidders may be asked to participate in oral interviews, respond to a written data request, make their facilities available for a site inspection by the PRC or make their financial records available for a FPSC audit. Such interviews, site visits, and/or audits will be at the bidder's expense except that the PRC will pay for its own expenses (transportation, meals, housing, etc.). Bidders should come to oral interviews prepared to answer the PRC's questions and the bidder's primary contact person (person signing the letter of transmittal accompanying the RFP or his designee) shall be present at all meetings with the PRC or FPSC.

20. Contract Document

The successful bidder will be required to sign a contract which will include the following elements.

- a. The RFP.
- b. The bidder's proposal in response to the RFP.
- c. A document identifying any clarifications to the proposal and any unsolicited items contained in the proposal and desired by the FPSC to be included in the FRS.

All of the above items together will constitute a complete initial contract that will be executed by the FPSC's Executive Director on behalf of the FPSC.

21. Limited Liability

Neither the Commission, its Advisory Committee, the Administrator, the PRC and the provider of the telecommunications relay service, nor any agent, employee, representative, or officer of the foregoing shall be liable for any claims, actions, damages, or causes of action arising out of or resulting from the establishment, participation in, or operation of the telecommunications relay service, except where there is malicious purpose or wanton and willful disregard of human rights, safety, or property in the establishment, participation in, or operation of the telecommunications relay service. To the fullest extent permitted by law, all prospective service providers and their assigns or successors by their participation in the RFP process, shall indemnify, save and hold the FPSC and its employees and agents, including the Advisory Committee and PRC, free and harmless from all suits, causes of action, debts, rights, judgments, claims, demands, accounts, damages, costs, losses, and expenses of whatsoever kind in law or equity, known and unknown, foreseen and unforeseen, arising from or out of the RFP and/or any subsequent acts related thereto, including, but not limited to, the recommendation of a bidder to the FPSC and any action brought by an unsuccessful bidder. This is a statutory requirement that will not be amended or waived.

22. Disclaimer

All information contained in the RFP, including any amendments and supplements thereto, reflects the best and most accurate information available to the FPSC at the time of the RFP preparation. No inaccuracies in such information shall constitute a basis for change of the payments to the provider or a basis for legal recovery of damages, either actual, consequential, or punitive.

23. Cancellation/Availability of Funds

The FPSC shall have the right to unilaterally cancel, terminate, or suspend any ensuing contract, in whole or in part, by giving the provider 60 calendar day's written notice by certified mail, return receipt requested, or in person with proof of delivery. If a breach of the contract by the provider occurs, the FPSC will provide written notice to the provider, and allow 14 days to cure the breach. If a breach of the contract is not cured within the 14 days, the FPSC may, by written notice to the provider, terminate the contract upon 24 hours notice. The provisions herein do not limit the FPSC's right to remedies at law or to damages.

Pursuant to Rule 25-25.013, F.A.C., on multi-term contracts, this contract is subject to the availability of funds.

24. Public Bidder Meetings and Proprietary/Confidential Information

Written requests for confidentiality shall be considered by the FPSC as described in Section 364.183, Florida Statutes. Rule 25-22.006, F.A.C., should be followed in making a request.

Meetings held between the FPSC or PRC and the bidder shall be open to the general public. Should the need arise to discuss any confidential materials, the FPSC or PRC will attempt to hold such a discussion by referring to the confidential material in a general way without closing the meeting. All meetings with bidders will be transcribed.

25. Public Records

All material submitted regarding this RFP becomes the property of the FPSC and subject to Chapter 119, Florida Statutes, (Public Records Law). The PRC reserves the right to use any or all information/material presented in reply to the RFP, subject to any confidentiality granted via Chapter 364 and Chapter 427, Florida Statutes. Disqualification of a bidder does not eliminate this right.

Unless otherwise exempt from disclosure under Chapter 119, Florida Statutes, or Section 24(a) of Article I of the State of Florida Constitution, all documents qualifying as public records shall be made available by the provider to the requestor, for public inspection. The FPSC may unilaterally cancel the contract for refusal by the provider to allow such public access. The provider must:

- a. Keep and maintain public records required by the FPSC in order to perform the service.
- b. Upon request from the FPSC's custodian of records, provide the FPSC with a copy of the requested records or allow the records to be inspected or copied within a reasonable time at a cost that does not exceed the cost provided in the Public Records Law or as otherwise provided by law. A provider who fails to provide public records to the FPSC may be subject to penalties under Section 119.10, Florida Statutes.
- c. Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law for the duration of the contract term and following completion of the contract if the provider does not transfer the records to the FPSC.
- d. Upon completion of the contract, transfer, at no cost, to the FPSC all public records in possession of the provider or keep and maintain public records required by the FPSC to perform the contract. If the provider transfers all public records to the FPSC upon completion of the contract, the provider shall destroy any duplicate records

that are exempt or confidential and exempt from public records disclosure requirements. If the provider keeps and maintains public records upon completion of the contract, the provider shall meet all applicable requirements for retaining public records. All records stored electronically must be provided to the FPSC in an Adobe PDF format.

IF THE PROVIDER HAS QUESTIONS REGARDING THE APPLICATION OF CHAPTER 119, FLORIDA STATUTES, TO THE CONTRACTOR'S DUTY TO PROVIDE PUBLIC RECORDS RELATING TO THIS CONTRACT, CONTACT THE CUSTODIAN OF PUBLIC RECORDS AT (850) 413-6770, clerk@psc.state.fl.us, 2540 SHUMARD OAK BOULEVARD, TALLAHASSEE, FLORIDA 32399-0850.

The FPSC and the provider acknowledge that this contract, including all elements identified in section A. 20 of this RFP, is a public record, is available to the public for inspection, and may be posted on a web site by the State of Florida.

26. Non-Collusion

By submitting a proposal, the bidder affirms that the proposed bid prices have been arrived at independently without collusion, consultation, or communications with any other bidder or competitor, that the said bid prices were not disclosed by the bidder prior to filing with the FPSC, and that no attempt was made by the bidder to induce any other person, partnership or corporation, to submit or not submit a proposal.

27. Changes in the Contract

Any change in the contract shall be accomplished by a formal written contract amendment signed by the authorized representatives of both the FPSC and the provider. No other document or oral communications shall be construed as an amendment to the contract.

28. Conflict of Interest/Standards of Conduct

The award hereunder is subject to the provisions of Chapter 112, Florida Statutes, (Public Officers and Employees), and Chapter 350, Florida Statutes (Standards of Conduct). All bidders shall disclose with their bid the name of any officer, director, or agent, who is also an employee of the State of Florida, or any of its agencies. Further, all bidders shall disclose the name of any state employee who owns, directly or indirectly, an interest of five percent or more in the bidder's firm or any of its branches.

29. Minority Business

It is the policy of the FPSC to encourage participation by minority business enterprises (as defined in Section 287.012, Florida Statutes) in FPSC contracts. If two identical bids/proposals to an invitation for bids or request for proposals are received and one

response is from a minority owned company, the FPSC shall enter into a contract with the minority owned company. If applicable, the bidder shall include in its proposal evidence that it meets the definition of a minority business.

30. Dispute Resolution

Any dispute concerning performance of the Contract shall be decided by the FPSC or the FPSC's designated Contract manager, who shall reduce the decision to writing and serve a copy on the provider. The decision shall be final and conclusive unless within twenty one (21) days from the date of receipt, the provider files with the FPSC a petition for administrative hearing. The FPSC's decision on the petition shall be final, subject to the provider's right to review pursuant to Chapter 120, Florida Statutes. Exhaustion of administrative remedies is an absolute condition precedent to the provider's ability to pursue any other form of dispute resolution; provided, however, that the parties may employ the alternative dispute resolution procedures outlined in Chapter 120, Florida Statutes. Without limiting the foregoing, the exclusive venue of any legal or equitable action that arises out of or relates to the Contract shall be the appropriate state court in Leon County, Florida; in any such action, Florida law shall apply and the parties waive any right to jury trial.

31. Waiver

The delay or failure by the FPSC to exercise or enforce any of its rights under this Contract shall not constitute or be deemed a waiver of FPSC's right thereafter to enforce those rights, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

32. Severability

If a court deems any provision of the Contract void or unenforceable, that provision shall be enforced only to the extent that it is not in violation of law or is not otherwise unenforceable and all other provisions shall remain in full force and effect.

33. Force Majeure, Notice of Delay, and No Damages for Delay

The provider shall not be responsible for delay resulting from its failure to perform if neither the fault nor the negligence of the provider or its employees or agents contributed to the delay and the delay is due directly to acts of God, wars, acts of public enemies, strikes, fires, floods, or other similar cause wholly beyond the provider's control, or for any of the foregoing that affect subcontractors or suppliers if no alternate source of supply is available to the provider. In case of any delay the provider believes is excusable, the provider shall notify the FPSC in writing of the delay or potential delay and describe the cause of the delay either (1) within ten (10) days after the cause that creates or will create the delay

first arose, if the provider could reasonably foresee that a delay could occur as a result, or (2) if delay is not reasonably foreseeable, within five (5) days after the date the provider first had reason to believe that a delay could result. THE FOREGOING SHALL CONSTITUTE THE PROVIDER'S SOLE REMEDY OR EXCUSE WITH RESPECT TO DELAY.

Providing notice in strict accordance with this paragraph is a condition precedent to such remedy. No claim for damages, other than for an extension of time, shall be asserted against the FPSC. The provider shall not be entitled to an increase in the Contract price or payment of any kind from the FPSC for direct, indirect, consequential, impact or other costs, expenses or damages, including but not limited to costs of acceleration or inefficiency, arising because of delay, disruption, interference, or hindrance from any cause whatsoever. If performance is suspended or delayed, in whole or in part, due to any of the causes described in this paragraph, after the causes have ceased to exist the provider shall perform at no increased cost, unless the FPSC determines, in its sole discretion, that the delay will significantly impair the value of the Contract to the State or to Customers, in which case the FPSC may (1) accept allocated performance or deliveries from the provider, or (2) purchase from other sources (without recourse to and by the provider for the related costs and expenses) to replace all or part of the products that are the subject of the delay, which purchases may be deducted from the Contract quantity, or (3) terminate the Contract in whole or in part.

34. Liquidated Damages for Failure to Initiate Services on Time

Implementation of the Florida Relay Service in a timely matter is essential. Failure by the provider to implement the service by March 1, 2018, shall be considered a significant and material breach of the Contract. For each day the service is delayed, the provider shall pay to the Administrator, for deposit in its operating fund, the sum of \$25,000.

Liquidated damages may accrue up to the following amounts for each breach. Liquidated damages for any particular month may not exceed the actual monthly revenue from the provision of services pursuant to this RFP. For failure to:

- a. Meet answer time requirements - \$5,000/day.
- b. Meet blockage rate or transmission level requirement - \$5,000/day.
- c. Meet complaint resolution requirement - \$1,000/complaint.
- d. Provide timely reports - \$500/day.
- e. Meet minimum typing speed of 60 words per minute on live traditional relay calls - \$5,000/day.

- f. Provide contracted services for the life of the contract, the FPSC reserves the right to require the payment by the provider of liquidated damages in the amount commensurate with the duration and extent of the system deficiencies.

Any liquidated damages may be paid by means of the Administrator deducting the amount of the liquidated damage from a monthly payment to the provider. Such action shall only occur upon order of the FPSC. The Liquidated Damage provisions stated above in this Section A.34 are subject to the Force Majeure provisions in Section A.33.

B. THE SERVICE TO BE PROVIDED

1. Overview

This section of the RFP lists and describes the specific basic features of the relay service required to be provided.

2. Scope of Service

The relay service shall be designed to provide the means by which a deaf, hard of hearing, speech, or dual sensory impaired person using a TTY can communicate over the existing telecommunications network with a non-TTY user (and vice-versa) through the use of the relay system. The service shall also provide other telecommunications services to persons with hearing and speech disabilities as further described below.

The FPSC is interested in procuring a relay service that is as cost efficient as possible while at the same time providing a service as equivalent to standard telecommunications service as possible.

3. Access Numbers

There shall be a single access number for TDD users, a single access number for voice users, a single access number for ASCII users, and a single access number for Spanish users. The TDD access number shall be (800) 955-8771, the voice access number shall be (800) 955-8770, and the ASCII access number shall be (800) 955-1339. The Spanish access number shall be (877) 955-8773. The provider must request FPSC authority to use additional numbers for relay access (e.g. Speech to Speech (STS), other foreign languages, etc.). If a caller calls the wrong access number, the system shall process the call without requiring the caller to redial.

Access shall also be provided via "711" which shall point to the (800) 955-8770 number.

4. Availability of the System to Users

The service shall be designed to relay local, intrastate, interstate, and international calls that originate or terminate in Florida. Relay service shall be available 24 hours per day every day of the year. No restrictions shall be placed on the length or number of calls placed by customers through the relay center.

5. Minimum Communications Assistant (CA) Qualifications and Testing

The provider shall adequately supervise and train its employees to always be courteous, considerate, and efficient in their contact and dealings with its customers and the public in general, and shall conduct periodic evaluations to ensure that courteous service is being rendered.

Bidders shall specify how CAs will meet all necessary proficiency requirements. CAs shall be able to quickly and accurately type TDD relay messages. The provider shall use valid, unbiased tests for CAs on subjects including, but not limited to:

a. Competent skills in typing, grammar, spelling, interpretation of typewritten American Sign Language (ASL), and familiarity with hearing and speech disability cultures, languages and etiquette. CAs must possess clear and articulate voice communications.

b. A high school diploma or grade equivalent diploma. In addition, each candidate shall pass a high school level English comprehension and grammar test before being considered for employment.

c. A minimum typing speed of 60 words per minute (wpm) on live traditional relay calls. Technological aids may be used to reach the required typing speed. The provider shall conduct monthly test calls on live calls using a statistically valid sample of their Florida TRS calls, with test results being submitted to the contract administrator on a monthly basis. The provider shall use prepared scripts that reflect a typical conversation and calling through the relay system the same as other live calls. The purpose of these calls will be to ensure all federal and state requirements for relay service are met. The provider shall explain as part of its proposal how it will conduct the test calls to determine the adequacy of service provided by the relay service. The method to be used to determine the typing speed is as follows. Start timing the CA when the CA begins to type the message to the TTY user. Count the number of characters including spaces and divide that number by five to determine the number of words per minute. It shall be the objective of the provider to test each CA at least once yearly. If a CA does not meet the 60 wpm requirement, the CA shall be taken off of live relay calls until further training and compliance can be accomplished.

d. Ethics, e.g., how a CA interacts with clients.

e. Confidentiality.

Any person who has not passed these tests shall not be utilized as a CA.

6. Communications Assistant (CA) Training

Each bidder shall demonstrate in its proposal how ongoing CA training will be provided by including with its proposal an outline of a proposed CA training plan. The provisions for CA training shall include, but not be limited to, an understanding of limited written English and ASL, deaf culture, needs of hearing and speech disabled and dual sensory impaired users, ability to speak in a tone of voice consistent with the intent and mood of the conversation, operation of relay telecommunications equipment, how to handle hearing and Voice Carry-Over, ethics, confidentiality and other requirements of the provider's operating policies and procedures. Training shall include both simulated and live on-line call handling.

7. Staff Training

All relay center staff, including management, shall receive training in ASL, deaf culture, needs of hearing, speech and dual sensory impaired users, ethics, and confidentiality. Each proposal should include an outline of a staff training plan indicating training topics and time frames as well as explaining how individuals or organizations (such as deaf service centers, state agencies, Florida Telecommunications Relay, Inc., universities, etc.) representing the hearing and speech impaired community would be used to assist with the training.

8. Counseling of CAs and Staff

Bidders are required to outline a program for counseling and support that will help CAs and staff deal with the emotional aspects of relaying calls. Those providing this staff support shall have training in dealing with the emotional aspects of handling relay calls. However, in counseling sessions, the CA shall not give to the support person the names of callers involved. The counseling support system shall follow the confidentiality provisions of this RFP.

9. Procedures for Relaying Communications

The system shall be designed to convey the full content of the communications. Unless requested otherwise by a user, the CA shall relay all calls according to the following procedures.

a. The CA is to be identified by a number (not name) followed by "M" if male and "F" if female. The provider shall establish a method which will allow identification of the CA in the event a complaint is filed or a user wants to praise the work of the CA.

b. The user shall be kept informed on the status of the call, such as dialing, ringing, busy, disconnected, or on hold throughout the call session. The

system shall provide feedback to callers on the call status within 10 seconds after a caller has provided the number to call and continue to provide feedback until the call is answered.

c. All users shall have the option of telling the CA how to greet the called party and what aspects of the call that he/she will handle. For example, the TDD user may voice the call (Voice Carry-Over), rather than have the CA do it or the caller may ask that relay be explained as soon as someone answers the call.

d. When the call is first answered, and at all times during the conversation, the system shall type to the TDD user or verbalize to the non-TDD user verbatim what is said or typed unless the relay user specifically requests summarization. If the CA summarizes the conversation, the CA shall inform both parties that the call is being summarized.

e. When the CA is asked to explain relay to a user, the CA shall express the term "explaining relay" to the other user on the call to let them know what is happening rather than transmitting all of the explanation.

f. When speaking for the TDD user, the CA shall adopt a conversational tone of voice appropriate to the type of call being made and conveying the intent and mood of the message. The CA shall also indicate identifiable emotions by typing those in parentheses, (e.g., he's laughing, he's crying). Any identifiable background noises shall be relayed to the TDD user in parentheses. The CA shall identify to the TDD user, if identifiable, the gender of voice users when they first come on the line. All of the above should be done automatically unless the user asks that it not be done.

g. CAs shall indicate to the user, if known, if another person comes on the line.

h. All comments directed to either party by the CA or to the CA by either party shall be relayed. These comments shall be typed in parentheses. However, comments between the CA and a relay user at the beginning of a call which deal with billing information need not be relayed to the other user.

i. CAs shall verify spelling of unfamiliar proper nouns, numbers, addresses, information about drug prescriptions and other unfamiliar words that are spoken and are to be relayed.

j. CAs shall stay on the line for a minimum of ten (10) minutes before allowing a change in CAs. For STS calls, the CA must stay on the line a minimum of twenty (20) minutes. If a user requests that the same CA be used during the entire

conversation, the system shall comply whenever possible until both parties have terminated the call.

k. CAs shall not counsel, offer advice, or interject personal opinions or additional information into any relay call. This also means the CAs shall not make any value judgments on the profanity or obscenity or legality of any messages. Furthermore, the CAs shall not hold personal conversations with anyone calling the system.

l. Users shall not be required to give their names or the name of the party they are calling, unless needed for billing.

m. The system shall transmit conversations between TTY and voice callers in real time.

n. For each incoming call, the CA shall without delay make as many outgoing calls as requested by the caller.

o. If a user requests that a CA of a specific gender be used, the provider shall make best efforts to accommodate the request when a call is initiated and at the time the call is transferred to another CA.

p. The provider shall provide a customer profile database. Such data may not be used for any purpose other than to connect the TRS user with the called parties desired by that TRS user. Such information shall not be sold, distributed, shared or revealed in any other way by the relay center or its employees, unless compelled to do so by lawful order.

10. Languages Served

At all times, the provider shall make available CAs with the capability to provide relay service to users who use either English, Spanish, or ASL on their relay call. Translation from one language to another is not required.

11. Additional Languages Served

The provider will not be required to serve languages other than English, Spanish, or ASL. However, additional evaluation points may be given for proposals that include how the provider would handle relay calls using one or more additional languages (e.g. French, Haitian Creole, etc.). Additional languages should be identified.

12. Shift Advisor/Consultant

On each shift the provider shall employ in the relay center at least one person who is highly knowledgeable of ASL in order to serve as an advisor/consultant to assist CAs in understanding the intent of messages and properly communicating the full content of communication.

13. Confidentiality of Calls

As required by Section 427.704(1)(c), Florida Statutes, all calls shall be totally confidential; no written or electronic script shall be kept beyond the duration of the call. CAs and supervisory personnel shall not reveal information about the content of any call and, except for the minimum necessary for billing, complaint processing, statistical reporting or training purposes as further described in this RFP, shall not reveal any information about a call. CAs and supervisory personnel shall be required to sign a pledge of confidentiality promising not to disclose the identity of any callers (except for the reasons discussed in this section) or any information learned during the course of relaying calls, either during the period of employment as a CA or after termination of employment.

a. When training new CAs by the method of sharing past experience, trainers shall not reveal any of the following information:

- (1) Names of the parties on the call.
- (2) Originating or terminating points of specific calls.
- (3) Specifics of the information conveyed.

b. CAs shall not discuss, even among themselves or their supervisors, any names or specifics of any relay call, except as necessary in instances of resolving complaints, bill processing, emergencies, or for training purposes. CAs may discuss a general situation with which they need assistance in order to clarify how to process a particular type of relay call. CAs should be trained to ask questions about procedures without revealing names or specific information that will identify the caller.

c. Watching or listening to actual calls by anyone other than the CA is prohibited except for training or monitoring purposes or other purposes specifically authorized by the FPSC. FPSC staff shall be permitted to observe live calls for monitoring purposes, but shall also comply with the confidentiality provisions above.

d. A copy of the FPSC rules on confidentiality shall be provided to a user upon request and at no cost.

14. Types of Calls to be Provided

- a. Text-to-voice/voice-to-text. The provider shall transmit conversations between TTY and voice callers in real time.
- b. Voice carry-over (VCO), two-line VCO, VCO-to-TTY, and VCO-to-VCO.
- c. Hearing carry-over (HCO), two-line HCO, HCO-to-TTY, HCO-to-HCO and Captioned Telephone or its equivalent service.

15. Call Release Functionality

Call release functionality is a feature that allows the CA to sign-off or "release" from the telephone line after the CA has set up a telephone call between the originating TTY caller and a called TTY party, such as when a TTY user must go through a TRS facility to contact another TTY user because the called TTY party can only be reached through a voice-only interface, such as a switchboard.

The provider shall also immediately release a call when a TTY user using the relay system is inactive for more than thirty (30) seconds.

16. Speed dialing

A feature that allows a TRS user to place a call using a stored number maintained by the TRS facility. In the context of TRS, speed dialing allows a TRS user to give the CA a "short-hand" name or number for the user's most frequently called telephone numbers.

17. Three-Way Calling Functionality

A feature that allows more than two parties to be on the telephone line at the same time with the CA.

18. Voicemail and Interactive Menus

CAs must alert the TRS user of the presence of a recorded message and interactive menus through a hot key on the CA's terminal. The hot key will send text from the CA to the consumer's TTY indicating that a recording or interactive menu has been encountered. Relay providers shall electronically capture recorded messages and retain them for the length of the call. The provider may not impose any charges for additional calls, which must be made by the relay user in order to complete calls involving recorded or interactive messages.

The bidder shall explain how messages will be left on or retrieved from answering machines and how interaction with voice response units will be accomplished. The bidder shall explain how any access code used to retrieve messages will be confidentially handled.

The bidder shall explain if and how messages will be retrieved from an answering machine if the originating party calling the relay center is at the same location as the answering machine. For example, if a person is at home and cannot retrieve his messages from his own answering machine, how will the relay center accomplish retrieving the message and relaying the information to the deaf or hard of hearing person when only one telephone line exists to the residence?

19. Voice and Hearing Carry-Over

The provider shall provide both voice and hearing Carry-Over upon request of the user. A TDD user may request Voice Carry-Over (VCO) which will allow him/her to speak directly to the telephone user and receive the message typed back on the TDD. In addition, a TDD user may request Hearing Carry-Over (HCO) which will enable the TDD user to directly hear what the telephone user is saying and type back his/her message, which will be spoken by the operator.

As part of its proposal, the bidder shall describe in detail how incoming 2-line VCO calls will be handled. As part of its proposal the bidder shall also describe in detail how outgoing 2-line VCO calls will be handled.

The provider shall make provision for two persons who have a hearing loss to speak for themselves by means of Voice Carry-Over to Voice Carry-Over (VCO to VCO) and for two persons who are speech disabled to hear for themselves by means of Hearing Carry-Over to Hearing Carry-Over (HCO to HCO).

20. Captioned Telephone Voice Carry-Over

The provider shall provide as part of its proposal a description of how Captioned Telephone or its equivalent service will be provided, including 2-line captioned service. If an equivalent service is provided, it must be compatible with the existing Captioned Telephone telephones currently in use by end users. The provider shall price the Captioned Telephone service separately from other relay services in its price proposal. No roaming or guest options are to be allowed.

The provider shall conduct monthly test calls on live calls using a statistically valid sample of its Florida captioned telephone calls, with results being submitted to the contract administrator on a monthly basis. The provider shall use prepared scripts that reflect a typical conversation and calling through the relay captioned telephone system the same as other live calls. The purpose of these calls will be to ensure all federal and state requirements for

relay service are met. The provider shall explain as part of its proposal how it will conduct the test calls to determine the adequacy of service provided by the captioned telephone service.

21. Turbocode™

The provider shall provide Turbocode™, or its functionally equivalent, service that allows the relay user to interrupt the CA or other TDD user as part of the basic relay system.

Pricing for this service shall be included in the basic relay price in the bidder's price proposal.

22. Speech to Speech

The provider must offer Speech to Speech (STS) users the option to maintain at the relay center a list of names and telephone numbers which the STS user calls. When the STS user requests one of these names, the CA shall just repeat the name and state the telephone number to the STS user. This information must be transferred to any new STS provider.

Pricing for STS service shall be included in the basic relay service price in the bidder's price proposal.

23. Access to Pay Per Call Services (i.e. 900/976)

The provider shall provide access to pay per call services such as 900/976 numbers.

The bidder should explain how it will provide relay service users with access to pay per call services. Bidders are to describe how such access can be provided, how callers can disconnect without being charged, and a methodology for billing the user directly for any charges incurred from the pay per call service. The bidder should describe how it would deal with denied pay per call calls and high bill complaints for 900/976 calls. Before placing the call, the CA shall advise the caller that there will be a charge for the call.

The bidder shall explain in the proposal how interstate and intrastate pay per call charges shall be separated for end user payment purposes.

24. Caller ID

When a TRS facility is able to transmit any calling party identifying information to the public network, the provider must pass through, to the called party, at least one of the following: the number of the TRS facility, 711, or the 10-digit number of the calling party.

25. Last Number Redial

Last Number Redial allows the caller to have the system dial the last number called via relay without the caller having to give the number to the CA.

26. Obscenity Directed at the Operator

CAs do not have to tolerate obscenity directed at them. A proposal shall specify how the provider will handle these situations.

27. Emergency Calls

The provider must use a system for incoming emergency calls that, at a minimum, automatically and immediately transfers the caller to an appropriate Public Safety Answering Point (PSAP). An appropriate PSAP is either a PSAP that the caller would have reached if he had dialed 911 directly, or a PSAP that is capable of enabling the dispatch of emergency services to the caller in an expeditious manner. In addition, a CA must pass along the caller's telephone number to the PSAP when a caller disconnects before being connected to emergency services.

28. Blockage

The provider is responsible for ensuring that 99 percent of all calls reaching the provider's relay center per day are either answered or continue to receive a ringing signal. Calls that are blocked must receive a network blockage signal of 120 interruptions per minute.

29. Answer Time

The provider is responsible for answering, except during network failure, 85 percent of all calls daily within 10 seconds of reaching the relay switch by any method which results in the caller's call immediately being placed, not put in a queue, or on hold. Elapsed time is calculated from the time inbound calls reach the relay switch. In calculating the percentage of calls meeting the answer time standard, the numerator shall be the total number of calls per day that are answered (with a CA ready to serve) in 10 seconds or less. The denominator shall be the total number of calls per day reaching the relay switch. Answer time shall not be reported as an average speed of answer or by using a weighted service level.

30. Equipment Compatibility

It is necessary for the system to be capable of receiving and transmitting in both Baudot and ASCII codes, as well as voice. It is also required that the relay system be capable of automatically identifying incoming TDD signals as either Baudot or ASCII. All equipment

shall be compatible with the basic protocol of TDDs distributed in Florida through the Administrator.

31. Transmission Levels

Transmission levels must be maintained within industry standards as outlined in the American National Standards Institute (ANSI) – Network Performance – Switched Exchange Access Network Transmission specifications (ANSI T1.506-1997). The provider must provide updates to those standards as amended by ANSI during the term of the contract and must meet the amended standards.

32. Measuring Equipment Accuracy

Every meter, recording and ticketing device used to capture call details for billing subscribers or the FPSC/Administrator as well as for providing traffic information shall be tested prior to its installation and shall be accurate 97 percent of the time to within a one second grace period. All equipment shall be maintained in a good state of repair consistent with safety and adequate service performance. Quarterly testing of the measuring equipment accuracy shall be performed by the provider and files should be maintained for the duration of the contract for FPSC review upon request.

33. Emergency Operations and Uninterruptible Power

In addition to a minimum of thirty (30) minutes battery capacity sufficient to operate each relay center processing Florida relay traffic at busy season busy hour load, each relay center shall have installed emergency power generating equipment capable of maintaining the relay center's operations. The uninterruptible power system shall support the switch system and its peripherals, switch room environmental (air conditioning, fire suppression system, emergency lights and system alarms), operator consoles/terminals, operator worksite emergency lights, and Call Detail Record recording. Provisions shall be made to meet emergencies resulting from failure of power service, sudden and prolonged increases in traffic, storms, lightning, etc. Employees shall be instructed as to the procedures to be followed in the event of emergency in order to prevent or mitigate interruption or impairment of relay service.

The bidder shall describe its plan for dealing with all types of natural and man-made problems (e.g., hurricanes, lightning strikes, fires, etc.) which either isolate the relay center and prevent calls from reaching the center or cause the center to be unable to operate. In addition, the plan should detail the steps which will be taken to deal with the problem and restore relay service.

The provider shall inform the contract manager of any major interruptions to the operation of the relay center extending beyond five minutes duration. The contract manager

shall also be informed when it becomes known to the relay center that any portion of the state is isolated for more than five minutes from the relay center. The provider shall also provide a written (or e-mail) report to the contract manager after restoration of service.

Although it is not mandatory, the FPSC urges the provider to subscribe qualifying facilities for priority restoration under the Telecommunications Service Priority Program.

34. Intercept Messages

Appropriate intercept messages shall be provided if a system failure occurs.

35. Service Expansion

The bidder shall show the capability of expanding services in response to increasing demand. The bidder shall develop and illustrate in its proposal a detailed plan of how this expansion will be accomplished. The plan shall include, but not be limited to, trunking capacity, CA workstations, personnel, and equipment capacity. The plan shall also indicate how any time lag shall be avoided to meet any increased call volume. The above plans shall allow the provider to be able to maintain all standards listed in the RFP.

36. New Technology

The users should be allowed to benefit from advancing technology. The bidder should keep abreast of technological changes in the provision of relay service to inform the FPSC and Administrator when new enhancements are available and at what price, and to provide the FPSC the opportunity to purchase such enhancements or upgrades to the service.

37. Consumer Input and Participation in Advisory Committee and FPSC Proceedings

The telephone users shall have input on the quality of the delivery of service. Bidders shall develop a plan to include the FPSC and its Advisory Committee in any evaluation of the system. A bidder shall not include travel or per diem costs of the FPSC or its Advisory Committee in its bid price since those costs will be funded by the State. An outline of this plan shall be included with the bidder's proposal. The plan shall explain methods for consumer input and how the recommendations from these evaluations will be incorporated into the policies of the relay center. This does not preclude the provider from conducting additional internal evaluations which use relay staff. The results of any service quality evaluation shall be reported to the FPSC office within 15 calendar days after the last month in each quarter.

Bidders are encouraged to include in the consumer input plan, methods for working with organizations serving individuals with hearing and speech loss statewide to conduct

periodic community forums. The community forums shall be for the purpose of gaining user input on the quality of relay service and for responding to user questions and problems on use of the relay service. The community forums shall be planned and conducted in conjunction with organizations serving people with hearing and speech loss.

The provider shall participate in all meetings of the Advisory Committee and all FPSC workshops and hearings relating to relay service unless excused by the contract manager.

38. Complaint Resolution

The provider shall establish procedures regarding complaints, inquiries, and comments regarding system services and personnel. The provider shall ensure that any caller to the relay center having a complaint will be able to reach a supervisor or administrator while still online during a relay call. All complaints received by supervisors, or in writing, shall be documented, including their resolution, and kept on file and available to the FPSC upon request. In addition, the relay center shall have a toll-free Customer Services telephone number available statewide and accessible to the public for the purpose of reporting service or other deficiencies. Records of such reports and copies of written reports regarding service or other deficiencies shall be maintained for the life of the contract and for twelve (12) months after conclusion of the contract period. This record shall include the name and/or address of the complainant, the date, and time received, the CA identification number, the nature of the complaint, the result of any investigation, the disposition of the complaint, and the date of such disposition. Each signed letter of complaint shall be acknowledged in writing or by contact by a representative of the provider. The necessary replies to inquiries propounded by the FPSC's staff concerning service or other complaints received by the FPSC shall be furnished in writing within fifteen (15) days from the date of the FPSC inquiry.

A complaint log compliant with the FCC reporting requirements shall be provided to the FPSC's contract manager in a timely manner for filing with the FCC.

39. Charges for Incoming Calls

The provider shall make no charge to the users for making calls (incoming) to the relay service.

40. Billing Arrangements

The provider shall bill for charges for collect calls, person-to-person calls, calls to or from hotel rooms and pay telephones, and calls charged to a third party. The provider shall also arrange for billing to any industry standard local exchange or competitive local exchange company calling card. For calls billed by or on behalf of the provider, the bidder shall include a complete description of how users will be billed for all calls. This description shall

include the bidder's procedures for obtaining billing information from the local exchange and competitive local exchange companies, whether the billing will be performed directly by the provider itself or contracted, specific credit cards or telephone calling cards to which calls can be billed, and a sample bill format. The bidder shall also explain how it will respond to customer inquiries about erroneous bills and how credits will be issued or refunds made. If the provider has obtained an FCC waiver, the provider will provide long distance service to TRS and CTS users at no cost to the users.

41. End User Billing for Intrastate Calls

Intrastate toll calls placed through the relay system and billed by or on behalf of the provider shall be billed to the voice or TDD caller at 50 percent of the provider's rate for non-relay calls. An additional 10 percent discount (60 percent total discount) shall apply to calls to or from the dual-sensory impaired; the provider shall develop a system for identifying such users and applying the discount to their calls. Timing for timed intrastate call billing shall begin when the relay operator advises a party to proceed with the call and shall not include any initial time by the operator to explain how relay service works.

The bidder shall explain how its discount toll plan subscribers would be billed for relayed calls billed by or on behalf of the provider. For example, if a bidder offers a discount for over five hours of usage per month, the bidder should explain how a subscriber to that service would be billed for any relay calls made during the month.

The provider shall not charge the end user more for non-message toll relay calling than would be charged for the same call if billed by the end user's local exchange or competitive local exchange company. The provider can accomplish this by obtaining necessary billing information about the end user's local company in order to ensure that it does not bill in excess of those rates (e.g., extended area service calls, extended calling service calls, etc.) so that the end user's local company can bill for relay calls under the local company's rates. If this alternative approach is taken, the provider shall submit the billing information to the local company in an industry standard format and the provider shall incur whatever costs are required to correctly format the billing information so that the local company can bill the calls.

Of the two approaches described above, the bidder should indicate how it will initially bill calls and the provider shall advise the FPSC's contract manager whenever it changes billing methodologies.

42. Relaying Interstate and International Calls

The provider shall be required to relay interstate and international calls that originate or terminate in Florida. The provider shall not include in its bill for Florida relay service any charges or time associated with interstate or international calls.

If relayed interstate or international calls are to be billed by the provider to the end user at a rate higher than the rate for a non-relay call, the provider shall quote the rate to the party to be billed before beginning the call. The bidder shall indicate how its rate for interstate and international calls will compare to the rate for non-relay calls and whether any discounts or additional charges will apply to interstate and international relay calls.

43. End User Selection of Carrier

The provider shall allow a caller to select an available interexchange company other than the provider for completion of toll calls and billing purposes. If the provider has obtained an FCC waiver, this requirement would only apply to International calls. The provider must meet current and subsequent requirements of the Network Interconnection Interoperability forum for handling end user requests for a carrier other than the provider. The bidder shall include a copy of the current standard along with its proposal and the provider shall provide to the FPSC any subsequent updates in the standard as soon as they are adopted.

44. Recipient of Toll Revenues

The relay provider or its underlying telecommunications provider shall be allowed to retain the toll revenues for all long distance calls billed by or on behalf of the relay provider or its underlying telecommunications provider.

45. Long Distance Call Billing

Operator handled calls from inmates at correctional facilities, payphones, to and from international locations, to Directory Assistance, and calls placed to pay per call services (e.g., 900 numbers) shall be carefully supervised and disconnects made promptly. A check of the timing clock shall be made at least once each twenty-four (24) hours to ensure that the clocks are synchronized and that the time is correct. Clock deviations shall not be in excess of 12 seconds. Bidders shall specify the record system for identifying and documenting long distance and toll calls for billing purposes. The record shall contain, at a minimum, the following information:

- a. Telephone number or credit card number to be billed (NPA-prefix-line number).
- b. Originating and terminating telephone number (NPA-prefix-line number).
- c. Originating and terminating exchange named.
- d. Date.

e. Start time.

f. Call duration to the full second (the time in between start time and end time). Long distance calls billed to subscribers shall be listed chronologically and reflect the connect time of such calls based on the appropriate time zone. Bidders shall also fully describe the billing system and billing process that will be used, including identification of any subcontractors, specific duties of the subcontractors, and how the billing record detail will be transmitted to the billing agent (if any).

46. Special Needs

The provider is not required to provide Special Needs services. However, consideration will be given for additional evaluation points for proposals that include Special Needs services (beyond any other services for basic relay described elsewhere in their proposal) as a part of the basic relay service.

“Special Needs” means limiting factors of a physical or literacy nature that preclude a person who is hearing, speech or dual-sensory (both hearing and visually impaired) disabled from using basic relay service. Special Needs includes: (1) physical limitations, either temporary or permanent, which preclude use of a TDD with or without adaptations for persons with manual dexterity limitations (e.g., paralysis, severe arthritis, broken fingers) and (2) markedly limited ability either to read or write English or Spanish which precludes the user from being able to use the relay service. (However, relay service does not include translation from one language to another for the Special Needs population or for any other consumers). Special Needs does not include: (1) unavailability of telephone service at the caller's home or business, (2) inability to communicate in either English or Spanish (i.e., where caller can only communicate in a language other than English or Spanish), or (3) handling complex calls (e.g., intervening in a call with a doctor to explain a medical procedure).

The bidder shall describe what steps will be taken to provide telecommunications assistance to persons with hearing, speech and dual-sensory impairments who have special needs. This description shall include the types of services that would be provided, the prices to end users (if any) for those services, how those services would operationally be provided, how parties other than the provider would be involved in providing Special Needs services, and how the provider would assure that those parties would fulfill their portion of the service obligation.

47. Unsolicited Features in Basic Relay Service

The bidder will not be required to provide unsolicited features in its basic relay service. However, additional evaluation points will be considered for proposals that include

unsolicited features. The cost to the state for these unsolicited features must be included within the basic relay service price proposal.

Any additional features not described elsewhere in the RFP, and which the bidder is including in its basic relay service and price proposal, which a bidder would like to propose shall be fully described indicating how the feature would work, how it would improve the system, which users would benefit from the feature and any other information which would allow the FPSC and PRC to evaluate the feature. Examples might include features such as: video interpreting; use of speech synthesis equipment instead of a CA to convert text to speech; use of voice recognition equipment instead of a CA to convert speech to text; enhanced transmission speed or any proposed service enhancements and technological enhancements which improve service.

48. IP-Relay Service, IP-Captioned Telephone Service, and Video Relay Service

If required by the FCC, the bidder shall be capable of providing IP-Relay service. If required by the FCC, the bidder shall be capable of providing IP-Captioned Telephone Service. If required by the FCC, the bidder shall be capable of providing Video Relay Service.

49. Redundancy

Please provide information regarding redundant coverage offered nationally, such as the number of call centers.

50. Performance Bond

The provider will be required to furnish an acceptable performance bond, certified or cashier's check, or bank money order equal to the estimated total first year price of the contract. The bond may be renewed annually and shall be in effect for the entire duration of the contract and provided to the FPSC upon execution of the contract or upon request of the FPSC's contract manager.

To be acceptable to the FPSC as surety for performance bonds, a surety company shall comply with the following provisions:

- a. The surety company shall be authorized to do business in the state of Florida.
- b. The surety company shall have been in business and have a record of successful continuous operations for at least five (5) years.

c. The surety company shall have minimum Best's Policy Holder Rating of A and Required Financial Rating of VIII from Best's Key Rating Guide.

d. The surety company shall provide a duly authenticated Power of Attorney evidencing that the person executing the bond on behalf of the surety had the authority to do so on the date of the bond.

51. Submission of Monthly Invoice

By the 14th calendar day of the month (or the subsequent business day if the 14th falls on a Saturday, Sunday, or holiday), the provider shall submit a detailed invoice (showing billable minutes and rates) to the Administrator [defined in Section 427.703(1), Florida Statutes] at the contracted price for the previous month's activity. The accounting period used to prepare monthly invoices shall be the calendar month. Payment shall not exceed the prices contained in the contract. The invoice and supporting documentation shall be prepared in such a way as to allow the Administrator or the FPSC to audit the invoice. A copy of the monthly invoice shall be submitted to the contract manager at the same time it is submitted to the Administrator.

Payment is due within 30 days of receipt of a proper invoice. If payment is not received within the 30 day due date, the FPSC will be liable for interest charges at prime lending rates that will be incurred against the unpaid balance until such time as payment is received.

The invoices provided by relay provider for the FRS shall specify to whom payment shall be made and the address to which such remittance shall be mailed. If FPSC or its assigned Administrator disputes any portion of a monthly invoice, the disputing party shall provide to relay provider a detailed explanation of and manner of calculations of the disputed amounts. Relay provider will promptly address the claim with the FPSC or its Administrator and attempt to resolve the problem within thirty (30) days. If the dispute is between relay provider's Administrator and relay provider and these two parties cannot resolve the issue within thirty (30) days of the due date of the bill, relay provider shall so advise the FPSC. The FPSC will address the dispute as soon as possible. If relay provider overcharges the FPSC on any monthly invoice and the overage is paid, relay provider shall issue a credit in the amount of the overage plus interest charges at prime lending rates. Interest shall be calculated from the date such payment is received by relay provider ("Payment Date"), until the date such credit is issued.

52. Travel

The provider will not be entitled to a separate payment from the FPSC or the Administrator for any travel expenses which occur as a result of this contract.

53. Reporting Requirements

The provider shall provide to the contract manager and the Administrator the following written reports by the 25th calendar day of each month reporting data for the previous month. More frequent or more detailed reports shall also be provided upon request.

- a. Total daily and monthly
 - (1) Number of incoming calls (separately stating whether incoming calls originate as Baudot, ASCII or voice calls, and also separately stating whether each type of call is English, Spanish, or other foreign language calls). The number of incoming calls which are general assistance calls shall be footnoted on the report.
 - (2) Number of incoming call minutes associated with each of the categories of incoming calls in a.(1) above.
 - (3) Number of outgoing calls (provide two breakdowns of this total: one separately stating completed calls and incomplete calls, and one separately stating whether calls terminate as Baudot, ASCII or voice calls).
 - (4) Number and percentage of incoming Florida calls received at each relay center handling Florida calls. Total should equal the number of incoming calls in item a.(1) above.
- b. Average daily and monthly blockage rate.
- c. Daily answer times for the month and daily number and percent of incoming calls answered within ten (10) seconds for the month.
- d. Total daily and monthly number of outgoing calls (including both completed and incomplete) of the following lengths:
 - (1) 0 – 10 minutes
 - (2) >10 – 20 minutes
 - (3) >20 – 30 minutes
 - (4) >30 – 40 minutes
 - (5) >40 – 50 minutes

(6) > 50 – 60 minutes

(7) > 60+ minutes

e. On a daily basis for the month, number of outgoing calls and average length of calls by hour of day. (Total should equal total of a.(3)).

f. Number of outgoing local, intraLATA toll, intrastate interLATA, interstate and international calls for the month. (Total should equal total of a.(3)).

g. Number of outgoing calls and average length of completed outgoing calls originated by TDD users and voice users (identified separately). (Total number of calls should equal total of a.(3)).

h. The provider shall provide monthly summary reports to the FPSC and the Administrator regarding the number of complaints received categorized by topic areas. The provider shall also provide a complaint summary to the FPSC in the format necessary to submit to the FCC in compliance with 47 CFR 64.604(c)(ii), by June 15 covering the previous 12 months of complaints ending May 31 of that year.

i. The provider shall report monthly to the FPSC and the Administrator the results of any user evaluations conducted.

j. The provider shall report monthly on new subcontractors being used to assist in providing relay service and shall identify the scope of their role in the process and the relationship of the subcontractor to the provider.

k. By March 1, the provider shall provide to the Administrator and the contract manager forecasted relay usage figures and costs to the FPSC for the upcoming fiscal year (July 1 -June 30).

l. The provider shall report monthly on Captioned Telephone or its equivalent service listing the daily answer time, minutes of use for international, interstate, and intrastate; billable session minutes and service levels.

m. The provider shall submit the necessary documentation to the FPSC that complies with the state certification requirements of 47 CFR 64.606 when required.

n. The provider shall provide reports to the FPSC as necessary to complete the five-year re-certification of Florida Relay Service with the FCC.

o. A provider opting to locate a call center in Florida shall file quarterly reports with the FPSC's contract manager demonstrating a minimum of 75 percent of Florida relay traffic is handled by the Florida located center except when emergency conditions exist at the Florida center.

The bidder shall include information on its capability and willingness to provide ad hoc reports including new information in the bidder's database or new formats for existing information.

54. Transfer to New Provider

When relay service is transferred to a new provider, the provider shall make every effort to ensure that service is transferred to the new provider so that relay users do not experience an interruption in service. The relay service and consumer service 800 or other telephone numbers shall be made available to the new provider, with the new provider paying any costs associated with transferring the numbers to the new provider. Provision of customer profile data to the incoming provider shall be provided at least sixty (60) days prior to the outgoing provider's last day of service.

55. Insurance Coverage

During the term of the Contract, the provider shall provide insurance coverage for itself and all of its employees used in connection with the performance of services under this Contract and ensure that all subcontractors shall be similarly covered as provided herein. Such policies shall be issued by a financially sound carrier and/or carriers duly authorized to do business in the State of Florida. Such insurance coverage shall hold the FPSC harmless from any act, negligence or omission on the part of provider, its employees, agents or subcontractors and their employees in the execution or performance of the obligations assumed hereunder. This insurance will include Worker's Compensation as required by law and comprehensive general liability and bodily injury insurance in amounts no less than \$1,000,000 per occurrence and \$2,000,000 general aggregate.

56. Optional Florida Call Center

A bidder may, at its option, elect to place a call center in Florida through which relay traffic may be routed. A bidder proposing an optional call center shall maintain the call center throughout the term of the contract. A minimum of 75 percent of Florida relay traffic shall be handled by the Florida located center except when emergency conditions exist at the Florida center. Percentage of traffic routed through the Florida relay call center shall be reported to the FPSC's contract manager on a quarterly basis. The Florida call center shall be fully operational by March 1, 2018. Bidders meeting the criteria for a Florida call center will be awarded 100 points. Partial points will not be awarded in this category.

C. TECHNICAL BID PROPOSAL FORMAT

1. Format

The bidder's proposal shall be organized in the same order as the items listed in the checklist form in Section E except Signature of Acceptance items require no response other than a signature on the checklist. Signing means that the item has been reviewed and the bidder agrees to comply with the item. The person signing shall be the person in the bidder's organization authorized to make the proposal. For items for which points may be awarded, the bidder shall explain how it will provide the service described in the RFP. For pass/fail items, the bidder shall provide the information requested.

- a. The original and fifteen (15) two-sided copies of the technical proposal shall be filed. The original and five (5) copies of the price proposal shall be filed.
- b. The technical proposal shall be contained in a three-ring binder indicating the name of the bidder and indicating that the contents of the binder is the technical bid proposal only. Price proposals are not eligible for FPSC electronic filing. (The price proposal shall be submitted in a separate sealed envelope - see Section D.)
- c. Each page of the technical proposal shall be numbered at the bottom center of each page and each page should be consecutively numbered with no repetition of page numbers, except attachments that can be numbered A-1, B-1, etc. For example, there shall only be one page 1, one page 50 and one page 500 in the technical proposal. Page numbering shall only be done in Arabic numerals with no pages numbered with other characters such as 5.7, iii, 6-a, XIX, or similar numbering systems, except attachments as described above. Attachments can have their own numbering system. Attachments shall be labeled by letters, e.g., A, B, C, etc. Page numbers for attachments should begin with the attachment letter designator, e.g., A-1, B-1, C-1, etc.
- d. In the top or bottom margin of each page, the name of the company shall be identified.
- e. To the extent possible, all pages of the proposal shall be on 8½ x 11" white paper. However, individual presentations which the bidder is unable to place on an 8½ x 11" page in a readable format may be presented on a larger page.
- f. Attachments can have their own numbering system. Attachments shall be labeled by letters, e.g., A, B, C, etc. Page numbers for attachments shall begin with the attachment letter designator, e.g., A-1, B-1, C-1, etc.

2. Transmittal Letter

The transmittal letter on the original of the technical proposal shall contain the original manual signature of the person submitting the proposal on behalf of the bidder. The technical proposal copies shall also contain the typewritten signer's name and title. The transmittal letter shall clearly identify the complete legal name of the bidder. In the transmittal letter, the bidder shall state that it will comply with all requirements of the RFP. Any exceptions to the RFP's terms and conditions will result in disqualification from the bid process.

Each person signing a proposal certifies that he/she is the person in the bidder's organization authorized to make the proposal. The signer shall provide his/her affiliation with the bidder, address, telephone and facsimile numbers. If different from the person signing the proposal, the transmittal letter shall identify the person or persons (name, title, mailing address, e-mail address, telephone and facsimile number) authorized to make decisions or answer questions related to the proposal and any subsequent contract.

3. Public Entity Crimes Provision

Pursuant to Section 287.133, Florida Statutes, a person or affiliate who is on the convicted vendor list following a conviction for a public crime may not submit a bid on a contract to provide any goods or services to a public entity. The person or affiliate may not be awarded a contract or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity and may not transact business with any public entity in excess of the threshold amount provided for in Florida Statute 287.017 for Category Two (\$35,000) for a period of 36 months from the date of being placed on the convicted vendor list.

4. Financial Information

To allow the FPSC to evaluate the financial responsibility of the bidding company, the following items shall be submitted with the proposal for the bidding company (and its parent company, if applicable). Online access via a secure website² is an acceptable method to submit these items:

- a. Audited financial statements (or a SEC 10K Report) for the most recent two (2) years, including at a minimum:
 - (1) statement of income and related earnings,

²A bidder may file a claim of confidentiality pursuant to Rule 25-22.006(5), F.A.C., or the bidder may file a formal request for confidential classification pursuant to Rule 25-22.006(4), F.A.C. Documents received by means of the Internet cannot be considered confidential.

- (2) cash flow statement,
- (3) balance sheet, and,
- (4) opinion concerning financial statements from an outside CPA;
- b. Primary Banking source letter of reference.

5. Experience and Customer References

For each state in which the bidder is providing relay service, the bidder shall indicate:

- a. When the bidder began operating the system.
- b. The number of outgoing calls for the most recent month.
- c. The total duration of the contract.

If the bidder's relay service in other states is available for testing by means of a number that can be dialed from within Florida, the bidder shall provide the telephone numbers that can be used to dial the bidder's relay service.

The bidder shall provide the names of the contract administrator for the active contracts requested above. Also provide a specific phone number and e-mail address for each contract administrator. The FPSC will contact these administrators for customer references.

6. Subcontractors

If the bidder proposes to use subcontractors, the bidder shall identify those subcontractors and indicate the scope of their role in the provision of relay service. The bidder shall also indicate what experience the subcontractor has in providing the service for which it would contract with the provider. Once the contract is awarded, any change in subcontractors shall be reviewed and acknowledged by the FPSC.

7. Bid Security Deposit

A \$500,000 bid security deposit shall be furnished to the FPSC with the original of the proposal. The bid security deposit shall be in the form of a bond, a certified or cashier's check, or bank money order that is valid through the point of execution of the contract, and is payable to the Florida Telecommunications Relay, Inc. The bid security deposit will be held without cashing.

If a bond is used, the bond shall be issued from a reliable surety company acceptable to the FPSC, licensed to do business in the state of Florida. Such a bond shall be accompanied by a duly authenticated Power of Attorney evidencing that the person executing the bond on behalf of the surety had the authority to do so on the date of the bond. Please clearly identify the expiration date of the bond if a bond is submitted as the bid security instrument.

The unsuccessful bidders' security deposits shall be returned, without interest, within thirty (30) days after disqualification, withdrawal, or signing of the contract with the successful bidder. The successful bidder's bid security shall be returned, without interest, upon signing of the contract and furnishing the Performance Bond as specified herein. If the successful bidder fails to sign a contract within thirty (30) days after the Letter of Intent or fails to deliver the Performance Bond as specified herein, the bid security shall be forfeited to the Florida Telecommunications Access System Fund.

8. Check List of Proposal Content

As a part of the bidder's proposal, the transmittal letter should be followed by the evaluation checklist in Section E. In the blank beside each item on the checklist, except items requiring a Signature of Acceptance, the bidder's company contact person who is responsible for the proposal and any subsequent contract and who signs the transmittal letter shall initial (not check) each item in the check list which is contained within the proposal. The person initialing the checklist shall ensure that each item in the checklist is also contained in its proposal and in the same order as the item appears in the checklist. The bidder shall also indicate beside each item in the checklist the page number in its proposal where the item in the checklist can be found.

For items requiring a Signature of Acceptance, the same person shall sign each item indicating that the item has been reviewed and the bidder agrees to comply with the item.

NOTE:

For filing part of a bid proposal electronically, please contact the Commission Clerk at (850) 413-6770 to discuss your filing. CONFIDENTIAL INFORMATION MAY NOT BE FILED ELECTRONICALLY.

D. THE PRICE PROPOSAL FORMAT

Bidders shall submit their bids on the basis of a charge per billable minute for all services described with the exception of Captioned Telephone in item B. 20. The prices per billable minute for Captioned Telephone in B. 20 shall be separately stated. A format similar to that shown below should be used for the price proposal.

NOTE: THE PRICE PROPOSAL SHALL BE FILED IN A SEPARATE SEALED ENVELOPE MARKED: "SEALED – TO BE OPENED ONLY BY THE FPSC PROPOSAL OPENING OFFICER"

SERVICE PRICE PER BILLABLE MINUTE

1. Basic Relay Service

Bid price should be on a flat rate basis per billable minute for all billable minutes and not vary depending upon the volume of traffic. Existing contract price for intrastate basic relay service is \$1.09 per session minute.

2. Captioned Telephone

Bid price should be on a rate per billable minute for all billable minutes and may vary depending upon the volume of traffic. Existing contract price for intrastate captioned telephone service is \$1.63 per session minute.

E. THE EVALUATION METHOD TO BE USED AND FILING CHECK LIST

Technical proposals will be evaluated using a pass or fail criteria for some elements, a point rating criteria for some elements, and a signature of acceptance for some elements. The PRC Chairman reserves, at his discretion, the right to notify and allow a bidder a minimum time period to cure minor irregularities in items rated on a pass/fail basis. Failure to cure such minor irregularities may result in elimination of the proposal from further evaluation. For items that are rated on a point basis, each member of the PRC will rate each item giving it a rating of between zero and the maximum point rating shown on the check list on the following pages with the exception of checklist item number 63 (RFP ref. B53).

The technical ratings will be based on the PRC member's evaluation of the evaluated item using the following scale.

Where maximum points equals	Poor	Fair	Good	Excellent
10	0-2.5	2.6-5.0	5.1-7.5	7.6-10
25	0-6.3	6.4-12.5	12.6-18.8	18.9-25
50	0-12.5	12.6-25	25.1-37.5	37.6-50
75	0-18.8	18.9-37.5	37.6-56.3	56.4-75
100	0-25	26-50	51-75	76-100
200	0-50	51-100	101-150	151-200

Total points from each PRC evaluator on the technical proposal will be added together for a total technical score. Proposals that do not receive at least 75% of the total available technical points in aggregate to achieve a level of Excellent, will be eliminated from further evaluation and the bidder's price proposal will not be considered. The technical score totals for each bidder will be compared by using the point total for the bidder with the highest point total as the denominator of a fraction with each bidder's individual point total as the numerator. Each bidder's percentage will then be multiplied by 50% to arrive at the weighted score for each bidder's technical proposal. Next, a weighted score for each eligible bidder's price proposal shall be calculated as follows. Each eligible bidder's price will be compared by using the lowest eligible bidder's bid price for basic relay service as the numerator of a fraction with each eligible bidder's price as the denominator. Each eligible bidder's percentage will then be multiplied by 18.14% to arrive at the weighted percentage score for each eligible bidder's price proposal. The same procedure will be used to evaluate Captioned Telephone or its equivalent service using 31.86% to arrive at the weighted percentage score.

Each eligible bidder's weighted percentage score for its technical proposal and for its price proposal will be added together and the eligible bidder with the highest total will be recommended by the PRC to the FPSC. However, the FPSC reserves the right to reject the PRC's recommendation, and reject all bids.

Evaluation Example

The following is an example of how the PRC would evaluate the bidders if the total technical points available equal 7,500. The numbers used are strictly for illustrative purposes and not intended to provide any guidance in terms of what the FPSC anticipates the price, price relationships, or usage levels to be.

Assumptions:

- a) Sum of total technical points by all evaluators:
Bidder A (7,500 points) – $7,500/7,500 = 1.000 \times 50\% = .5000$
Bidder B (7,000 points) – $7,000/7,500 = .9333 \times 50\% = .4667$
Bidder C (5,500 points) – $5,500/7,500 = .7333 \times 50\% = .3667$

In the example above, Bidder C failed to obtain a score equal to 75% of the total technical points available and as a result, Bidder C's price proposal would not be considered.

- b) Bidders' price proposals for basic relay service:
Bidder A - \$1.09 per billable minute
Bidder B - \$1.80 per billable minute
- c) Bidders' price proposals for Captioned Telephone service:
Bidder A - \$1.63 per billable minute
Bidder B - \$1.61 per billable minute

The technical evaluation is as follows:

Bidder A (7,500 points) – $7,500/7,500 = 1.000 \times 50\% = .5000$
Bidder B (7,000 points) – $7,000/7,500 = .9333 \times 50\% = .4667$

The price evaluation for TRS is as follows:

Bidder A (\$1.09 per billable minute) - $\$1.09/\$1.09 = 1.000 \times 18.14\% = .1814$
Bidder B (\$1.80 per billable minute) - $\$1.09/\$1.80 = .9167 \times 18.14\% = .1098$

Docket No. 170039-TP
Date: April 21, 2017
Florida Relay Service
Section E

Attachment A

The price evaluation for Captioned Telephone (CT) service is as follows:

Bidder A – (\$1.63 per billable minute) - $\$1.61/\$1.63 = .9877 \times 31.86\% = .3147$

Bidder B – (\$1.61 per billable minute) - $\$1.61/\$1.61 = 1.000 \times 31.86\% = .3186$

The total is calculated as follows:

Bidder A – .5000 (technical) + .1814 (price TRS) + .3147 (price CT) = .9961

Bidder B – .4667 (technical) + .1098 (price TRS) + .3186 (price CT) = .8951

DRAFT

FILING CHECK LIST

Check List Item No.	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's Proposal	Pass/Fail Or Signature Or Maximum Points
1.	_____	Format (RFP ref. Sections C and D)	N/A	N/A
2.	_____	Transmittal Letter, Address, Contact Person, Tel. and Fax No., Legal Name of Bidder, and Statement of Compliance with or lack of Compliance with RFP requirements (RFP ref. C-2)	_____	P/F
3.	_____	Check List (RFP ref. C-8 and E)	_____	P/F
4.	N/A	FCC Authority to Provide Relay Services (RFP ref. A-5)	Signature of Acceptance _____	
5.	N/A	Public Bidder Meetings and Proprietary/Confidential Information (RFP ref. A-24)	Signature of Acceptance _____	
6.	N/A	Conflict of Interest/Standards of Conduct (RFP ref. A-28) – State Name(s) or None Below Name(s) Disclosed: _____	Signature of Acceptance _____	
7.	N/A	Dispute Resolution (RFP ref. A-30)	Signature of Acceptance _____	

Check List Item No.	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's Proposal	Pass/Fail Or Signature Or Maximum Points
8.	N/A	Waiver (RFP ref. A-31)	Signature of Acceptance _____	
9.	N/A	Severability (RFP ref. A-32)	Signature of Acceptance _____	
10.	_____	Commencement Date (RFP ref. A-8)	_____	P/F
11.	N/A	Term of Contract (RFP ref. A-9)	Signature of Acceptance _____	
12.	N/A	Scope of Service (RFP ref. B-2)	Signature of Acceptance _____	
13.	N/A	Access Numbers (RFP ref. B-3)	Signature of Acceptance _____	
14.	N/A	Availability of the System to Users (RFP ref. B-4)	Signature of Acceptance _____	
15.	_____	Minimum CA Qualifications/Testing (RFP ref. B-5)	_____	100
16.	_____	CA Training (RFP ref. B-6)	_____	100

Check List Item No.	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's Proposal	Pass/Fail Or Signature Or Maximum Points
17.	_____	Staff Training (RFP ref. B-7)	_____	100
18.	_____	Counseling of CAs and Staff (RFP ref. B-8)	_____	25
19.	_____	Procedures for Relaying Communications (RFP ref. B-9)	_____	100
20.	N/A	Languages Served (RFP ref. B-10)	Signature of Acceptance _____	
21.	_____	Additional Languages Served (RFP ref. B-11)	_____	25
22.	N/A	Shift Advisor/Consultant (RFP ref. B-12)	Signature of Acceptance _____	
23.	N/A	Confidentiality of Calls (RFP ref. B-13)	Signature of Acceptance _____	
24.	N/A	Types of Calls to be Provided (RFP ref. B-14)	Signature of Acceptance _____	
25.	_____	Call Release Functionality (RFP ref. B-15)	_____	50
26.	_____	Speed Dialing (RFP ref. B-16)	_____	50
27.	_____	Three-Way Calling Functionality (RFP ref. B-17)	_____	50

Check List Item No.	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's Proposal	Pass/Fail Or Signature Or Maximum Points
28.	_____	Voicemail and Interactive Menus (RFP ref. B-18)	_____	50
29.	_____	Voice and Hearing Carry-Over (RFP ref. B-19)	_____	100
30.	_____	Captioned Telephone Voice Carry-Over (RFP ref. B-20)	_____	100
31.	_____	Turbocode™ (RFP ref. B-21)	_____	100
32.	_____	Speech to Speech (RFP ref. B-22)	_____	100
33.	_____	Access to Pay Per Call Services (RFP ref. B-23)	_____	100
34.	_____	Caller ID (RFP ref. B-24)	_____	100
35.	_____	Last Number Redial (RFP ref. B-25)	_____	25
36.	_____	Obscenity Directed at the Operator (RFP ref. B-26)	_____	25
37.	_____	Emergency Calls (RFP ref. B-27)	_____	100
38.	_____	Blockage (RFP ref. B-28)	_____	200
39.	_____	Answer Time (RFP ref. B-29)	_____	200
40.	N/A	Equipment Compatibility (RFP ref. B-30)	Signature of Acceptance _____	

Check List Item No.	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's Proposal	Pass/Fail Or Signature Or Maximum Points
41.	N/A	Transmission Levels (RFP ref. B-31)	Signature of Acceptance _____	
42.	N/A	Measuring Equipment Accuracy (RFP ref. B-32)	Signature of Acceptance _____	
43.	_____	Emergency Operations and Uninterruptible Power (RFP ref. B-33)	_____	100
44.	_____	Intercept Messages (RFP ref. B-34)	_____	P/F
45.	_____	Service Expansion (RFP ref. B-35)	_____	50
46.	N/A	New Technology (RFP ref. B-36)	Signature of Acceptance _____	
47.	_____	Consumer Input and Participation in Advisory Committee and FPSC Proceedings (RFP ref. B-37)	_____	100
48.	_____	Complaint Resolution (RFP ref. B-38)	_____	200
49.	N/A	Charges for Incoming Calls (RFP ref. B-39)	Signature of Acceptance _____	

Check List Item No.	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's Proposal	Pass/Fail Or Signature Or Maximum Points
50.	_____	Billing Arrangements (RFP ref. B-40)	_____	50
51.	_____	End User Billing for Intrastate Calls (RFP ref. B-41)	_____	50
52.	_____	Relaying Interstate and International Calls (RFP ref. B-42)	_____	50
53.	_____	End User Selection of Carrier (RFP ref. B-43)	_____	50
54.	N/A	Recipient of Toll Revenues (RFP ref. B-44)	Signature of Acceptance _____	
55.	_____	Long Distance Call Billing (RFP ref. B-45)	_____	50
56.	_____	Special Needs (RFP ref. B-46)	_____	25
57.	_____	Unsolicited Features in Basic Relay Service (RFP ref. B-47)	_____	200
58.	_____	IP Relay, IP-Captioned Telephone Service, and Video Relay Service (RFP ref. B-48)	_____	Optional 0 Points
59.	_____	Redundancy (RFP ref. B-49)	_____	Optional 0 Points
60.	N/A	Performance Bond (RFP ref. B-50)	Signature of Acceptance _____	

Check List Item No.	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's Proposal	Pass/Fail Or Signature Or Maximum Points
61.	N/A	Submission of Monthly Invoice (RFP ref. B-51)	Signature of Acceptance _____	
62.	N/A	Travel (RFP ref. B-52)	Signature of Acceptance _____	
63.	_____	Reporting Requirements (RFP ref. B-53)	_____	50
64.	N/A	Transfer to New Provider (RFP ref. B-54)	Signature of Acceptance _____	
65.	N/A	Insurance Coverage (RFP ref. B-55)	Signature of Acceptance _____	
66.	_____	Optional Florida Call Center (RFP ref. B-56)	_____	100
67.	N/A	Public Entity Crimes Provision(RFP ref. C-3)	Signature of Acceptance _____	
68.	_____	Financial Information (RFP ref. C-4)	_____	P/F

Check List Item No.	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's Proposal	Pass/Fail Or Signature Or Maximum Points
69.	_____	Experience and Customer References (RFP ref. C-5)	_____	200
70.	_____	Subcontractors (RFP ref. C-6)	_____	50
71.	_____	Bid Security Deposit (RFP ref. C-7)	_____	P/F
72.	_____	The Price Proposal Format (RFP ref. Section D) Must be filed in a separate sealed envelope marked: "Sealed-To Be Opened Only By the FPSC Proposal Opening Officer."	_____	See RFP Sec. D & Sec. E
73.		MAXIMUM TOTAL POINTS		3,125

TABLE 1
TOTAL INTRASTATE BILLABLE SESSION MINUTES
(March 2016 – March 2017)

Monthly Invoice	Intrastate TRS Minutes	Intrastate Captioned Telephone Service
March 2016	91,108	108,696
April 2016	77,763	100,800
May 2016	78,530	99,745
June 2016	77,694	95,446
July 2016	75,923	86,986
August 2016	87,722	94,251
September 2016	80,980	87,108
October 2016	89,722	85,347
November 2016	85,408	81,680
December 2016	91,089	82,868
January 2017	97,551	89,404
February 2017	82,283	78,741
March 2017	87,700	85,479

TABLE 2
TOTAL BILLABLE SESSION MINUTES
 (Intrastate and Interstate)
 (March 2016 – March 2017)

Monthly Invoice	TRS Minutes	STS	Spanish	Captioned Telephone Service
March 2016	107,946	1,409	13,819	158,709
April 2016	91,951	1,118	9,788	147,185
May 2016	94,812	913	9,190	146,048
June 2016	92,254	1,094	9,917	137,562
July 2016	89,836	871	9,814	127,115
August 2016	101,703	1,625	10,188	138,893
September 2016	94,117	1,415	9,136	127,897
October 2016	102,931	1,288	9,351	125,493
November 2016	98,982	762	9,319	122,088
December 2016	103,793	2,013	10,632	126,831
January 2017	110,889	2,181	13,220	130,429
February 2017	93,911	1,992	10,330	117,139
March 2017	104,633	1,887	8,948	125,940

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 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Thompson) *IT POE TJS*
Division of Economics (Whitchurch) *WBC*
Office of the General Counsel (Murphy) *CM THT*

RE: Docket No. 170014-EI – Petition for approval of ENERGY STAR program for new multi-family residences, by Tampa Electric Company.

AGENDA: 05/04/17 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On August 11, 2015, the Commission entered an order approving Tampa Electric Company's (TECO or Utility) Demand-Side Management (DSM) Plan.¹ The plan included TECO's ENERGY STAR Program for New Homes (New Homes Program) that offers an \$850 rebate to encourage builders to construct new single-family homes to meet the requirements to achieve the ENERGY STAR certified new home label. By meeting the ENERGY STAR requirements, the new home uses less energy and demand which helps reduce the growth of TECO's peak demand. This program began in November 2015, and in 2016, the New Homes Program produced savings of 1,059,239 kWh at the generator and contributed towards TECO's conservation goals set by the Commission.

¹Order No. PSC-15-0323-PAA-EG, issued August 11, 2015, in Docket No. 150081-EG, *In re: Petition for Approval of Demand-Side Management Plan of Tampa Electric Company.*

Docket No. 170014-EI

Date: April 21, 2017

On January 10, 2017, TECO petitioned the Commission for approval of its ENERGY STAR Program for New Multi-Family Residences (Multi-Family Program). The Multi-Family Program offers a \$325 rebate to builders of new multi-family residences, being planned for construction in TECO's service area, to encourage construction of multi-family residences that meet the ENERGY STAR requirements. By meeting these requirements, the new residence will use less energy and demand, helping to reduce the growth of TECO's peak demand and helping future tenants become more energy focused and save on their electric bills in the process.

The Commission has jurisdiction over this matter pursuant to Sections 366.80 through 366.83 and 403.519, Florida Statutes (F.S.), collectively known as the Florida Energy Efficiency and Conservation Act (FEECA).

Discussion of Issues

Issue 1: Should the Commission approve TECO's petition for approval of its ENERGY STAR Program for New Multi-Family Residences?

Recommendation: Yes. The Multi-Family Program advances the policy objectives of FEECA, is directly monitorable and yields measurable results, and is cost-effective. The Program Participation Standards were submitted concurrently with the program description. Staff has reviewed these standards and believes that they are sufficient. Therefore, staff recommends that costs associated with the Multi-Family Program are eligible for cost recovery through TECO's Energy Conservation Cost Recovery factor. (Thompson)

Staff Analysis: The criteria used to review the appropriateness of DSM programs are: (1) whether the program advances the policy objectives of FEECA and its implementing rules; (2) whether the program is directly monitorable and yields measurable results; and (3) whether the program is cost-effective.² Staff has reviewed TECO's petition for approval of its Multi-Family Program and it appears to be consistent with these criteria.

Program Description

TECO requests the Commission's approval of a new residential conservation program offering rebates to the builders of multi-family residential units if they adopt ENERGY STAR requirements. Upon receiving inquiries regarding the possibility of adopting a similar ENERGY STAR Program for multi-family residences, TECO conducted cost-effectiveness tests which showed that this program would be cost-effective if the rebate is set at \$325 for each multi-family unit that receives an ENERGY STAR certification. Similar to the New Homes Program, this is a residential new construction conservation program designed to reduce the growth of peak demand and energy. The proposed program differs in that it is targeted to the residential new construction apartment and condominium market. The Utility estimates its annual number of program participants for the period 2017 through 2024 to range from 600 through 1,000 as shown in Table 1-1 below. The \$325 rebate is used as an incentive to encourage the construction of new multi-family residences that meet the requirements to achieve the ENERGY STAR Certified Apartments and Condominiums Label.

²Order No. PSC-15-0323-PAA-EG, issued August 11, 2015, in Docket No. 150081-EG, *In re: Petition for Approval of Demand-Side Management Plan of Tampa Electric Company*, p. 2.

**Table 1-1
 Estimated Program Participation**

Year	Total Number of Customers	Total Number of Eligible Customers	Annual Number of Program Participants	Cumulative Number of Program Participants
2017	201,074	3,820	600	600
2018	204,894	3,893	600	1,200
2019	208,787	3,967	800	2,000
2020	212,754	4,042	800	2,800
2021	216,797	4,119	800	3,600
2022	220,916	4,197	1,000	4,600
2023	225,113	4,277	1,000	5,600
2024	229,390	4,358	1,000	6,600

Source: TECO's petition for approval of its Multi-Family Program.³

To earn the ENERGY STAR certification, a building must meet the qualifications outlined in the ENERGY STAR Multifamily High Rise National Performance Path Requirements. Based on these requirements, a building must meet the Performance Target, which is 15 percent energy cost savings over the ASHRAE 90.1 Standard 2010 based on the building codes of the State of Florida. Standards to help meet this target include providing ENERGY STAR certified heating and cooling equipment, building envelope, ventilation and infiltration, domestic water heating, and lighting. In addition, ENERGY STAR certified appliances such as refrigerators, dishwashers, ceiling fans, and clothes washers are included. TECO states that many multi-family residences are being planned for construction in its service area. Therefore, presenting an opportunity for builders to participate in its Multi-Family Program gives the Utility an opportunity to reduce its electric peak demand and residents the opportunity to become more energy focused and save on their electricity bills.

Program Analysis Regarding FEECA Objectives

FEECA emphasizes reducing the growth rate of peak demand and reducing and controlling the growth rates of electricity consumption. The Multi-Family Program encourages builders to participate by incentivizing them with a \$325 rebate. Also, a component of FEECA's goal is addressing the accessibility of conservation programs. The Multi-Family Program will allow new multi-family residences in TECO's service area to participate in savings as well. By meeting the ENERGY STAR requirements, the new residence will use less energy and demand which would help reduce the growth of TECO's electric peak demand. Therefore, staff recommends that the Multi-Family Program aligns with FEECA's goal of conservation.

Program Monitoring and Evaluation

TECO plans to monitor and evaluate its Multi-Family Program consistent with the monitoring and evaluation standards for the New Homes Program approved in Order No. PSC-15-0323-PAA-EG and Commission Rules, such as Rule 25-17.003(10)(b), Florida Administrative Code,

³Document No. 00301-17, dated January 10, 2017, in Docket No. 170014-EI, p.17.

(F.A.C.). This Rule requires post-audit inspections of 10 percent of each type of energy conservation measure installed as a result of the Utility’s recommendation. To estimate savings, TECO utilized the energy and economic software program EnergyGauge from the University of Central Florida’s Solar Energy Center. First, TECO modeled a new multi-family residence that only satisfied the requirements of the Florida Building Code. It then utilized the checklists and guidance from the ENERGY STAR Multi-Family Program to model the facility to meet those requirements. This process is consistent with the model used for the New Homes Program. The estimated savings per customer participant are shown in Table 1-2 below.

**Table 1-2
 Estimated Program Savings per Participant**

Summer Demand (kW)	Winter Demand (kW)	Annual Energy (kWh)
0.361	0.242	1,239

Source: TECO’s petition for approval of its Multi-Family Program.⁴

Cost-Effectiveness Review

Pursuant to Rule 25-17.008, F.A.C., TECO provided a cost-effectiveness analysis of the program using the Participant Test, the Rate Impact Measure (RIM) Test, and the Total Resource Cost (TRC) Test. The Participant Test analyzes the cost and benefits from a program participant’s point of view. The RIM Test ensures that all ratepayers will benefit from a proposed DSM program, not just the program participants. The TRC Test measures the overall economic efficiency of a DSM Program from a social perspective. Each test takes the ratio of benefit and cost and the program is determined to be cost-effective if that ratio is greater than one. Staff has reviewed the assumptions associated with TECO’s program savings and recommends that they are reasonable. The results for the New Homes Program from Order No. PSC-15-0323-PAA-EG and the Multi-Family Program are compared in Table 1-3 below.

**Table 1-3
 Cost-Effectiveness Test Results**

Program	Participant Test	RIM Test	TRC Test
New Homes	1.82	1.05	1.19
Multi-Family	1.51	1.01	0.97

Source: Order No. PSC-15-0323-PAA-EG⁵; TECO’s petition for approval of its Multi-Family Program.⁶

Based on these results, the Multi-Family Program passed the Participant and RIM Tests and failed the TRC Test by a minimal amount. While a higher TRC value would be more suitable, the Participant and RIM Tests show that the Utility, participants, and the general body of

⁴Document No. 00301-17, dated January 10, 2017, in Docket No. 170014-EI, p. 8.

⁵Order No. PSC-15-0323-PAA-EG, issued August 11, 2015, in Docket No. 150081-EG, *In re: Petition for Approval of Demand-Side Management Plan of Tampa Electric Company*, p. 7.

⁶Document No. 00301-17, dated January 10, 2017, in Docket No. 170014-EI, pp. 10, 12.

ratepayers will benefit from the implementation of this program. Therefore, staff believes that the program is beneficial in meeting the goals of FEECA.

Conclusion

TECO's Multi-Family Program advances the policy objectives of FEECA and its implementing rules by encouraging builders' participation with rebates which, in turn, would promote residences that use less energy and demand and would help reduce the growth of TECO's peak demand. The program is directly monitorable and yields measurable results. Also, the program is cost-effective. Based on staff's review of this program, staff recommends that the Commission approve TECO's petition for approval of its ENERGY STAR Program for New Multi-Family Residences.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the PAA Order, a Consummating Order should be issued and the docket should be closed. (Murphy)

Staff Analysis: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the PAA Order, a Consummating Order should be issued and the docket should be closed.

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-

DATE: April 24, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Thompson) *TPoE*
Division of Economics (Whitchurch) *WPC*
Office of the General Counsel (Murphy, Cuello) *SAC CM JSH TWT*

RE: Docket No. 170015-EI – Petition to Amend Energy Education, Awareness and Agency Outreach Program, by Tampa Electric Company.

AGENDA: 05/04/17 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On August 11, 2015, the Commission issued an order approving Tampa Electric Company's (TECO or Utility) Demand-Side Management (DSM) Plan.¹ The plan included the Utility's Energy Education, Awareness and Agency Outreach Program (Education Program), which had an original start date of March 2010. The Education Program includes three conservation initiatives: public energy education, energy awareness, and agency outreach. The energy education and awareness initiatives are aimed toward engaging groups of customers and students in discussions related to energy efficiency. The agency outreach initiative allows for delivery of

¹Order No. PSC-15-0323-PAA-EG, issued August 11, 2015, in Docket No. 150081-EG, *In re: Petition of Approval of Demand-Side Management Plan of Tampa Electric Company.*

energy efficiency kits that will help educate ratepayers on practices that help reduce energy consumption. These kits contain the following: (1) four compact fluorescent lamps; (2) two low-flow faucet aerators; (3) an air filter whistle to remind residents to clean or change their filter monthly; (4) a hot water temperature card to check the water heater's temperature setting for opportunity for turn down; (5) a wall plate thermometer to check the accuracy of their existing thermostat setting; and (6) no-cost energy efficiency recommendations that can be immediately adopted. In 2016, these kits produced an estimated annual energy savings of 166,491 kilowatt-hours (kWh) at the generator and contributed towards TECO's conservation goals set by the Commission.

On January 10, 2017, TECO filed a petition to amend its Education Program to offer energy education to select high school students on electric vehicles (EVs) including ownership considerations, operation, and maintenance. The Utility proposed to provide six EVs, three charger stations, and other supplemental supplies to each participating high school as a part of the driver's education program. The estimated total cost for this amendment was approximately \$1.8 million through the year 2020.

On April 10, 2017, staff held an informal meeting with the Utility to discuss the proposed amendment to its Education Program. During the meeting, staff expressed its concerns that the proposed amendment was initially a load building program that contained a relatively large amount of capital costs which are not normally associated with an education program. In addition, the Utility provided additional information regarding the proposed amendment and discussed a conservation Research & Development (R&D) project to assert the benefits of EVs that is currently in the works.

On April 19, 2017, the Utility filed a revised petition for its proposed amendment. This revision substantially reduced the capital cost previously associated with the proposed amendment to the Education Program. As a part of the revision, the Utility reduced the number of EVs and charging stations to one at each school, and will only fund the incremental costs to lease or purchase the EV for each school's driver's education program. The estimated total cost of the revised amendment to the Education Program is \$439,800 through the year 2020. The Utility has requested a decision by May 4, 2017, so that the amended program can be implemented by the fall 2017 school year.

The Commission has jurisdiction over this matter pursuant to Sections 366.80 through 366.83 and 403.519, Florida Statutes (F.S.), collectively known as the Florida Energy Efficiency and Conservation Act (FEECA).

Discussion of Issues

Issue 1: Should the Commission approve TECO's revised petition to amend its Energy Education, Awareness and Agency Outreach Program?

Recommendation: Yes. The proposed amendment to the Education Program will educate future ratepayers regarding the impact of EVs on the electrical system and the importance of reducing the total energy usage consumed while owning an EV. The Program Participation Standards were submitted concurrently with the program description. Staff has reviewed these standards and believes that they are sufficient. Therefore, staff recommends that the costs associated with the amended Education Program are eligible for cost recovery through the Energy Conservation Cost Recovery (ECCR) clause.

While the amendment to the Education Program advances the policy objectives of FEECA and its implementing rules, the provision of an EV will initially increase overall energy consumption. The potential for future energy savings resulting from the proposed amendment to the Education Program is speculative and should be carefully considered before expansion of this program or similar programs. (Thompson, Whitchurch)

Staff Analysis: The criteria used by the Commission to review the appropriateness of DSM programs are: (1) whether the program advances the policy objectives of FEECA and its implementing rules; (2) whether the program is directly monitorable and yields measurable results; and (3) whether the program is cost-effective.² However, education programs are behavioral programs and, therefore, it may not be possible for the program to pass the Commission's cost-effectiveness tests due to the difficulty of measuring the savings. Staff reviewed TECO's revised petition to amend its Education Program and associated Program Participation Standards and recommends that the proposed amendment meets the criteria of an education program.

Program Description

TECO is proposing to amend its Education Program to offer energy education on the operation, maintenance, and ownership considerations of EVs to select high school students within its service territory. The Utility will partner with a limited number of high schools' driver's education training programs (one in the fall semester of 2017, expanding to a maximum of five through 2020). In its petition, TECO states that:

This new aspect of the company's program will offer students the opportunity to learn: the proper driving skills needed to maximize energy efficient driving with EV; types, characteristics and operations of different EV charging technologies; considerations of EV ownership which will help reduce the anxiety of maintaining and operating an EV; about electric rates and when charging the EV

²Order No. PSC-15-0323-PAA-EG, issued August 11, 2015, in Docket No. 150081-EG, *In re: Petition of Approval of Demand-Side Management Plan of Tampa Electric Company*, p. 2.

is the least expensive; and the importance of reducing the total energy usage consumed while owning an EV.³

TECO originally proposed to provide six EVs, three charger stations, and other supplemental supplies to each participating high school as a part of the driver's education program. On April 19, 2017, the Utility filed a revised petition that substantially reduced the capital cost previously associated with the proposed amendment to the Education Program. As a part of the revision, the Utility reduced the number of EVs and charging stations to one at each school, and will only fund the incremental costs to lease or purchase the EV for each school's driver's education program. The Utility seeks to recover the incremental costs, above the cost of a traditional gasoline-fueled vehicle, necessary to lease or purchase one EV and the total cost to purchase and install one charging station. This revision substantially reduced the cost of the amendment to the minimum level required to fully implement the proposed amended Education Program. The Utility estimates that the amended program will cost approximately \$439,000 through the year 2020. The Program Participation Standards were submitted concurrently with the program description.

Program Advancement of FEECA Objectives

The Utility states in paragraph 3 of its amended petition that the amended program is:

. . . consistent with the Commission's past practice of focusing on energy education and making customers aware of energy efficient technologies while expanding it to place emphasis on decreasing the energy consumption from the resultant use of an EV as well as educating the driver when to charge the EV to minimize any concurrent peak demand impacts to the company.⁴

Education programs seek to inform ratepayers about the impact of electric consuming devices and appliances on the electric system, their role as consumers of electricity, and behaviors or actions that could help conserve energy or reduce peak demand. The Utility's revised petition addresses this by providing education associated with EVs and the associated components discussed above. While staff has some concerns regarding the potential load building role of EVs as discussed later in this recommendation, providing general information regarding the impact of EVs on the electric system and efficient use of appliances is consistent with the policy objectives of the FEECA.

Program Cost

While the costs of implementing the revised proposed amendments to the Education Program appear to include more capital items than other educational programs, TECO's revised petition seeks to minimize the capital needed for implementation of its Education Program. As shown in Table 1-1 below, of the incremental costs of the amended program, 26.3 percent is allocated to educational purposes. Capital projects and their maintenance make up 57.5 percent of the proposed amended program's incremental costs which includes the lease of EVs, installation of chargers, and annual inspections.

³Document No. 04295-17, dated April 19, 2017, in Docket No. 170015-EI, p. 2.

⁴Document No. 04295-17, dated April 19, 2017, in Docket No. 170015-EI, p. 2.

**Table 1-1
 Amended Program Cost Breakdown**

	2017	2018	2019	2020	Total	% of Grand Total
Electric Vehicles	\$3,000	\$18,000	\$24,000	\$24,000	\$69,000	15.7%
Charger	\$8,000	\$32,000	\$0	\$0	\$40,000	9.1%
Charger Installation	\$27,000	\$108,000	\$0	\$0	\$135,000	30.7%
Charger Inspections	\$0	\$800	\$4,000	\$4,000	\$8,800	2.0%
Program Manager	\$10,000	\$15,000	\$15,000	\$15,000	\$55,000	12.5%
Materials	\$8,000	\$16,000	\$16,000	\$16,000	\$56,000	12.7%
Program Curriculum	\$60,000	\$0	\$0	\$0	\$60,000	13.6%
Advertising	\$4,000	\$4,000	\$4,000	\$4,000	\$16,000	3.6%
Annual Total	\$120,000	\$193,800	\$63,000	\$63,000		
Projected Grand Total					\$439,800	100%

Source: Staff's Analysis, TECO's revised petition to amend its Education Program.⁵

At the April 10, 2017, informal meeting with staff, the Utility stated that it expects approximately 350 program participants for the first year and 1,750 program participants each year thereafter for a total of 5,600 drivers over three years. Given the projected \$439,800 in total costs, this equates to a cost of approximately \$79 per participating student. By comparison, the Utility's projected 2016 costs for its existing Education Program was \$75,632,⁶ which equates to approximately \$99 per energy kit provided.

Also at the informal meeting with staff, the Utility stated that it intends to pursue a partnership with an EV manufacturing company, after the first year of the program, in hopes that the capital costs of the EVs could be eliminated. Staff encourages the Utility to pursue these partnerships in order to reduce ratepayer expenses while maintaining the amended Education Program.

Staff agrees that educating ratepayers on energy efficient technologies and energy conservation is important, but notes that the amendment to the Education Program may result in load building and may increase overall energy consumption. The potential for future energy savings resulting from the proposed amendment is speculative and should be carefully considered before expansion of this program or similar programs.

Program Monitoring and Evaluation

In order to monitor the effectiveness of the proposed amended program, TECO states, in response to Staff's First Data Request, that it plans regular collaboration with the schools, teachers and students during the amended program. It also plans, as part of the curriculum, to conduct surveys of both the teachers and students.⁷ As the Utility does not expect annual energy

⁵Document No. 04295-17, dated April 19, 2017, in Docket No. 170015-EI, p.3.

⁶Document No. 06858-16, dated August 19, 2016, in Docket No. 160002-EG, p. 33.

⁷Document No. 03664-17, dated March 17, 2017, in Docket No. 170015-EI, Response No. 4.

consumption savings immediately with the amended program, no verification of savings data would be necessary.

Cost-Effectiveness Review

As stated above, there are no demand or energy savings associated with the proposed amendment to the Education Program. As an educational program, it may not be possible for the program to pass the Commission's cost-effectiveness tests due to the difficulty of measuring the results. The current program passed the Total Resource Cost (TRC) and Participant Tests and complied with the requirements to assist and educate low-income customers. The current program failed the Rate Impact Measure (RIM) Test but includes minimal costs associated with energy efficiency kits. Upon request, TECO provided a cost-effectiveness analysis of the proposed amended program which showed a reduction in all three cost-effectiveness tests but still maintained passing results for the TRC and Participant Tests.

Conclusion

The proposed amendment to the Education Program will educate future ratepayers regarding the electrical system and the importance of reducing the total energy usage consumed while owning an EV. Therefore, the proposed amendment advances the policy objectives of FEECA and its implementing rules. Staff recommends that the costs associated with the Education Program are eligible for cost recovery through the ECCR clause. Staff has also reviewed the Program Participation Standards and recommends that they are sufficient and should be approved as well.

While the amendment to the Education Program advances the policy objectives of FEECA and its implementing rules, the provision of an EV will initially increase overall energy consumption. The potential for future energy savings resulting from the proposed amendment to the Education Program are speculative and should be carefully considered before expansion of this program or similar programs.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the PAA Order, a Consummating Order should be issued and the docket should be closed. (Murphy, Cuello)

Staff Analysis: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the PAA Order, a Consummating Order should be issued and the docket should be closed.

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-

DATE: April 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Hill, Graves, King)
Division of Accounting and Finance (Frank, Norris)
Division of Economics (Hudson, Johnson)
Office of the General Counsel (Leathers, Crawford)

Handwritten signatures and initials:
w
EEG
BS
SH
PD
GO
Crawford
ALM

RE: Docket No. 160065-WU – Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.

AGENDA: 05/04/17 – Regular Agenda – Proposed Agency Action – Except for Issue Nos. 21 and 23 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: 05/04/17 (5-Month Effective Date Waived Through May 4, 2017)

SPECIAL INSTRUCTIONS: None

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Case Background

Bocilla Utilities, Inc. (Bocilla or Utility) is a Class B utility providing water service to approximately 400 water customers in Charlotte County. Effective February 12, 2013, Bocilla was granted water Certificate No. 662-W.¹ Bocilla's rates have never been established for ratemaking purposes by the Florida Public Service Commission (Commission or PSC). Bocilla's current rates were established by the Charlotte County Board of County Commissioners in 1994.² These rates were grandfathered in by the Commission in 1995³ and again in 2013.⁴

On May 24, 2016, Bocilla filed its application for the rate increase at issue. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure. The test year established for interim and final rates is the 12-month period ended December 31, 2015.

The Utility's application did not initially meet the minimum filing requirements (MFRs). On June 23, 2016, staff sent Bocilla a letter indicating deficiencies in the filing of its MFRs. The Utility filed a response to staff's deficiency letter which satisfied the MFRs on July 19, 2016, and thus the official filing date was established as July 19, 2016, pursuant to Section 367.083, Florida Statutes (F.S.).

The Utility asserts that it is requesting an increase to recover reasonable and prudent costs for providing service and a reasonable rate of return on investment, including pro forma plant improvements. Bocilla is requesting final rates designed to generate annual revenues of \$547,770. This represents a revenue increase of \$152,375 (38.54 percent). The Utility requested interim rates, which were granted on August 29, 2016.⁵ On March 23, 2017, staff filed a recommendation for the April 4, 2017 Commission Conference. On March 28, 2017, staff was made aware of an error in its recommendation. On March 31, 2017, the Utility requested a deferral of this item and waived the statutory time requirements through May 4, 2017. This revised recommendation corrects the previous error and addresses Bocilla's requested final rates. The 5-month effective date has been waived by the Utility through May 4, 2017. The Commission has jurisdiction pursuant to Sections 367.081 and 367.091, F.S.

¹Order No. PSC-13-0228-PAA-WU, issued May 29, 2013, in Docket No. 130067-WU, *In re: Application for grandfather certificate to operate water utility in Charlotte County by Bocilla Utilities, Inc.*

²Charlotte County Docket No. 90-201-WS, issued August 23, 1994.

³Order No. PSC-95-0966-FOF-WU, issued August 8, 1995, in Docket No. 950269-WU, *In re: Application for grandfather certificate to provide water service in Charlotte County by Bocilla Utilities, Inc.*

⁴Order No. PSC-13-0228-PAA-WU, issued May 29, 2013, in Docket No. 130067-WU, *In re: Application for grandfather certificate to operate water utility in Charlotte County by Bocilla Utilities, Inc.*

⁵Order No. PSC-16-0364-PCO-WU, issued August 29, 2016, in Docket No. 160065-WU, *In re: Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.*

Discussion of Issues

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

Recommendation: Yes. Staff recommends that the quality of Bocilla's product and the condition of the water treatment facilities is satisfactory. It appears that the Utility has attempted to address customers' concerns. Therefore, staff recommends that the overall quality of service for the Bocilla water system in Charlotte County is satisfactory. (Hill)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in water rate cases, the Commission shall determine the overall quality of service provided by a Utility. This is derived from an evaluation of three separate components of the Utility's operations. These components are the quality of the Utility's product, the operational conditions of the Utility's plant and facilities, and the Utility's attempt to address customer satisfaction. Bocilla's compliance with the Department of Environmental Protection (DEP) regulations, and customer comments or complaints received by the Commission, are also reviewed. The rule further states that sanitary surveys, outstanding citations, violations, and consent orders on file with the DEP and the county health department over the preceding three-year period shall be considered. Additionally, Section 367.0812(1), F.S., requires the Commission to consider the extent to which the Utility provides water service that meets secondary water quality standards as established by the DEP.

Quality of Utility's Product

Bocilla's service area is located in Charlotte County. Bocilla purchases all of its water from the Englewood Water District (EWD). Staff's evaluation of Bocilla's water quality consisted of a review of the Utility's compliance with the DEP standards. On October 23, 2014, the Utility provided affirmation to the DEP that it removed its water treatment facility from service and became a consecutive user.

As a consecutive water user, Bocilla only maintains its distribution system and no longer operates supply wells. In addition, the secondary standards of the Utility's water are not regulated by the DEP. On December 12, 2016, the DEP communicated to the Utility that its bacteriological test results were satisfactory. During the test year it was determined that nitrification issues were causing odor and color issues. The Utility exercised extensive flushing to address the issue. The Utility also worked with the DEP and the Florida Rural Water Association to determine a cost effective resolution to the nitrification issue. In order to address nitrification as well as bio-film buildup in its system, Bocilla installed a chloramine feed system on March 20, 2017.

Operating Conditions of the Utility's Plant and Facilities

On December 1, 2016, the DEP conducted a compliance evaluation inspection of Bocilla's facilities. Based on the information provided during the inspection, the DEP determined that Bocilla's facilities were in compliance with the DEP rules and regulations. Giving consideration to the DEP's inspection results, staff recommends that the operating conditions of Bocilla's facilities are satisfactory. Staff performed a site visit on October 4, 2016. During the visit, plant components appeared to be well maintained, with the exception of some salt water

corrosion on some components identified by the Utility to be repaired or replaced, as described in Issues 5 and 12.

The Utility’s Attempt to Address Customer Satisfaction

In order to determine the Utility’s attempt to address customer satisfaction, staff reviewed customer complaints and comments from five sources: the Commission’s Consumer Activity Tracking System (CATS), complaints filed with the DEP, complaints filed with the Utility, complaints raised during the customer meeting, and all correspondence submitted to the Commission Clerk regarding this rate case. A summary of all complaints and comments received is shown in Table 1-1 below.

**Table 1-1
 Number of Complaints by Source**

Subject of Complaint	PSC’s Records (CATS) (test year and 4 prior years)	Utility’s Records (test year and 4 prior years)	DEP (test year and 4 prior years)	Docket Correspondence	Customer Meeting
Billing Related	2				1
Opposing Rate Increase				6	7
Water Quality		1		3	5
Quality of Service				3	4
Boil Water Notice				3	4
Water Pressure				5	1
Total*	2	1	0	20	22

* A customer comment may appear twice in this table if it meets multiple categories

Staff reviewed the Commission’s complaint records from January 1, 2011, through December 31, 2015, and found two complaints. Based on staff’s review, both complaints were related to billing and both complaints have been closed. Staff also requested complaints against the Utility filed with the DEP for the 2015 test year and four years prior. DEP indicated that it has not received any complaints against the Utility during the requested time frame. The Utility recorded one complaint for this time period regarding its quality of service. The one complaint addressed the color of the water. As previously noted, the Utility has recently installed a chloramine feed system to address color and odor issues. Based on the records of the Utility and the Commission, it appears that the Utility has responded in a timely manner to each of these complaints.

A customer meeting was held in Englewood, Florida, on October 5, 2016. Approximately 30 of the Utility’s customers attended the meeting and 9 spoke. The subjects of the complaints included: (1) billing issues, (2) affordability of the rate increase, (3) water quality/odor/color, (4) responsiveness of the Utility, (5) the boil water notice procedure, and (6) insufficient water

pressure. As previously addressed, the Utility has installed a chloramine feed system to address color and odor issues. Regarding the customer complaints about the Utility's boil water notice, staff has reviewed the Utility's boil water notice procedure and believes that it is in compliance with Section 381.0062(2)(j), F.S. The Utility provided records of previously distributed boil water notices which fit these requirements. Regarding water pressure concerns, the Utility stated that, outside of low pressure events related to damage to the system, its pressure is maintained using its pressure boost station. The Utility also provided a certified fire flow report which indicates adequate pressure for fire protection.

Staff received a petition with signatures from 128 customers dated March 2, 2017, and additional petition pages with 15 customer signatures dated March 6, 2017. The petition stated that the undersigned urged the Commission to decrease, not increase, water rates. In this petition, 72 customers commented on the affordability of the rate increase, 8 commented on the quality of the water, 1 commented on the water pressure, and 3 commented on insufficient support for the rate increase. The remaining customers signed the petition without comment.

Staff believes that the Utility's attempts to address customer satisfaction should be considered satisfactory. Staff's conclusion is based on the low number of complaints received by the Commission, the DEP, and the Utility as well as the Utility's responsiveness to customer concerns.

Conclusion

Based on reviews of the DEP records, staff recommends that the quality of Bocilla's product and the condition of its facilities is satisfactory. Additionally, it appears that the Utility has attempted to address customers' concerns. Therefore, staff recommends that the overall quality of service for the Bocilla water system in Charlotte County is satisfactory.

Issue 2: Should the audit adjustments to rate base to which the Utility and staff agree be made?

Recommendation: Yes. Accumulated amortization of Contributions-in-aid-of-Construction (CIAC) should be decreased by \$44,625, and CIAC amortization expense should be decreased by \$3,538. Further, Operations and Maintenance (O&M) expense should be decreased by \$5,048. (Frank, Hill)

Staff Analysis: Staff's audit report was filed on September 1, 2016. Bocilla's response to the audit was received on October 10, 2016. In its response to the staff audit report of the Utility, Bocilla and staff agreed to the audit adjustments as set forth in the tables below.

**Table 2-1
 Description of Audit Adjustments**

Audit Adjustments	Description of Adjustments
Finding 6	Reflect appropriate accumulated amortization of CIAC.
Finding 8	Reflect the removal of unsupported and out-of-period costs, as well as the reclassification of certain amounts.

Source: Staff Audit

In its response to Audit Finding 6, the Utility disagreed with audit staff's calculation of accumulated amortization of CIAC to reflect the retirement of the water treatment plant. Staff agrees with Bocilla and has reflected the removal of the retired plant based on the correct amortization rates. Additionally, the Utility's response to Audit Finding 8 included invoices to support some of the expenses that were removed as unsupported. Staff verified and included the appropriate supported amounts. However, one invoice provided was out-of-period and another should have been capitalized. Based on the audit adjustments agreed to by Bocilla, staff recommends that the adjustments set forth in Table 2-2 below, be made to rate base and net operating income.

**Table 2-2
 Adjustments to Rate Base and Net Operating Income (NOI)**

Audit Adjustments	Accum. Amort. of CIAC	O&M Expense	CIAC Amort. Expense
Finding 6	(\$44,625)		\$3,538
Finding 8		(\$5,048)	

Source: Staff Audit and Utility's Response to Audit

Issue 3: Should the full amount of the original cost study provided by the Utility be accepted as a factor in determining Utility Plant in Service?

Recommendation: No. Staff recommends that the original cost study is sufficient to support the amount of Utility Plant in Service (UPIS) presented in the MFRs; however, errors and discrepancies discovered by staff suggest that the original cost study is not sufficiently reliable to support the higher plant values. Staff recommends that UPIS balances should be based on the MFRs, with adjustments described below. Accordingly, UPIS should be increased by \$9,848. A corresponding adjustment should be made to decrease accumulated depreciation by \$49,695 and depreciation expense by \$1,025. (Hill, Norris)

Staff Analysis: In its response to the audit, Bocilla contested Audit Finding 2 and the corresponding adjustments to accumulated depreciation reflected in Audit Finding 5. In regards to Audit Finding 2, audit staff reduced the average plant balance of Account 331 – Transmission & Distribution Mains to reflect the removal of unsupported plant additions totaling \$577,798. As detailed in Audit Finding 1, the Utility was unable to locate any records prior to 2007. Thus the majority of the unsupported plant additions are prior to 2007. The Utility acknowledged this factor in its audit response and stated that it was having an original cost study prepared to substantiate the costs that the Utility was unable to support. Additionally, there were physical assets such as pumping equipment, which were neither supported by records nor reflected in the Utility’s current books. On its own initiative, Bocilla decided to contract for an original cost study to determine a value for UPIS that better reflects the original cost of the Utility’s investment in assets to serve customers for all plant additions prior to and including 2014. The procedure for determining original cost consists of identifying the existence of the assets, estimating their specifications, and calculating the likely historical cost of these assets at the time they were placed into utility service.

The referenced source for cost information for the study was the Engineer’s Estimate of Reproduction Cost prepared by Giffels-Webster Engineers, Inc. Costs of each component were calculated based on recent water utility construction, such as a Sarasota County Utilities project. In preparing the subsequent original cost study, Management & Regulatory Consultants, Inc. adjusted these costs using the Handy-Whitman Water Utility Index. The index uses historical trends to indicate how each type of utility component has changed in price, and was used to convert the recent cost references to the year each component was placed into service for Bocilla. Although staff believes that the methodology for establishing original cost of service is reasonable, staff has several concerns regarding the overall reliability of the original cost study for estimating costs. Staff’s concerns are discussed in detail below.

Staff sent four sets of data requests regarding the original cost study. Staff has identified in Bocilla’s responses several errors in component costs, installation dates, and depreciation methodology. The errors in component costs are summarized in Table 3-1 below. The original cost study did not include known plant additions (meter installations) for the year 2015. The Utility explained that it did not reflect the addition of the new meters because the meters were replacements and not for new customers. Treating plant additions in this manner misrepresents UPIS as well as accumulated depreciation. Information provided by the Utility, in response to requests from staff, suggests that plant was installed during time periods that reflect no

additions in the original cost study. Additionally, staff found that the original cost study did not use the correct group depreciation methodology when calculating accumulated depreciation.

**Table 3-1
 Description of Original Cost Study Errors**

Error	Description of Error
U-17 understated by \$500, U-18 understated by \$500, U-19 overstated by \$500	Staff requested additional information about the meter installation, U-19. In its response, Bocilla discovered that water service (short side) U-17 should be \$800 instead of \$300, water service (long side) U-18 should be \$1,000 instead of \$500, and meter installed U-19 should be \$500 instead of \$1,000. These discrepancies are based on a response from Giffels-Webster Engineers, Inc. to Bocilla. These errors do not impact total UPIS but do affect accumulated depreciation because these components have different depreciation rates.
U-19 overstated by \$135	U-19 represents the installation price of a meter, as estimated by Giffels-Webster Engineers, Inc. In response to staff's third data request, the Utility stated that the actual cost to install a meter is \$365. This value, modified using the Handy-Whitman Index, more accurately estimates the historical cost of installing a meter. This error overstates UPIS by \$35,350.
Remove U-16 \$19,267 from 2004	U-16 represents the assets related to an interconnect to supply Knight Island Utilities (KIU) with water it purchases from EWD. As such, it should be considered a non-utility asset.
Remove U-15 \$878 from 1991	Staff requested additional information about directional drill U-15, at which point the Utility discovered that this item was already accounted for in another line item and should be removed.
Reclassify boost station assets to appropriate NARUC Account	The Utility included all assets from the interconnect project in the Transmission and Distribution account. The assets that belong in the Pumping Equipment account should be reclassified so that appropriate depreciation rates will be applied.

Although staff has concerns regarding the original cost study, staff believes that the information provided can reasonably be used to conclude that the plant in service for transmission and distribution is at or above the amount contained in the Utility's MFRs. Based on the original cost study, plant in service for transmission and distribution totaled \$1,465,171. This total is nearly 35 percent greater than what the Utility included in its MFRs. Furthermore, due to a lack of records, the audit only traced additions back to 2007. The original cost study shows

additions totaling more than \$1 million prior to 2007. However, staff recommends that the use of the original cost study be limited to substantiating the balance of Account 331 – Transmission & Distribution Mains, not supporting a higher UPIS balance.

Furthermore, the staff audit report is still relevant for the three additional plant accounts that comprise the Utility's test year average balance. Additionally, information received during staff's inquiry of the original cost study necessitates further adjustments. Staff's recommended adjustments to test year plant are discussed below.

Account 331 – Transmission & Distribution Mains

Staff's October 4, 2016 site inspection included a boost station which was not identified in the Utility's MFRs. The Utility provided additional documentation for these assets and all costs associated with the Englewood Water District interconnect (Englewood Project). In its MFRs, Bocilla recorded the entire cost of the Englewood Project in Account 441 – Transmission & Distribution Mains as a plant addition of \$363,809 in 2014 and \$97,256 in 2015 for a total of \$461,065. This amount reflects a 64 percent allocation of costs, due to the KIU agreement discussed below, totaling \$717,616 and an additional \$1,791 of costs directly attributed to Bocilla. The Englewood Project is comprised of three distinct components: a subaqueous crossing, an interconnect, and a boost station. However, the Utility recorded the boost station as part of the total interconnect project instead of isolating and recording that amount in Account 311 – Pumping Equipment.

Staff identified several adjustments which should be made to the total cost of the Englewood Project. Staff believes the total cost of the project should be reduced by \$51,717 to reflect the removal of unsupported costs, including capitalized construction interest and a bank penalty. Staff notes that both of these items should be removed regardless of support due to the nature of each expense. This total also reflects the removal of the costs directly attributed to Bocilla totaling \$1,791. Additionally, the total cost of the project should be reduced by \$11,261 to reflect the removal of legal and engineering expenses associated with work unrelated to the Englewood Project, such as filing index applications with the Commission and the Utility's 2013 certificate docket. In total staff believes the total cost of the Englewood Project should be reduced by \$62,978 (\$51,717 + \$11,261), resulting in a total cost of \$656,429 (\$719,407 - \$62,978).

Staff is recommending that the total cost of the Englewood Project should first be partially allocated to KIU, and should then be classified into the proper National Association of Regulatory Utility Commissioners (NARUC) accounts. KIU is a utility which purchases water from EWD, and this water is delivered to KIU through an interconnect with Bocilla's infrastructure. The Englewood Project assets, as well as certain pro forma projects discussed in Issue 5, all directly benefit KIU. The Utility agrees that 64 percent of the value of these assets, with the exception of the subaqueous crossing as discussed below, should be allocated to Bocilla, and that 36 percent should be allocated to KIU based on the relative Equivalent Residential Connection (ERC) capacities of Bocilla and KIU, 715 and 400, respectively. Review of Bocilla's support documentation verified that the costs associated with the subaqueous crossing were equally and individually assumed by Bocilla and KIU. Bocilla had previously maintained that KIU's allocation of the Englewood Project was 36 percent of the

total cost, as reflected in the Utility’s MFRs. However, the KIU Interconnect agreement furnished by the Utility specified equal funding for that component. Staff reflected this detail in its allocation of the Englewood Project’s costs and did not apply the 36 percent allocation to the costs associated with the subaqueous crossing. Further, staff identified the costs associated with the boost station in order to reclassify these costs to the correct NARUC account, Account 311 – Pumping Equipment. The costs associated with the boost station totaled \$129,863. Table 3-2 below, illustrates staff’s allocation calculation of the Englewood Project.

**Table 3-2
 Allocation of Englewood Project Costs**

	Unallocated Costs	Allocation Percentage	Bocilla Allocated Costs
<i>Account 311 – Pumping Equipment</i>			
Boost Station	\$129,863	64 %	\$83,112
<i>Account 331 – Transmission & Distribution Mains</i>			
Interconnect	\$449,979	64 %	\$287,987
Subaqueous Crossing	<u>76,586</u>	<u>N/A</u>	<u>76,586</u>
<i>Total</i>	\$526,565		\$364,573
Total Project	<u>\$656,428</u>		<u>\$447,685</u>

Staff’s recommended allocation of costs from the Englewood Project result in an increase of \$83,112 to Account 311 – Pumping Equipment and a decrease of \$96,493 to Account 331 – Transmission & Distribution Mains. However a corresponding adjustment is necessary to reflect the average balance of Account 331 – Transmission & Distribution Mains based on staff’s recommended adjustments. As such, Account 331 – Transmission & Distribution Mains should be increased by \$29,956 to reflect the appropriate average balance. The net effect is an increase of \$16,575 (\$83,112 - \$96,493 + \$29,956).

Account 334 – Meters

Staff believes an adjustment to Account 334 – Meters is necessary based on its review and consideration of the original cost study. Bocilla’s MFRs reflect a 2015 plant addition of \$35,880 to Account 334 – Meters for 104 meters. However, staff was never able to obtain documentation supporting the full amount of the addition. In lieu of the total actual costs, it appears that the Utility applied a per unit cost of \$345 to the 104 meters, based on a full scale replacement of each component, including a backflow preventer in order to calculate the total cost of \$35,880 (\$345 x 104). Staff requested the complete documentation to support the total and reviewed all documentation retained by audit staff. Staff was particularly concerned with obtaining the complete documentation due to an invoice indicating that several of the meters were actually for KIU. Including capitalized labor, staff calculated a total cost of \$22,428 for 104 meters, which is a reduction of \$13,452. However, due to the meters being an addition during the test year, the adjustment to the average plant balance only reflects half. As such,

staff recommends that UPIS be decreased by \$6,726 to reflect the actual cost of the documented meter additions.

Account 302 – Franchise

This plant account was verified by audit staff with no adjustments noted. However, the Utility had not recorded any accumulated depreciation. Based on Audit Finding 5, accumulated depreciation should be increased by \$3,062.

Conclusion

Staff recommends that the original cost study is sufficient to support the amount of UPIS presented in the MFRs, but that errors and discrepancies discovered by staff suggest that the original cost study is not sufficiently reliable to support the higher plant values. Staff recommends that UPIS balances should be based on the MFRs, with adjustments described above. Accordingly, UPIS should be increased by \$9,848. Staff recalculated the corresponding accumulated depreciation for the adjusted plant accounts. Including the adjustment from Audit Finding 5, as previously discussed, accumulated depreciation should be decreased by \$49,695 and depreciation expense should be decreased by \$1,025.

Issue 4: Should further adjustments be made to the Utility's rate base?

Recommendation: Yes. UPIS should be reduced by \$44,000 to remove double counting of land. Land should be further reduced by \$44,000 to reflect the removal of land from rate base. CIAC should be increased by \$83 associated with the meter installation charges collected by the Utility. Corresponding adjustments should be made to increase both accumulated amortization of CIAC and CIAC amortization expense by \$8 and to decrease property taxes by \$3,179. (Frank, Hill)

Staff Analysis: Staff has reviewed the test year rate base components along with other support documentation. As such, staff believes further adjustments are necessary to Bocilla's rate base, as discussed below.

Land

In its MFRs, the Utility double counted \$44,000 for land in its rate base. As such, staff decreased plant by \$44,000 to remove the duplicate amount for land. Further, Bocilla no longer operates the plant for which this land was used, and agrees with staff that the land should be removed from rate base. Accordingly, land should be decreased by \$44,000 to reflect the removal of land from rate base. A corresponding adjustment should be made to remove the real estate taxes associated with the land. Therefore, property taxes should be decreased by \$3,179.

CIAC

In its MFRs, the Utility recorded \$458,848 of CIAC. Staff learned during a conference call with Bocilla and the Office of Public Counsel (OPC) that the Utility had been incorrectly recording meter installation charges as revenues. Although, the Utility provided staff a breakdown of meter installations dating back to 1993, Bocilla's plant balance only reflects meter replacements for existing customers during the test year. Therefore, all meter installation charges prior to the test year should not be reflected in CIAC except for one during 2015 reflected on the Utility's breakdown of meter installations. Accordingly, CIAC should be increased by \$83 associated with a meter installation charge that was previously recorded in test year revenues by Bocilla. Corresponding adjustments should be made to increase both accumulated amortization of CIAC and CIAC amortization expense by \$8.

Issue 5: Should any adjustments be made to the Utility's pro forma plant?

Recommendation: Yes. The appropriate amount of pro forma plant additions is \$139,708. This results in a decrease of \$50,067 from the Utility's requested amount. Therefore, UPIS should be increased by \$139,708. Corresponding adjustments should also be made to increase accumulated depreciation by \$11,709 and increase depreciation expense by \$11,709. Additionally, property taxes should be increased by \$2,136. (Hill, Frank)

Staff Analysis: The Utility did not reflect any pro forma plant requests in its original filing. However, in responses to staff's data requests, Bocilla requested the inclusion of seven pro forma projects. The amount of the pro forma plant additions totaled \$189,775. The Utility provided invoices and justification for each of the plant additions. Based on review of Bocilla's requested pro forma plant, staff recommends several adjustments to the Utility's proposed pro forma plant as summarized below.

The requested pro forma plant additions include \$10,964 for a boost station rebuild, \$12,850 for a boost station control package, \$11,400 for the 6" valve replacement, \$10,060 for looping dead end lines, \$14,721 for a chloramine feed system, and \$22,102 per year for four years for a meter replacement program. Bocilla requested \$41,371 for a new utility truck as a pro forma expense. However, staff believes a vehicle asset should be considered a pro forma plant item. Therefore, staff will address the new truck in this issue and remove the requested amount from pro forma O&M expenses.

The Utility has stated that all projects will be completed in 2017 with the exception of the meter replacement program which is a four-year program. Based on staff's review, the proposed additions will improve the reliability of Bocilla's system or improve the quality of the Utility's product. Staff's recommended adjustments to the Utility's requested pro forma plant additions are discussed below.

Boost Station Rebuild

In total, the Utility requested \$10,964 to rebuild its boost station. According to a probable cause report funded by Bocilla, this repair was necessary due to improper exercising of fire hydrants. Bocilla further states that Charlotte County firefighters were seen operating a fire hydrant at the time the damage was caused. Charlotte County has declined to accept responsibility for this event, and Bocilla has stated that "any legal action would incur more cost than the repairs."

Bocilla's support for the amount of the repair included a request of \$1,560 for 700 hand-delivered boil water notices and \$3,105 for the engineer's probable cause report that it obtained while attempting to recover repair expenses from Charlotte County. The engineer's probable cause report is an appropriate non-recurring expense to be included in pro forma O&M expenses, as discussed in Issue 12. However, staff believes that both items are not appropriate to capitalize and reduced the recommended pro forma plant by \$4,665 for a total of \$6,299. As discussed in Issue 3, this project is associated with assets that benefit KIU and should reflect a 36 percent allocation to KIU. Therefore staff reduced the recommended pro forma plant by \$2,268 (36 percent x \$6,299) for a total recommended increase of \$4,031 to plant.

Boost Station Control Package

Based on the most recent update of this project, the Utility requested \$12,850 for a control package for its boost station. The current control system is no longer supported by the manufacturer, and supporting the control system internally would cost over 50 percent of the cost of a new system. Additional functionality, greater reliability, and lower maintenance costs justify the additional cost of the new system. As discussed in Issue 3, this project is associated with assets that benefit KIU and should reflect a 36 percent allocation to KIU. Therefore, staff reduced the recommended pro forma plant by \$4,626 (36 percent x \$12,850) for a total recommended increase of \$8,224 to plant.

Chloramine Feed System

At the point of connection to EWD, the water purchased by Bocilla passes DEP requirements for chlorine or chloramine residuals. However, once the water reaches the point of use at some customer residences, periodic tests reveal that disinfection residuals are at times insufficient, and formation of nitrites and bio-films have impacted the quality of those customers' water. Bocilla has worked with the Florida Rural Water Association to design a chloramine feed system to address this problem while controlling engineering costs. The designs of this and related systems have changed since the MFRs were filed. The amount the Utility has supported with invoices is now \$14,721 based on an updated bid by DMK Associates Inc. As discussed in Issue 3, KIU directly benefits from certain Bocilla assets and it is appropriate to allocate 36 percent of the value of those assets to KIU. The chloramine feed system benefits KIU in this way, and so \$5,300 (36 percent x \$14,721) should be removed and \$9,421 should be approved.

Meter Replacement

Bocilla requested \$26,449 per year to replace 100 meters each year for a period of four years. The Utility noted that many of the meters are near the end of their useful life and it is more economical to purchase the materials needed in bulk. Section 367.081(2)(a)2.a., F.S., states that "the commission shall consider utility property . . . to be constructed within a reasonable time in the future, not to exceed 24 months after the end of the historic base year . . . unless a longer period is approved by the Commission, to be used and useful in the public service, if such property is needed to serve current customers" Because this pro forma plant item is needed to serve current customers, staff recommends that this property be allowed in rate base even though it lies outside of the 24-month window. In its most recent update for the project, Bocilla reduced its request to \$22,102 per year for four years. Based on documentation provided by the Utility, staff recommends that the Commission approve a total of \$55,200 for this program over four years. Staff's recommended amount is based on the replacement of 240 meters at an estimated cost of \$230 per meter over a four-year period. As discussed in Issue 3, the MFRs did not show any balance in Account 334 – Meters. Because staff is recommending that the Original Cost Study is not reliable enough to establish original plant in service, there is no retirement associated with the meter replacements.

Conclusion

In total, staff recommends an increase of \$139,708 ($\$4,031 + \$8,224 + \$9,421 + \$55,200 + \$11,400 + \$10,060 + \$41,371$). This results in a decrease of \$50,067 from the Utility's requested amount. There are no associated retirements to the pro forma projects. Therefore, UPIS should be increased by \$139,708. Corresponding adjustments should also be made to increase accumulated depreciation by \$11,709 and increase depreciation expense by \$11,709. Additionally, property taxes should be increased by \$2,136.

Issue 6: What is the used and useful (U&U) percentage of the Utility's water transmission and distribution system?

Recommendation: Bocilla's water transmission and distribution system should be considered 100 percent U&U. There appears to be no excessive unaccounted for water (EUW). Therefore, staff recommends that no adjustment be made to operating expenses for purchased water. (Hill)

Staff Analysis: Bocilla's water transmission and distribution system should be considered 100 percent U&U. There appears to be no EUW, therefore, staff is not recommending an adjustment be made to operating expenses for purchased water, as discussed below.

Excessive Unaccounted for Water

Rule 25-30.4325(1)(e), F.A.C., defines EUW as "unaccounted for water in excess of 10 percent of the amount produced." Unaccounted for water is all water that is produced that is not sold, metered, or accounted for in the records of the Utility. EUW is calculated by subtracting both the gallons used for other services, such as flushing, and the gallons sold to customers from the total gallons pumped for the test year. The Utility purchased 30,892,000 gallons of water and sold 24,936,000 gallons of water to customers. The Utility recorded 720,000 gallons of water used for normal flushing and 3,650,000 gallons of water used for flushing to achieve DEP required chlorine residuals. The result $([30,892,000 - 24,936,000 - 720,000 - 3,650,000] / 30,892,000)$ for unaccounted for water is 5.13 percent, not in excess of 10 percent and so there is no EUW.

Transmission & Distribution System Used & Useful

Bocilla purchases water from EWD through an interconnection. This interconnection is equivalent to a single well, and so it should be considered 100 percent U&U pursuant to Rule 25-30.4325(4), F.A.C.⁶ There are no large undeveloped parcels in Bocilla's territory; however, there are undeveloped lots interspersed throughout the distribution system. All lines are required to serve existing customers, and no portions of the distribution system could be isolated as not U&U; therefore, Bocilla's transmission and distribution system should be considered 100 percent U&U.

Conclusion

Bocilla's water transmission and distribution system should be considered 100 percent U&U. There appears to be no EUW. Therefore, staff recommends that no adjustment be made to operating expenses for purchased water.

⁶Order No. PSC-14-0626-PAA-WU, issued October 29, 2014, in Docket No. 130265-WU, *In re: Application for staff-assisted rate case in Charlotte County by Little Gasparilla Water Utility, Inc.*

Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$46,996. As such, the working capital allowance should be increased by \$1,530. (Frank)

Staff Analysis: Rule 25-30.433(2), F.A.C., requires Class B utilities to use the formula method, or one-eighth of O&M expenses, to calculate the working capital allowance. The Utility has properly filed its allowance for working capital using the formula method. Staff has recommended adjustments to Bocilla's O&M expenses. As a result, staff recommends working capital of \$46,996. This reflects an increase of \$1,530 to the Utility's requested working capital allowance of \$45,466.

Issue 8: What is the appropriate rate base for the test year period ended December 31, 2015?

Recommendation: Consistent with staff's other recommended adjustments, the appropriate rate base for the test year ended December 31, 2015, is \$746,527. (Frank)

Staff Analysis: In its MFRs, the Utility requested a rate base of \$690,154. Based on staff's previously recommended adjustments, the appropriate rate base is \$746,527. The schedule for rate base is attached as Schedule No. 1-A, and the adjustments are shown on Schedule No. 1-B.

Issue 9: What is the appropriate return on equity?

Recommendation: Based on the Commission's leverage formula currently in effect, the appropriate return on equity (ROE) is 11.16 percent with an allowed range of plus or minus 100 basis points. (Frank)

Staff Analysis: The ROE included in the Utility's MFRs is 10.50 percent. Based on the current leverage formula in effect and an equity ratio of 21.58 percent, the appropriate ROE is 11.16 percent.⁷ Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

⁷Order No. PSC-16-0254-PAA-WS, issued June 29, 2016, in Docket No. 160006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

Issue 10: What is the appropriate weighted average cost of capital based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2015?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2015, is 6.03 percent. (Frank)

Staff Analysis: In its filing, Bocilla requested an overall cost of capital of 5.97 percent. The Utility's capital structure consists of long-term debt, common equity, and deferred income taxes. In addition to the recommended cost rate for common equity discussed in Issue 9, staff believes an adjustment is necessary to the cost rate for long-term debt. In its filing, Bocilla reflected a cost rate of 5.00 percent for long-term debt. However, the Utility subsequently stated that no adjustments were made to reflect the removal of the non-utility funds from the loan balance. The Utility also stated that the cost rate does not take into account the closing costs of the loan. Staff reviewed the loan statement and based on the stated interest rate and issuance costs associated with this long-term debt, staff recommends that the appropriate cost rate for this long-term debt is 4.75 percent.

The Utility provided the closing statement for a loan totaling \$1,005,226. The stated purpose of the loan was to fund the Englewood Project. However, the loan also paid off the balances of two existing loans. As discussed in Issue 3, two components of the Englewood Project, an interconnect and boost station, are allocated between Bocilla and KIU. The third component, a subaqueous crossing, was equally funded by the two Utilities. Although Bocilla secured the funding and commenced the project, KIU has a specific agreement with Bocilla to pay for its allocation of the Englewood Project costs. Therefore, staff believes an adjustment should be made to reflect a percent of the loan amount attributable to KIU.

Staff determined KIU'S allocation of the debt by isolating the amount of the loan that was associated with funding the allocated components of the project, not including the subaqueous crossing as it was equally funded. This results in a reduction of \$219,673 to the average balance of the long-term debt. Based upon the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2015, including the aforementioned adjustments, staff recommends a weighted average cost of capital of 6.03 percent. Schedule No. 2 details staff's recommended overall cost of capital.

Issue 11: What is the appropriate amount of test year revenues?

Recommendation: The appropriate test year revenues for Bocilla’s water system are \$398,153. (Johnson)

Staff Analysis: In its MFRs, Bocilla’s adjusted test year revenues were \$395,395. The water revenues include \$397,988 of annualized service revenues, \$2,168 of miscellaneous revenues and a deduction of \$4,761 for credits to customers. In review of the Utility’s adjusted test year billing data, staff found that the Utility used the incorrect number of gallons for each rate block in calculating annualized revenues. Based on the audit, staff made adjustments to reflect the appropriate number of gallons used in each rate block. Therefore, the test year service revenues for Bocilla should be \$398,103 which results in an increase of \$115 (\$398,103 - \$397,988).

Staff also made adjustments to miscellaneous revenues for Bocilla. The Utility recorded monies received from service availability charges as miscellaneous revenues instead of CIAC. Therefore, staff decreased miscellaneous revenues by \$1,292 for an allowance for funds prudently invested (AFPI) charge and \$165 for a meter installation charge. In addition, the Utility included \$711 in its miscellaneous revenues for other charges. However, according to the staff’s audit, Bocilla only billed two initial connection charges of \$25. Therefore, staff reduced miscellaneous revenues by \$661 (\$711 - \$50). The total reduction to miscellaneous revenues is \$2,118 (\$1,292 + \$165 + \$661). For the reasons outlined above, the miscellaneous revenues for the Utility should be \$50 (\$2,168 - \$2,118). In addition, the Utility gave \$4,761 in credits to customers who had abnormally high usage and met the Utility’s criteria for a credit. Staff did not include these credits in test year revenues. Staff believes this is a business decision and the burden should not be carried by the general body of ratepayers. Based on the above, the appropriate test year revenues for Bocilla are \$398,153 (\$398,103 + \$50). Table 11-1 below, represents a summary of staff’s adjustments for test year revenues.

**Table 11-1
 Test Year Revenues**

	Water
Service Revenues	
Utility Annualized Service Revenues	\$397,988
Staff’s Adjustment	<u>\$115</u>
Total Service Revenues	\$398,103
Miscellaneous Revenues	
Utility Recorded Miscellaneous Revenues	\$2,168
Staff’s Miscellaneous Revenue Adjustments	<u>(\$2,118)</u>
Total Miscellaneous Revenues	\$50
Total Test Year Revenues	\$ 398,153

Issue 12: Should any adjustments be made to the Utility's pro forma expenses?

Recommendation: Yes. Bocilla's requested pro forma O&M expenses should be reduced by \$29,402. A corresponding adjustment should be made to increase payroll taxes by \$765. (Hill, Frank)

Staff Analysis: In its filing, the Utility requested \$55,719 for pro forma expenses. Based on its review of Bocilla's requested pro forma expenses, staff recommends several adjustments to the Utility's proposed expenses as summarized below.

Salaries & Wages – Employees

In its filing, the Utility requested an additional \$10,400 (\$25 x 416 hours) a year for its administrative employee to work one extra day a week. However, in response to staff's first data request, Bocilla stated that this figure was an error and that only 400 additional hours is being requested. Given the amount of responsibilities for this position as described by the Utility, and the difficulty Bocilla has had keeping adequate records, staff believes one additional day per week for the part-time administrative employee is reasonable. Staff reduced this expense by \$400 (\$10,400 - \$10,000) to reflect the corrected request. The Utility did not include in its request the corresponding increase in payroll taxes to reflect the additional time. Therefore, staff made a corresponding adjustment to increase payroll taxes by \$765.

Regulatory Commission Expense – Other

In its MFRs, Bocilla requested \$16,024 for the loss on the early abandonment of the water treatment plant. Subsequently, the Utility withdrew its request. Thus, staff recommends the removal of the \$16,024.

Contractual Services – Accounting

In its filing, the Utility requested \$4,200 for Contractual Services – Accounting. In response to a data request, Bocilla stated that it presently does not utilize any monthly accounting services, but is requesting that \$350 per month be authorized as the Utility does not have the accounting expertise to perform the necessary monthly accruals to derive monthly financial statements. The Utility points to its poor record keeping as evidence for its need of accounting services. Bocilla further asserted that accruals are done at the end of the year and are being performed for free by one of the board of directors. The Utility asserts that it is not a reasonable business practice to have a director provide this service for free, and as such should be done monthly as a paid function. Given the need for proper record keeping, staff recommends no adjustment to the requested \$4,200 for Contractual Services – Accounting.

New Utility Truck

In its MFRs, Bocilla requested \$7,200 for the lease of a new truck to replace an older truck currently being used. It also made a corresponding request of \$2,500 for maintenance and gas and \$2,600 for insurance associated with the new truck. As discussed in Issue 5, staff capitalized the full amount of the new truck to plant after the Utility decided to purchase rather than lease it. Therefore, staff reduced O&M expense by \$7,200 to reflect the removal of the lease expense. The Utility also requested \$2,500 for maintenance and gas for the new vehicle and mileage reimbursements for its employees who may need to use personal vehicles for work. Staff believes because the Utility utilized a truck and reimbursed employees' fuel during

the test year, test year expenses should adequately reflect the costs of gas and maintenance and reimbursements for personal vehicles. Therefore, staff disallowed the requested \$2,500 for additional maintenance and gas. In response to a staff data request, the Utility provided an updated estimate for insurance expense of \$2,018. Staff believes because there was \$1,470 for test year insurance expense, an additional \$548 (\$2,018 - \$1,470) is reasonable to reflect the estimate for the insurance on the new vehicle. Accordingly, staff recommends that the requested pro forma amount be reduced by \$2,052 (\$2,600 - \$548). In total, staff recommends a decrease of \$11,752 (\$7,200 + \$2,500 + \$2,052) to pro forma expenses associated with the purchase of a new truck.

Contractual Services – Engineering

The test year already includes 26.25 of the 50 hours requested for lead, copper, and chlorine control services, therefore, the requested \$6,750 should be reduced by \$3,544. Additionally, as discussed above in Issue 5, staff expensed the probable cause report associated with the boost station rebuild and amortized it over five years, pursuant to Rule 25-30.433(8), F.A.C. This results in an increase of \$397. In total, staff recommends a decrease of \$3,146 (\$3,544 - \$397).

Chloramine Feed System Chemicals, Operation & Maintenance

At the time it filed its MFRs, the Utility was undergoing an iterative design process for its chloramine feed system. It has now provided estimated chemical expenses of \$2,649. Staff notes that this total includes the chemicals needed to treat water consumed by KIU. In its response to staff's fourth data request, the Utility stated that 46 percent of the flows through this system can be attributable to KIU, and so staff recommends that the requested chemical expense be reduced to \$1,430, or 54 percent of the requested amount. Since this is a pro forma addition, O&M should be increased by \$490 for estimated repairs and maintenance associated with the feed system.

Fire Hydrant Maintenance and Exercise Program

The Utility requested \$4,650 over two years for maintenance of its fire hydrants. Maintenance will consist of sand blasting and painting half of the 62 hydrants each year to extend their lives. Bocilla has stated that the harsh salt water environment has led to the need to replace fire hydrants before their estimated useful life and that performing this maintenance will extend the life of the existing hydrants and save replacement costs, which are between \$2,500 and \$3,000. The Utility stated that it is critical to perform this maintenance for all hydrants within the next two years to prevent incurring these replacement costs. Staff believes that the first round of maintenance is prudent, but that more justification is required to approve an ongoing two-year maintenance cycle. Staff therefore recommends that the \$4,650 should be amortized over two years. Bocilla has also requested \$3,720 to exercise its fire hydrants twice yearly to ensure proper function. This is in response to a recent loss of life due to a fire in Bocilla's territory and increased concern about fire protection. Staff recommends that this program is prudent and that the cost calculations submitted by Bocilla for this activity reflects the actual cost of components and labor not already included in salary expense.

Conclusion

Based on the above, staff recommends that the Utility's requested pro forma expenses be reduced by \$29,402 (-\$400 - \$16,024 - \$11,752 - \$3,146 + \$1,430 + \$490). A corresponding adjustment should be made to increase payroll taxes by \$765.

Issue 13: Should any adjustments be made to the Utility's salaries and wages expense?

Recommendation: Yes. Salaries and wages expense should be reduced by \$13,896. Pensions and benefits should be decreased by \$1,510. A corresponding adjustment should be made to reduce payroll taxes by \$1,103. (Frank)

Staff Analysis: Based on its review of test year salaries and wages expense, staff recommends several adjustments to the Utility's proposed expense as summarized below.

Salaries & Wages – Employees

In its MFRs, Bocilla reflected a total expense of \$104,866 for employee salaries and wages. The Utility has one full-time operator, which the Utility allocates 20 percent of the operator's salary to KIU. Bocilla also has a part-time meter reader/distribution worker, a part time administrative employee, and a part-time sub-contractor. In an effort to examine the reasonableness of the Utility's salary levels, staff used multiple resources including the American Water Works Associations' (AWWA) 2015 Compensation Survey and believes all employee compensation falls within a reasonable range. Given the intensive description of job duties and no additional benefits included for the part-time positions, staff believes the salary levels are reasonable.

Staff believes there should be a 20 percent allocation to KIU for the operator's annual bonus. This results in a decrease of \$510 ($\$2,550 \times 20$ percent). Further, staff believes the operator's pensions and benefits should also reflect a 20 percent allocation to KIU. The operator is the only employee receiving pensions and benefits. Therefore, the allocation results in a decrease of \$1,510 ($\$7,548 \times 20$ percent) to the total amount of the Utility's pensions and benefits.

Salaries & Wages – Officers

In its MFRs, the Utility reflected an expense of \$88,061 for the officer's salary. This amount reflects a 10 percent reduction for the allocation of the officer's time spent on KIU activities. The total salary of the officer is \$97,846. In response to staff data requests, Bocilla stated that the officer's duties have increased since removing the water treatment plant from service. The Utility stated that this was not anticipated, but nitrification and bio-films generated from chloramine treated water have presented many additional problems that require continuous flushing.

According to Bocilla, the officer is responsible for overseeing and protecting a publicly regulated water supply 24 hours a day, 365 days a year. The Utility estimated the officer's total time per month tending to utility operations is 160 to 200 hours. Staff used the AWWA 2015 Compensation Survey (CS) to examine the reasonableness of the officer's total salary of \$97,846. Staff compared the job description of the officer to a general manager in the AWWA to account for the overall oversight responsibility of the officer. According to the AWWA, the midpoint salary range for a water utility general manager is \$88,844. As such, staff believes that this is a reasonable level for the officer's salary. Staff recommends reducing the officer's total salary by \$9,002 to reflect the AWWA midpoint salary range for a general manager.

Further, staff believes that the Utility's 10 percent allocation of officer's salary for non-utility activities does not reasonably reflect the officer's time spent on KIU business. Due to poor record keeping of the officer's time, the Utility was unable to provide staff with recorded hours for time associated with KIU. Staff recommends that 20 percent, consistent with the Utility's suggested allocated time for the operator, of the officer's time is more reasonable given the amount of billing calculations and employee management that is involved with KIU. Therefore, staff recommends that 20 percent of the officer's salary should be allocated to KIU. This decreases the recommended salary level by \$17,769 ($\$88,844 \times 20$ percent). This results in a recommended officer's salary of \$71,075 ($\$88,844 - \$17,769$). In total, staff recommends decreasing the Utility's requested officer's salary by \$16,986 ($\$88,061 - \$71,075$).

Staff increased officer's salaries and wages expense by \$10,800 for directors' fees reclassified from miscellaneous expenses. The Utility's board of directors consists of three directors who meet once a week for an hour and receive \$3,600 each annually. Staff believes it is excessive to have three directors meet weekly for a water reseller utility with only one full-time employee. Staff recommends decreasing each director's fee to \$100 a month for a total reduction of \$7,200. This results in a net increase of \$3,600 ($\$10,800 - \$7,200$).

In total, staff recommends reducing officer's salaries and wages expense by \$13,386 ($-\$16,986 + \$3,600$).

Conclusion

Based on the above, staff recommends that the Utility's Salaries and Wages – Officers expense be reduced by \$13,896 ($\$510 + \$13,386$). Pensions and benefits should be decreased by \$1,510. A corresponding adjustment should be made to reduce payroll taxes by \$1,103.

Issue 14: Should further adjustments be made to the Utility's O&M expense?

Recommendation: Yes. O&M expense should be further decreased by \$18,520. (Frank)

Staff Analysis: Based on its review of test year O&M expense, staff recommends several adjustments to the Utility's O&M expense as summarized below.

Purchased Power

In its filing, Bocilla reflected an expense of \$4,549 for Purchased Power in the test year. Staff removed \$1,131 from test year expenses related to charges for the abandoned water treatment plant. Staff also removed \$365 for a deposit which was reimbursed to the Utility. In its response to staff's second data request, the Utility stated it has no objection to the above adjustments to Purchased Power. Purchased Power is also affected by the KIU relationship discussed in Issues 3 and 12. As a result, Purchased Power should also be reduced by \$1,078 to account for KIU's 46 percent share of pumping costs. In total, staff recommends a reduction of \$2,574 (\$1,131 + \$365 + \$1,078).

Contractual Services – Engineering

Staff and the Utility agree that an expense of \$1,463 for well plugging is not recurring in nature and should be amortized over five years. The net adjustment to Contractual Services – Engineering should be a decrease of \$1,170.

Contractual Services – Legal

In its MFRs, the Utility reflected an expense of \$654 for Contractual Services – Legal in the test year. A \$360 bill for legal services was also included as part of the Utility's rate case expense. As such, staff removed \$360 from Contractual Services – Legal as duplicative costs already reflected in rate case expense.

Transportation Expenses

In its filing, the Utility reflected an expense of \$5,454 for transportation expenses in the test year. Staff reclassified barge fees totaling \$13,320 from miscellaneous expense. Although the Utility's office is located on the mainland, the infrastructure is located on a barrier island which requires a barge fee for transportation from the mainland to the island. In an effort to verify the actual costs of barging, staff requested the contract between Bocilla and Palm Island Transit, the transit company. The Utility provided a contract between Palm Island Transit and Islander Management Group, LLC (IMG), which in turn bills Bocilla for the barging. Staff compared the invoices from IMG to the contract agreement to verify the costs. The Utility also provided a new contract between Palm Island Transit and Bocilla. The contract allows for 50 round trips per month for a monthly rate of \$950 and \$19 for each additional trip. Staff recommends using the new contract total of \$11,400 (\$950 x 12 months) plus \$1,140 (\$19 x 60) to reflect additional trips based on an average of 60 additional trips per year. This results in a decrease of \$780 (\$13,320 - \$12,540). In total, staff recommends a net increase of \$12,540 (\$13,320 - \$780) to transportation expenses.

Insurance – Workman’s Comp

In its MFRs, the Utility reflected an expense of \$4,383 for workman’s comp expense in the test year. Staff reduced this expense by \$442 to reflect a 20 percent allocation to KIU for the operator’s workman’s comp. Staff also reduced this expense by \$263 for capitalized overhead associated with the meter replacement program. In total, staff reduced workman’s comp by \$705 (-\$442 - \$263).

Advertising Expense

In its MFRs, the Utility recorded \$375 for advertising expense in the test year. This expense comprised of rotary club membership fees. As such, staff removed \$375 for non-utility expense.

Salaries & Wages – Employees

Staff made adjustments to correct capitalized employee time spent replacing meters for the meter replacement program. Staff decreased the sub-contractor’s expense by \$3,480 and increased the distribution worker’s expense by \$2,960. This results in a net decrease of \$520 (\$2,960 - \$3,480).

Miscellaneous Expenses

In its MFRs, the Utility recorded \$46,378 for miscellaneous expense in the test year. Staff reduced miscellaneous expense by \$13,320 to remove barge fees addressed above in transportation expense. Staff also reduced miscellaneous expense by \$10,800 to reclassify director’s fees to officer’s salaries and wages expense. Staff also removed \$1,237 related to meter replacements and capitalized the expense to plant. This results in a total reduction of \$25,357 (\$13,320 + \$10,800 + \$1,237).

Conclusion

Based on the above, staff recommends that O&M expense be further decreased by \$18,520 (-\$2,574 - \$1,170 - \$360 + \$12,540 - \$705 - \$375 - \$520 - \$25,357).

Issue 15: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$99,588. This expense should be recovered over four years for an annual expense of \$24,897. Therefore, annual rate case expense should be increased by \$3,797. (Frank)

Staff Analysis: In its MFRs, Bocilla requested \$84,400 for current rate case expense. Staff requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On March 7, 2017, the Utility submitted its last revised estimate of rate case expense, through completion of the PAA process, which totaled \$117,328.

**Table 15-1
 Bocilla's Initial and Revised Rate Case Expense Request**

	MFR B-10 Estimated	Actual	Additional Estimated	Revised Total
Coenson & Friedman, PA	\$38,000	\$28,688	\$4,635	\$33,323
Englewood Management Group, LLC	30,000	55,587	8,175	63,762
DMK Engineering	8,100	3,375	3,775	7,150
M&R Consultants	0	2,100	0	2,100
Giffels-Webster, Inc.	0	6,905	0	6,905
Filing Fee	4,000	2,000	0	2,000
Bocilla In-house	1,600	1,838	250	2,088
Customer Notices	1,200	0	0	0
Travel	1,500	0	0	0
Total	\$84,400	\$100,493	\$16,835	\$117,328

Source: MFR Schedule B-10 and Utility responses to staff data requests

Pursuant to Section 367.081(7), F.S., the Commission shall determine the reasonableness of rate case expense and shall disallow all rate case expense determined to be unreasonable. Staff has examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. Based on its review, staff believes the following adjustments to Bocilla's rate case expense estimate are appropriate.

Coenson & Friedman, P.A. (C&F)

In its MFRs, the Utility included \$38,000 in legal fees to complete the rate case. Bocilla provided documentation detailing this expense through March 1, 2017. The actual fees and costs totaled \$26,247 with an estimated \$4,635 to complete the rate case, totaling \$30,882.

C&F's actual expenses included the \$2,000 filing fee. However, the Utility also included \$2,000 in its MFR Schedule B-10, under "Public Service Commission – Filing Fee." Staff has

left the filing fee under the filing fee line item and has removed the entry from legal fees to avoid double recovery of this fee.

According to invoices, the law firm of C&F billed the Utility \$504 related to the correction of MFR deficiencies. The Commission has previously disallowed rate case expense associated with correcting MFR deficiencies because of duplicate filing costs.⁸ Consequently, staff recommends an adjustment to reduce C&F's actual legal fees by \$504.

C&F's estimate to complete the rate case includes fees for 12.5 hours at \$370/hr. and an additional \$10 for photocopies, totaling \$4,635. Staff has reviewed the estimate to complete and believes this amount is reasonable. Therefore, staff made no further adjustments.

Englewood Management Group, LLC (EMG)

In its MFRs, the Utility included \$30,000 in accounting fees to complete the rate case. Bocilla provided documentation detailing this expense through December 14, 2016. The actual fees and costs totaled \$55,587 with an estimated \$8,000 to complete the rate case, totaling \$63,587. Staff reviewed the invoices and found that a total of \$1,133 occurred before the test year. Staff notes that certain line items on these invoices referred to work with C&F that did not appear on any of C&F's rate case expense invoices. Also, line items indicated work involving the correction of books and records to make the test year accurate. Staff believes it is the Utility's responsibility to keep accurate books and records. As such, staff removed \$1,133 from rate case expense. Staff further found that \$1,806 was related to work to correct deficiencies. As mentioned above, it is Commission practice to disallow rate expense associated with correcting deficiencies. Therefore, staff recommends an adjustment to reduce EMG's actual accounting fees by \$1,806. Also, included in the invoices was \$583 for traveling. Staff believes this cost is inappropriate since the consultant is on the board of directors and lives near the Utility.

EMG's estimate to complete the rate case includes fees totaling \$7,500 (50 hours at \$150/hr.) and an additional \$675 in costs for attending the Commission Conference. The estimate to complete included 18 hours for responding to staff requests and analysis for staff consideration in drafting final order. After the last estimate to complete was provided by Bocilla, invoices for 11.5 hours were submitted for EMG related to responding to staff requests. Therefore, staff removed 11.5 hours from the estimated 18 hours for responding to staff's requests. Staff also removed 8 hours for review of the Final Order as duplicative of another line item for an estimate of 4 hours to review the Commission's PAA Order. Further, staff removed 4 hours associated with miscellaneous items that may arise as unreasonable. As a result, staff reduced EMG's estimate to complete by \$3,525 (23.5 hours x \$150/hr.). In addition to EMG's estimated time to complete, Bocilla estimated \$675 for lodging, meals, and travel costs for EMG to attend the Commission Conference. In an effort to be consistent with other consultants' estimated travel costs, staff reduced this estimate to \$575 to reflect \$200 for a hotel reservation, \$50 for meals, and \$325 for mileage (650 miles x \$0.50/mile). This results in a decrease of \$100 (\$675 - \$575). Staff recommends a total decrease of \$3,625 (\$3,525 + \$100) to the estimate to

⁸Order Nos. PSC-05-0624-PAA-WS, issued June 7, 2005, in Docket No. 040450-WS, *In re: Application for rate increase in Martin County by Indiantown Company, Inc.*; and PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, *In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.*

complete. In total, staff recommends that accounting fees for EMG be reduced by \$7,147 (\$3,522 + \$3,625).

DMK Engineering

The Utility provided one invoice related to preparing MFRs, responding to data requests, and audit facilitation totaling \$3,375. Bocilla also provided an estimate to complete the rate case which includes \$560 for responding to data requests and \$2,640 (\$165/hr x 16 hrs.) for traveling and attending the Commission Conference. The estimate to complete also includes \$575 in costs for lodging, meals, and mileage. Staff believes these expenses are reasonable. As such, staff recommends no adjustment to actual and estimated rate case expense for DMK Engineering.

M&R Consultants

In its MFRs, the Utility did not include any estimated rate case expense associated with accounting services provided by M&R Consultants. However, Bocilla subsequently provided an invoice for fees related to the original cost study totaling \$2,100. In its response to staff's second data request, the Utility stated that the costs of obtaining the original cost study will not be submitted as costs of the rate case. Therefore, staff recommends reducing this expense by \$2,100.

Giffels-Webster, Inc.

In its MFRs, Bocilla did not include any estimated rate case expense associated with accounting services provided by Giffels-Webster, Inc. However, the Utility subsequently provided two invoices for fees related to the original cost study totaling \$6,905. As mentioned above, Bocilla stated that the costs of obtaining the original cost study will not be submitted as costs of the rate case. Therefore, staff recommends reducing this expense by \$6,905.

Filing Fee

The Utility included \$4,000 in its MFR Schedule B-10 for the filing fee. However, the filing fee for this rate case was \$2,000. As such, staff reduced the filing fee expense by \$2,000.

In-House

In its MFRs, the Utility did not include any estimated rate case expense for in-house employees. However, in response to staff's data requests, the Utility provided \$1,838 for rate case work done by their part-time administrative employee. Further, Bocilla provided an estimate to complete for the President to attend the Commission Conference. This estimate includes hotel and meals totaling \$250. Staff believes these expenses are reasonable and recommend no adjustment to in-house rate case expense.

Customer Notices

In its MFRs, the Utility included estimated costs of \$1,200 for printing and shipping. Bocilla is responsible for sending out three notices: the initial notice, customer meeting notice, and notice of the final rate increase. The Commission has historically approved recovery of noticing and postage, despite the lack of supporting documentation, based on a standard methodology to estimate the total expense using the number of customers and the estimated per unit cost of

envelopes, copies, and postage.⁹ As such, staff estimated the postage cost for the notices to be approximately \$564 (400 customers x \$0.47 x 3 notices). Staff estimates envelope costs to be \$72 (400 customers x \$0.06 per envelope x 3 notices) and copying costs to be \$280 (400 customers x \$0.10 per copy x 7 pages).¹⁰ Based on these components, the total cost for customer notices and postage is \$916 (\$564 + \$72 + \$280). Accordingly, staff recommends rate case expense be decreased by \$284 (\$1,200 - \$916).

Travel

In its MFRs, the Utility included an estimated \$1,500 for travel costs. However, Bocilla subsequently provided documentation detailing estimated travel costs for C&F and EMG’s rate case expense. Staff addresses travel costs for these consultants above. As such, staff reduced travel costs by \$1,500 to avoid double recovery.

Conclusion

Based upon the adjustments discussed above, staff recommends the Utility’s revised rate case expense of \$117,328 be decreased by \$18,940 to reflect staff’s adjustments, for a total of \$99,588. A breakdown of staff’s recommended rate case expense is as follows:

**Table 15-2
 Staff Recommended Rate Case Expense**

Description	MFR Estimated	Utility Revised Act.& Est.	Staff Adjustment	Recom. Total
Legal Fees	\$38,000	\$33,323	(\$2,504)	\$31,323
Accounting Consultant Fees	30,000	63,762	(7,147)	56,615
Engineering Consultant Fees	8,100	16,155	(9,005)	7,150
Filing Fee	4,000	2,000	0	2,000
Bocilla In-house	1,600	2,088	0	2,088
Customer Notices	1,200	0	(284)	916
Travel	<u>\$1,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$84,400</u>	<u>\$117,328</u>	<u>(\$18,940)</u>	<u>\$99,588</u>

Source: MFR Schedule B-10 and responses to staff data requests

⁹Order No. PSC-14-0025-PAA-WS, issued January 10, 2014, in Docket No. 120209-WS, *In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.*

¹⁰The initial notice sent by the Utility was three pages, and the customer notice was one page. Staff anticipates that the final notice will be approximately three pages.

In its MFRs, Bocilla requested total rate case expense of \$84,400. When amortized over four years, this represents an annual expense of \$21,100. The recommended total rate case expense of \$99,588 should be amortized over four years pursuant to Section 367.0816, F.S.¹¹ This represents an annual expense of \$24,897. Based on the above, staff recommends that annual rate case expense be increased by \$3,797 (\$24,897 - \$21,100) compared to the original request in the MFRs.

¹¹Section 367.0816, F.S., was repealed pursuant to Ch. 2016-226, Laws of Florida, effective July 1, 2016. However, the Statute was in effect when Bocilla's application was filed, and therefore shall remain applicable in this case.

Issue 16: What is the appropriate revenue requirement for the test year ended December 31, 2015?

Recommendation: Staff recommends the following revenue requirement be approved.

Test Year Revenue	\$ Increase	Revenue Requirement	% Increase
\$398,153	\$99,573	\$497,726	25.01%

(Frank)

Staff Analysis: In its filing, the Utility requested a revenue requirement to generate annual revenue of \$547,770. This requested revenue requirement represents a revenue increase of \$152,375, or approximately 38.54 percent. Consistent with recommendations concerning rate base, cost of capital, and operating income issues, staff recommends the appropriate revenue requirement should be \$497,726. This represents an increase in revenues of \$99,573 (or 25.01 percent). This increase will allow the Utility the opportunity to recover its operating expenses and earn a 6.03 percent return on its investment in water rate base. The schedule for operating income is attached as Schedule No. 3-A, and the adjustments are shown on Schedule No. 3-B.

Issue 17: What are the appropriate rate structures and rates for Bocilla's water system?

Recommendation: The recommended rate structure and monthly water rates are attached to this recommendation as Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Johnson)

Staff Analysis: Bocilla is located on a barrier island in Charlotte County and provides water service to approximately 400 residential customers. Typically, staff evaluates the seasonality of a utility's customers based on the percentage of bills at zero gallons, which is 11 percent. However, for Bocilla, a portion of the customers are in residence periodically throughout each month rather than a few months out of the year. Therefore, staff believes it is appropriate to evaluate the seasonality based on the percentage of bills at the 1,000 gallon level, which is 30 percent. As a result, it appears that the customer base is somewhat seasonal. The average residential water demand is 5,125 gallons per month. The average water demand excluding zero gallon bills is 5,738 gallons per month. The Utility's current water system rate structure for residential and general service customers consists of a base facility charge (BFC) and a three-tier inclining block rate structure. The rate blocks are: (1) 0-6,000 gallons; (2) 6,001-12,000 gallons; and (3) all usage in excess of 12,000 gallons per month. In addition, the Utility currently has a bulk water rate for service to an emergency interconnection with an adjacent exempt utility and a private fire protection rate in accordance with Rule 25-30.465 F.A.C.

Staff performed an analysis of the Utility's billing data in order to evaluate the appropriate rate structure for the residential water customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with Commission practice.

The Utility's proposed rate structure includes a revenue allocation to the BFC of 56.11 percent. Typically, unless the Utility's customer base is highly seasonal, the Commission allocates no greater than 40 percent of the water revenue to the BFC. Staff believes a BFC allocation of 47 percent will send the appropriate conservation pricing signals to target discretionary usage and also provide revenue stability to address the moderate amount of seasonal usage in Bocilla's customer base.

The average person per household served by the Utility is two. Therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 3,000 gallons per month instead of 6,000 gallons. Staff recommends the BFC and three-tier gallonage charge rate structure, which includes a gallonage charge for non-discretionary usage for residential water customers, should be continued. However, the rate tiers should be: (1) 0-3,000 gallons (non-discretionary); (2) 3,001-

12,000 gallons; and (3) all usage in excess of 12,000 gallons per month. Approximately 23 percent of the customer demand exceeds 12,000 gallons per month. Further, based on the recommended revenue increase of approximately 25 percent as well as the seasonal nature of Bocilla's customer base, the reduction in residential demand is expected to be less elastic than a standard customer base. Residential consumption can be expected to decline by 1,105,000 gallons, which is a 4.5 percent decrease in total residential gallons. Furthermore, corresponding adjustments of \$66 to purchase power, \$88 to chemicals, \$4,153 to purchased water, and \$203 to RAFs should be made to reflect the anticipated repression. These adjustments result in a post repression revenue requirement of \$493,166. Staff recommends a BFC and uniform gallonage charge rate structure for general service water customers. The Utility has no customers for bulk water; therefore, staff recommends that Bocilla's bulk water tariff be canceled. The Utility's private fire protection rates should be updated in accordance with Rule 25-30.465 F.A.C.

Table 17-1 below, contains staff's recommended rate structure and rates as well as alternative rate structures, which include varying BFC allocations and rate blocks. Alternative I results in a more even distribution of the rate increase to all customers regardless of demand, but does not send the appropriate pricing signals to target discretionary usage. Alternative II maintains the existing tiers (0 – 6,000, 6,001-12,000, 12,000+) but provides a greater increase for non-discretionary demand than the staff recommended rate structure. The staff recommended rate structure mitigates the rate impact for non-discretionary demand while sending a significant pricing signal for demand in excess of 12,000 gallons per month.

**Table 17-1
 Staff's Recommended and Alternative Water Rate Structures and Rates**

	RATES AT TIME OF FILING	STAFF RECOMMENDED RATES 47% BFC	ALTERNATIVE I 56% BFC	ALTERNATIVE II 49% BFC
Residential				
5/8" x 3/4" Meter Size	\$46.24	\$47.71	\$56.44	\$49.84
Charge per 1,000 gallons				
0-6,000 gallons	\$4.62			\$8.70
6,001 – 12,000 gallons	\$7.76			\$9.13
Over 12,000 gallons	\$12.32			\$15.97
0 – 3,000 gallons		\$8.58	\$6.56	
3,001 – 12,000 gallons		\$9.14	\$8.20	
Over 12,000 gallons		\$18.29	\$16.41	
3,000 Gallons	\$60.10	\$73.45	\$76.12	\$75.94
6,000 Gallons	\$73.96	\$100.87	\$100.72	\$102.04
12,000 Gallons	\$120.52	\$155.71	\$149.92	\$156.82

The recommended rate structure and monthly water rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 18: Should Bocilla’s request to implement a late payment charge be approved?

Recommendation: Yes. Bocilla’s request to implement a late payment charge of \$7.12 should be approved. Bocilla should be required to file a proposed customer notice and tariff to reflect the Commission-approved charge. The approved charge should be effective for services rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Johnson)

Staff Analysis: The Utility is requesting a \$7.12 late payment charge to recover the cost of supplies and labor associated with processing late payment notices. The Utility’s request for a late payment charge was accompanied by its reason for requesting the charge, as well as the cost justification required by Section 367.091(6), F.S. The Utility indicated that four late payment notices are processed per hour. The hourly salary for the employee that processes late payment notices is \$24.50 per hour. Based on the labor and four late payment notices per hour, the labor cost per notice is \$6.15. The cost basis for the Utility’s requested and staff’s recommended late payment charge is shown below, in Table 18-1.

**Table 18-1
Late Payment Cost Justification**

	Staff’s Recommended
Labor	\$6.15
Printing	0.50
Postage	<u>0.47</u>
Total	\$7.12

Source: Utility’s cost justification and staff’s calculation

Since the late 1990s, the Commission has approved late payment charges ranging from \$2.00 to \$7.00.¹² Staff recommends that the Utility’s requested late payment charge of \$7.12 is consistent with previously approved late payment charges and should be approved. The purpose of this charge is not only to provide an incentive for customers to make timely

¹²Order Nos. PSC-14-0335-PAA-WS, in Docket No. 130243-WS, issued June 30, 2014, *In re: Application for staff-assisted rate case in Highlands County by Lake Placid Utilities Inc.*; PSC-14-0105-TRF-WS, in Docket No. 130288-WS, issued February 20, 2014, *In re: Request for approval of late payment charge in Brevard County by Aquarina Utilities, Inc.*; PSC-13-0177-PAA-WU, in Docket No. 130052-WU, issued April 29, 2013, *In re: Application for grandfather certificate to operate water utility in Charlotte County by Little Gasparilla Water Utility, Inc.*; PSC-10-0257-TRF-WU, in Docket No. 090429-WU, issued April 26, 2010, *In re: Request for approval of imposition of miscellaneous service charges, delinquent payment charge and meter tampering charge in Lake County, by Pine Harbour Water Utilities, LLC.*; and PSC-11-0204-TRF-SU, in Docket No. 100413-SU, issued April 25, 2011, *In re: Request for approval of tariff amendment to include a late fee of \$14.00 in Polk County by West Lakeland Wastewater.*

payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing delinquent accounts solely upon those who are the cost causers.

Based on the above, Bocilla's request to implement a late payment charge of \$7.12 should be approved. Bocilla should be required to file a proposed customer notice and tariff to reflect the Commission-approved charge. The approved charge should be effective for services rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 19: Should the Utility's approved service availability policy and charges be revised?

Recommendation: Yes. Bocilla's existing water system capacity charge should be discontinued. Staff recommends a new meter installation charge of \$365 and a main extension charge of \$1,421 per ERC. The Utility's existing AFPI charge should be collected from the remaining 315 ERCs the system was originally designed to serve. The approved service availability charges may only be collected from new connections to the Utility's water system. The approved service availability charges should be effective for service rendered on or after the stamped approval date of the tariff pursuant to Rule 25-30.475, F.A.C. (Johnson)

Staff Analysis: Bocilla's existing service availability charges shown on Table 19-1 were originally approved by Charlotte County and were subsequently grandfathered in when Charlotte County transferred jurisdiction to the Commission in 2013. The charges include a meter installation charge of \$165, a system capacity charge of \$3,000 per ERC, and an AFPI charge.

Rule 25-30.580, F.A.C., establishes guidelines for designing service availability charges. Pursuant to the rule, the maximum amount of contributions-in-aid-of construction (CIAC), net of amortization, should not exceed 75 percent of the total original cost, net of accumulated depreciation, of the Utility's facilities and plant when the facilities and plant are at their designed capacity. The minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution system and sewage collection systems.

Meter Installation Charge

A meter installation charge is designed to recover the cost of the meter and the installation. The Utility's current meter installation charges are \$165 for the 5/8 inch x 3/4 inch meter and actual cost for all other meter sizes. Based on the cost justification provided for the meter replacement program, staff believes it is appropriate to update the Utility's existing meter installation charges. Staff believes the requested meter installation charge of \$365 is reasonable.

Main Extension Charge

A system capacity charge is a single service availability charge that includes the cost of both plant and lines. For a Utility that receives donated lines from a developer, an individual customer connecting to those lines should only be responsible for a service availability charge that reflects plant costs. Therefore, separate charges are typically developed to reflect the customer's share of plant costs (plant capacity charges) and the cost of lines in lieu of donated lines (main extension charges).

Staff's recommended cost of the water distribution system is \$1,015,805. The water distribution system has a design capacity of 715 ERCs. Therefore, staff recommends that the Utility's service availability charges be revised to include a main extension charge of \$1,421 per ERC (\$1,015,805/715). Staff's recommended main extension charge is consistent with the guidelines in Rule 25-30.580, F.A.C., which require that, at a minimum, the cost of the Utility's lines should be contributed.

Staff reviewed the contribution level of Bocilla's water system and found that the current contribution level is 33 percent, which is less than the 75 percent maximum guideline provided in Rule 25-30.580, F.A.C. The minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the water distribution system. Based on staff's review, the recommended main extension charge would allow the Utility to be approximately 75 percent contributed at full capacity. As a result, staff recommends that Bocilla's system capacity charge be discontinued.

AFPI Charge

Bocilla also has an AFPI charge that was originally approved by Charlotte County. An AFPI charge is designed to allow the Utility to recover, from new connections, a portion of the depreciation, property taxes, and return on investment associated with non-used and useful plant that is not included in rates. The costs are typically accumulated on a monthly basis for up to five years. The Bocilla AFPI charges accrued from 1992 to 1995. While the plant associated with those charges was subsequently retired in 2014, the Utility is entitled to continue to recover the costs incurred from 1992 to 1995 from future connections. A new customer connecting to the system today would pay the maximum charge of \$1,292.31 per ERC. Staff recommends that the Utility be authorized to continue collecting an AFPI charge of \$1,292.31 per ERC from the remaining 315 ERCs the system was designed to serve.

Conclusion

Based on the above, Bocilla's existing water system capacity charge should be discontinued. Staff recommends a new meter installation charge of \$365 and a main extension charge of \$1,421 per ERC. The Utility's existing AFPI charge should be collected from the remaining 315 ERCs the system was originally designed to serve. The approved service availability charges may only be collected from new connections to the Utility's water system. The approved service availability charges should be effective for service rendered on or after the stamped approval date of the tariff pursuant to Rule 25-30.475, F.A.C.

Table 19-1
Current and Recommended Service Availability Charges

	Current Charge	Recommended Charge
Meter Installation Charge 5/8"x3/4"	\$165.00	\$365.00
Main Extension Charge Per ERC	\$0.00	\$1,421.00
System Capacity Charge	\$3,000.00	\$0.00
AFPI Charge	\$1,292.31	\$1,292.31

Issue 20: What are the appropriate initial customer deposits for Bocilla?

Recommendation: The appropriate water initial customer deposit should be \$183 for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water service. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. (Johnson)

Staff Analysis: Rule 25-30.311, F.A.C., contains the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for a utility and, ultimately, the general body of ratepayers. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill. Currently, Bocilla does not have initial customer deposits in place. Based on the average water demand, the appropriate initial customer deposit should be \$183 to reflect an average residential customer bill for two months.

Based on the above, staff recommends that the appropriate water initial customer deposit should be \$183 for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water service. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C.

Issue 21: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?¹³

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

Staff Analysis: Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense, the associated return in working capital, and the gross-up for RAFs. This results in a reduction of \$26,267.

The water rates should be reduced as shown on Schedule No. 4 to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Bocilla should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

¹³Section 367.0816, F.S., was repealed pursuant to Ch. 2016-226, Laws of Florida, effective July 1, 2016. However, the Statute was in effect when Bocilla's application was filed, and therefore shall remain applicable in this case.

Issue 22: In determining whether any portion of the interim water revenue increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The appropriate refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenues granted. This results in a refund of 7.8 percent. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as Contributions in Aid of Construction (CIAC) pursuant to Rule 25-30.360(8), F.A.C. Further, the letter of credit should be released upon staff's verification that the required refunds have been made. (Frank)

Staff Analysis: The Commission authorized Bocilla to collect interim water rates, subject to refund, pursuant to Section 367.082, F.S. The approved interim revenue requirement of \$464,122 represented an increase of \$65,159 or 16.33 percent.

According to Section 367.082, F.S., any refund should be calculated to reduce the rate of return of the Utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period that interim rates are in effect should be removed. Rate case expense is an example of an adjustment which is recovered only after final rates are established.

In this proceeding, the test period for establishment of interim and final rates is the 12-month period ended December 31, 2015. Bocilla's approved interim rates did not include any provisions for pro forma or projected operating expenses or plant. The interim increase was designed to allow recovery of actual interest expense, and the lower limit of the last authorized range for equity earnings.

To establish the proper refund amount, staff calculated adjusted interim period revenue requirements utilizing the same data used to establish final rates. Rate case expense was excluded because this item is prospective in nature and did not occur during the interim collection period. Using the principles discussed above, staff calculated an adjusted interim revenue requirement of \$428,088. The adjusted interim revenue requirement of \$428,088 is lower than the interim revenue requirement of \$464,122, resulting in a refund of 7.8 percent.

The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as Contributions in Aid of Construction (CIAC) pursuant to Rule 25-30.360(8), F.A.C. Further, the letter of credit should be released upon staff's verification that the required refunds have been made.

Issue 23: Should the Utility be required to notify, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC Uniform System of Accounts (USOA) associated with the Commission approved adjustments?

Recommendation: Yes. The Utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Bocilla should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Frank)

Staff Analysis: The Utility should be required to notify the Commission, in writing that it has adjusted its books in accordance with the Commission's decision. Bocilla should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Issue 24: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively. (Leathers)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.

Bocilla Utilities, Inc.		Schedule No. 1-A			
Schedule of Water Rate Base		Docket No. 160065-WU			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$1,230,651	(\$47,895)	\$1,182,756	\$105,557	\$1,288,313
2 Land and Land Rights	44,000	0	44,000	(44,000)	0
3 Non-used and Useful Components	0	0	0	0	0
4 Construction Work in Progress	42	0	42	0	42
5 Accumulated Depreciation	(358,888)	9,780	(349,108)	37,986	(311,122)
6 CIAC	(460,348)	1,500	(458,848)	(83)	(458,931)
7 Amortization of CIAC	232,960	(7,114)	225,846	(44,617)	181,229
8 Working Capital Allowance	<u>0</u>	<u>45,466</u>	<u>45,466</u>	<u>1,530</u>	<u>46,996</u>
9 Rate Base	<u>\$688,417</u>	<u>\$1,737</u>	<u>\$690,154</u>	<u>\$56,373</u>	<u>\$746,527</u>

Bocilla Utilities, Inc.		Schedule No. 1-B
Adjustments to Rate Base		Docket No. 160065-WU
Explanation		Water
<u>Plant In Service</u>		
1	Reflect appropriate test year plant. (Issue 3)	\$9,848
2	To remove duplicative land. (Issue 4)	(44,000)
3	Reflect appropriate pro forma Plant. (Issue 5)	139,708
	Total	<u>\$105,557</u>
<u>Land</u>		
	To remove non-used and useful land. (Issue 4)	<u>(\$44,000)</u>
<u>Accumulated Depreciation</u>		
1	Reflect appropriate test year accum. depr. (Issue 3)	\$49,695
2	Reflect appropriate pro forma accumulated depr. (Issue 5)	(11,709)
	Total	<u>\$37,986</u>
<u>CIAC</u>		
	Retirements related to meter hook-up charges. (Issue 5)	<u>(\$83)</u>
<u>Accumulated Amortization of CIAC</u>		
1	Agreed upon Audit Finding 6. (Issue 2)	(\$44,625)
2	Reflect meter installation via hook-up charges. (Issue 5)	8
	Total	<u>(\$44,617)</u>
<u>Working Capital</u>		
	Reflect the appropriate working capital amount. (Issue 7)	<u>\$1,530</u>

Bocilla Utilities, Inc.						Schedule No. 2		
Capital Structure-Simple Average						Docket No. 160065-WU		
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	\$1,005,226	\$0	\$1,005,226	\$0	\$1,005,226	82.30%	5.00%	4.12%
2 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	216,151	0	216,151	0	216,151	17.70%	10.50%	1.86%
5 Customer Deposits	0	0	0	0	0	0.00%	0.00%	0.00%
6 Deferred Income Taxes	<u>12,122</u>	<u>0</u>	<u>12,122</u>	<u>0</u>	<u>12,122</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
7 Total Capital	<u>\$1,233,499</u>	<u>\$0</u>	<u>\$1,233,499</u>	<u>\$0</u>	<u>\$1,233,499</u>	<u>100.00%</u>		<u>5.97%</u>
Per Staff								
8 Long-term Debt	\$1,005,226	(\$219,673)	\$785,553	(\$209,620)	\$575,933	77.15%	4.75%	3.67%
9 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
11 Common Equity	216,151	0	216,151	(57,679)	158,472	21.23%	11.16%	2.37%
12 Customer Deposits	0	0	0	0	0	0.00%	0.00%	0.00%
13 Deferred Income Taxes	<u>12,122</u>	<u>0</u>	<u>12,122</u>	<u>0</u>	<u>12,122</u>	<u>1.62%</u>	<u>0.00%</u>	<u>0.00%</u>
14 Total Capital	<u>\$1,233,499</u>	<u>(\$219,673)</u>	<u>\$1,013,826</u>	<u>(\$267,299)</u>	<u>\$746,527</u>	<u>100.00%</u>		<u>6.03%</u>
						LOW	HIGH	
						RETURN ON EQUITY	<u>10.16%</u>	<u>12.16%</u>
						OVERALL RATE OF RETURN	<u>5.82%</u>	<u>6.25%</u>

Bocilla Utilities, Inc.		Schedule No. 3-A					
Statement of Water Operations		Docket No. 160065-WU					
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$391,017</u>	<u>\$156,753</u>	<u>\$547,770</u>	<u>(\$149,617)</u>	<u>\$398,153</u>	<u>\$99,573</u> 25.01%	<u>\$497,726</u>
Operating Expenses							
2 Operation & Maintenance	363,729	76,819	440,548	(64,579)	375,969		375,969
3 Depreciation (net of CIAC Amort.)	14,743	0	14,743	14,214	28,957		28,957
4 Taxes Other Than Income	44,538	6,857	51,395	(8,114)	43,281	4,481	47,762
5 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6 Total Operating Expense	<u>423,010</u>	<u>83,676</u>	<u>506,686</u>	<u>(58,479)</u>	<u>448,207</u>	<u>4,481</u>	<u>452,688</u>
7 Operating Income	<u>(\$31,993)</u>	<u>\$73,077</u>	<u>\$41,084</u>	<u>(\$91,138)</u>	<u>(\$50,054)</u>	<u>\$95,092</u>	<u>\$45,038</u>
8 Rate Base	<u>\$688,417</u>		<u>\$690,154</u>		<u>\$746,527</u>		<u>\$746,527</u>
9 Rate of Return	<u>-4.65%</u>		<u>5.95%</u>		<u>-6.70%</u>		<u>6.03%</u>

Bocilla Utilities, Inc.		Schedule 3-B
Adjustment to Operating Income		Docket No. 160065-WU
Explanation	Water	
<u>Operating Revenues</u>		
1	Remove requested final revenue increase.	(\$152,375)
2	Reflect appropriate amount of annualized revenues. (Issue 11)	<u>2,758</u>
	Total	<u>(\$149,617)</u>
<u>Operation and Maintenance Expense</u>		
1	Agreed upon Audit Finding 8. (Issue 2)	(\$5,048)
2	Reflect appropriate pro forma O&M expenses. (Issue 12)	(29,402)
3	Reflect appropriate salaries & wages expense. (Issue 13)	(13,896)
4	Reflect appropriate pensions and benefits. (Issue 13)	(1,510)
5	Reflect appropriate test year expense adjustments. (Issue 14)	(18,520)
6	Reflect appropriate amount of rate case expense. (Issue 15)	<u>3,797</u>
	Total	<u>(\$64,579)</u>
<u>Depreciation Expense - Net</u>		
1	Agreed upon Audit Finding 6. (Issue 2)	\$3,538
2	Reflect appropriate test year depr. expense. (Issue 3)	(1,025)
3	Reflect meter installation via hook-up charges. (Issue 4)	(8)
4	Reflect appropriate pro forma depreciation exp. (Issue 5)	<u>11,709</u>
	Total	<u>\$14,214</u>
<u>Taxes Other Than Income</u>		
1	RAFs on revenue adjustments above.	(\$6,733)
2	Reflect appropriate test year property taxes. (Issue 4)	(3,179)
3	Reflect appropriate pro forma property taxes (Issue 5)	2,136
4	Reflect appropriate pro forma payroll taxes. (Issue 12)	765
5	Reflect appropriate payroll tax expense. (Issue 13)	<u>(1,103)</u>
	Total	<u>(\$8,114)</u>

Bocilla Utilities, Inc.		SCHEDULE NO. 4			
TEST YEAR ENDED December 31, 2015		DOCKET NO. 160065-WU			
MONTHLY WATER RATES					
	RATES AT TIME OF FILING	COMMISSION APPROVED INTERIM	UTILITY REQUESTED RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
Residential and General Service					
Base Facility Charge by Meter Size					
5/8" X3/4"	\$46.24	\$53.83	\$63.60	\$47.71	\$2.54
3/4"	N/A	N/A	N/A	\$71.57	\$3.81
1"	\$115.60	\$134.58	\$159.00	\$119.28	\$6.36
1-1/2"	\$231.18	\$269.15	\$318.00	\$238.55	\$12.71
2"	\$369.85	\$430.64	\$508.00	\$381.68	\$20.34
3"	\$693.55	\$861.28	\$954.00	\$763.36	\$40.69
4"	\$1,155.93	\$1,345.75	\$1,590.00	\$1,192.75	\$63.57
6"	\$2,324.85	\$2,691.50	\$3,180.00	\$2,385.50	\$127.15
8"	\$3,699.02	\$4,306.40	\$5,088.00	\$3,816.80	\$203.44
Charge per 1,000 gallons - Residential					
0 - 6,000 gallons	\$4.62	\$5.38	\$6.35	N/A	N/A
6,001 - 12,000 gallons	\$7.76	\$9.03	\$10.71	N/A	N/A
Over 12,000 gallons	\$12.32	\$14.34	\$17.00	N/A	N/A
0 - 3,000 gallons	N/A	N/A	N/A	\$8.58	\$0.46
3,001 - 12,000 gallons	N/A	N/A	N/A	\$9.14	\$0.49
Over 12,000 gallons	N/A	N/A	N/A	\$18.29	\$0.97
Charge per 1,000 gallons - General Service					
0 - 6,000 gallons	\$4.62	\$5.38	\$6.35	\$11.13	\$0.59
6,001 - 12,000 gallons	\$7.76	\$9.03	\$10.71	N/A	N/A
Over 12,000 gallons	\$12.32	\$14.34	\$17.00	N/A	N/A
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
3,000 Gallons	\$60.10	\$69.97	\$82.65	\$73.45	
6,000 Gallons	\$73.96	\$86.11	\$101.70	\$100.87	
12,000 Gallons	\$120.52	\$140.29	\$165.96	\$155.71	

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 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Rome) *CR* *ESD PD*
Office of the General Counsel (Mapp) *KLM JSC*

RE: Docket No. 170073-EI – Petition for approval of revised underground residential distribution tariffs, by Tampa Electric Company.

AGENDA: 05/04/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 05/30/17 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

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CLERK

Case Background

On March 31, 2017, Tampa Electric Company (TECO) filed a petition for approval of its revised underground residential distribution (URD) tariffs. URD tariffs reflect the additional costs TECO incurs to provide underground distribution service in place of overhead service, and are paid by the customer as a contribution-in-aid-of-construction. TECO's current charges were approved in Order No. PSC-15-0273A-TRF-EI.¹ The following is staff's recommendation to suspend the proposed tariff revisions. The Commission has jurisdiction over this matter pursuant to Section 366.06, Florida Statutes (F.S.).

¹ Order No. PSC-15-0273A-TRF-EI, issued July 6, 2015, in Docket No. 150103-EI, *In re: Petition for approval of revised underground residential distribution tariff, by Tampa Electric Company.*

Discussion of Issues

Issue 1: Should TECO's proposed URD tariff revisions be suspended?

Recommendation: Yes. (Rome)

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 increase a reason or written statement of good cause for doing so within 60 days. Staff believes that the reason stated above is 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 tariff revisions. (Mapp)

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

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-

DATE: April 21, 2017
TO: Office of Commission Clerk (Stauffer)
FROM: Division of Economics (Ollila) *A.O. ESD PROS*
Office of the General Counsel (Leathers) *WJSC*
RE: Docket No. 170069-EI – Petition for approval of revised underground residential distribution tariffs, by Duke Energy Florida, Inc.

AGENDA: 05/04/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 05/30/17 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

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CLERK

Case Background

On March 30, 2017, Duke Energy Florida, LLC (Duke) filed a petition for approval of its revised underground residential distribution (URD) tariffs. URD tariffs reflect the additional costs Duke incurs to provide underground distribution service in place of overhead service, and are paid by the customer as a contribution-in-aid-of-construction. Duke's current charges were approved in Order No. PSC-14-0396-TRF-EI.¹ The following is staff's recommendation to suspend the proposed tariff revisions. The Commission has jurisdiction over this matter pursuant to Section 366.06, Florida Statutes (F.S.).

¹ Order No. PSC-14-0396-TRF-EI, issued July 31, 2014, in Docket No. 140067-EI, *In re: Petition for approval of revised underground distribution tariffs, by Duke Energy Florida, Inc.*

Discussion of Issues

Issue 1: Should Duke's proposed URD tariff revisions be suspended?

Recommendation: Yes. (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 increase a reason or written statement of good cause for doing so within 60 days. Staff believes that the reason stated above is 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 tariff revisions. (Leathers)

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

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-

DATE: April 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Ollila) *S.O. EOH PRCB*
Office of the General Counsel (Janjic) *JJC*

RE: Docket No. 170074-EI – Petition for approval of 2017 revisions to underground residential distribution tariffs, by Gulf Power Company.

AGENDA: 05/04/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 05/30/17 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

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Case Background

On March 31, 2017, Gulf Power Company (Gulf) filed a petition for approval of its revised underground residential distribution (URD) tariffs. URD tariffs reflect the additional costs Gulf incurs to provide underground distribution service in place of overhead service, and are paid by the customer as a contribution-in-aid-of-construction. Gulf's current charges were approved in Order No. PSC-15-0274-TRF-EI.¹ The following is staff's recommendation to suspend the proposed tariff revisions. The Commission has jurisdiction over this matter pursuant to Section 366.06, Florida Statutes (F.S.).

¹ Order No. PSC-15-0274-TRF-EI, issued July 6, 2015, in Docket No. 150112-EI, *In re: Request by Gulf Power Company to modify its underground residential differential tariffs.*

Discussion of Issues

Issue 1: Should Gulf's proposed URD tariff revisions be suspended?

Recommendation: Yes. (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 increase a reason or written statement of good cause for doing so within 60 days. Staff believes that the reason stated above is 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 tariff revisions. (Janjic)

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

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-

DATE: April 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Ollila) *S.O.* 
Office of the General Counsel (Taylor) *WDT*

RE: Docket No. 170036-GU – Joint petition for approval of territorial agreement in DeSoto County by Florida Division of Chesapeake Utilities Corporation and Sebring Gas System, Inc.

AGENDA: 05/04/17 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

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2017 APR 21 AM 9:14
COMMISSION
CLERK

Case Background

On February 16, 2017, the Florida Division of Chesapeake Utilities Corporation (Chesapeake) and Sebring Gas System, Inc., (Sebring) filed a joint petition for approval of a territorial agreement in DeSoto County. On April 3, 2017, the petitioners filed an amended joint petition with a corrected proposed territorial agreement (proposed agreement) and map. The proposed agreement corrects an inaccurate description of the Sebring service area contained in the February 16, 2017 filing. The proposed agreement is Attachment A to the petition and the map is Attachment B to the petition (due to the voluminous nature of the exhibits, they have not been attached to this recommendation).

The joint petitioners responded to staff's data request on March 2, 2017. The Commission has jurisdiction over this matter pursuant to Section 366.04, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the Commission approve the proposed agreement between Chesapeake and Sebring?

Recommendation: Yes, the Commission should approve the proposed agreement between Chesapeake and Sebring. (Ollila)

Staff Analysis: Pursuant to Section 366.04(3)(a), F.S., and Rule 25-7.0471, Florida Administrative Code (F.A.C.), the Commission has jurisdiction to approve territorial agreements between and among natural gas utilities. Unless the Commission determines that the agreement will cause a detriment to the public interest, the agreement should be approved.¹

The joint petitioners stated that over the past year they have independently pursued plans to extend service in DeSoto County, specifically to customers in and around the City of Arcadia. The joint petitioners stated that without the proposed agreement the joint petitioners' extension plans would likely result in the uneconomic duplication of facilities and, potentially, a territorial dispute. The joint petitioners assert that approval of the proposed agreement will enable as many customers as possible to receive natural gas service.

Currently, Chesapeake and Sebring both have customers in DeSoto County; however, neither petitioner has facilities capable of serving the City of Arcadia. Under the proposed agreement, the joint petitioners have agreed that Chesapeake's service territory will be defined as all of DeSoto County, except for customers within Arcadia's municipal boundary and two specifically identified customers who are located just outside the Arcadia city limits and are currently served by Sebring. Sebring's service area will include customers within Arcadia's municipal boundaries and the two specifically identified customers outside Arcadia's municipal limits. The two customers are identified in the proposed agreement and in the map.

There are no customers or facilities to be transferred. The proposed agreement includes a provision that provides Chesapeake with a right of first refusal if Sebring decides to sell any portion of its natural gas or propane facilities. The proposed agreement states that prior to the second anniversary of the effective date (the date the Commission's decision becomes final), Sebring and Chesapeake will meet to review the status of the proposed agreement and will submit a status report to the Commission. After the second anniversary, the parties will meet no more than every fifth anniversary to review the status of the proposed agreement and provide a status report to the Commission.

The joint petitioners represent that the proposed agreement will not cause a decrease in the availability or reliability of natural gas service provided by Chesapeake or Sebring to existing or future ratepayers of either company. The joint petitioners represent that the Commission's approval of the proposed agreement will be consistent with Section 366.04, F.S., and Rule 25-7.0471, F.A.C. Further, the joint petitioners attest that the proposed agreement is in the public

¹ Utilities Commission of the City of New Smyrna Beach v. Florida Public Service Commission, 469 So. 2d 731 (Fla. 1985).

interest, will not adversely impact any customers, and will facilitate expansion by facilitating service to new customers and areas in an efficient manner.

After review of the petition, the proposed agreement, and the joint petitioners' responses to staff's data request, staff believes that the proposed agreement is in the public interest, that it eliminates any potential uneconomic duplication of facilities and will not cause a decrease in the reliability of gas service. As such, staff believes that the proposed agreement creates no detriment and is in 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. (Taylor)

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.

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 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Ollila) *l.o. EJD PD*
Office of the General Counsel (Janjic) *JSC*

RE: Docket No. 170062-GU – Petition for approval to amend gas reliability infrastructure program (GRIP) cost recovery factor, by Florida Division of Chesapeake Utilities Corporation.

AGENDA: 05/04/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 05/08/17 (60 day suspension deadline)

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
2017 APR 21 AM 9:11
COMMISSION CLERK

Case Background

On March 8, 2017, the Florida Division of Chesapeake Utilities Corporation (Chesapeake or Company) filed a petition to amend the 2017 gas reliability infrastructure program (GRIP) factor for commercial customers in rate class FTS-9 and to allow the Company to issue refunds to the affected customers. The GRIP program allows Chesapeake to recover the cost of accelerating the replacement of cast iron and bare steel distribution mains through a surcharge on customers' bills. The 2017 GRIP factors were approved in Order No. PSC-16-0567-TRF-GU.¹ Rate class FTS-9, which currently has six customers, is for customers whose annual therm usage is between 400,000 and 700,000 therms (compared to about 240 therms per year for residential customers).

¹ Order No. PSC-16-0567-TRF-GU, issued December 19, 2016, in Docket No. 160199-GU, *In re: Joint petition for approval of gas reliability infrastructure program cost recovery factors by Florida Public Utilities Company, Florida Public Utilities Company – Fort Meade, and the Florida Division of Chesapeake Utilities Corporation.*

Docket No. 170062-GU

Date: April 21, 2017

Chesapeake responded to staff's first data request on March 28, 2017 and filed revised responses on March 30, 2017. The proposed (legislative) tariff page is contained in Attachment 1 to the recommendation. 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 the Commission approve Chesapeake's petition to amend the 2017 GRIP factor for rate class FTS-9 customers and issue refunds to FTS-9 customers?

Recommendation: Yes, the Commission should approve Chesapeake's petition to amend the 2017 GRIP factor for rate class FTS-9 customers effective on the date of the Commission's decision and issue refunds in the form of bill credits to the FTS-9 customers. Within 30 days of the issuance of the bill credits, Chesapeake should notify staff that the refunds have been completed. (Ollila)

Staff Analysis: After a customer questioned Chesapeake about the \$0.14596 per therm GRIP factor for the FTS-9 rate class, the Company determined that the GRIP factor was incorrect and should have been \$0.08359 per therm. Chesapeake proposes to amend the GRIP factor to \$0.08359 per therm and provide refunds using a bill credit to FTS-9 customers. Chesapeake estimated that the refunds will total approximately \$71,500.

GRIP Factor

The 2017 GRIP factor was developed by forecasting the 2017 GRIP revenue requirement and allocating the revenue requirement to each rate class using the same methodology used for the allocation of mains and services in the cost of service study used in Chesapeake's most recent rate case.² The revenue requirement allocated to each rate class is then divided by Chesapeake's forecast of therms for that rate class, resulting in the per therm GRIP factor for each rate class.

Chesapeake explained that the projected therm usage used to calculate the 2017 factor for FTS-9 was understated compared to historical therms and previous projections, resulting in the higher GRIP factor. Chesapeake revised its 2017 FTS-9 therm forecast and used that forecast to develop the amended GRIP factor of \$0.08359 per therm. Chesapeake has since reviewed all GRIP factors for Chesapeake, Florida Public Utilities Company (FPUC), and FPUC – Fort Meade and concluded that there were no significant therm over- or understatements used in calculating the 2017 GRIP factors.

In response to staff's data request, Chesapeake explained that in future proceedings, it plans to thoroughly review the projected annual therms and GRIP factors for reasonableness for each rate class. This review, according to the Company, will enable it to identify and investigate any anomalies in the therm forecast as well as the GRIP factors.

Corrected Billing and Refunds

In its petition, Chesapeake proposed that the corrected GRIP factor for the FTS-9 rate class be effective upon Commission approval. The Company explained to staff that the May billing cycle will begin after May 4, the date of the Commission's decision; therefore, all FTS-9 customers will be billed the corrected FTS-9 GRIP factor beginning with the May billing cycle.

Chesapeake stated it believes that it is prudent to address the over-recovery of dollars through a correction to the FTS-9 GRIP factor and the issuance of refunds rather than to use the true-up

² *Id.*

process contained in the annual GRIP filing. The true-up process would have served to reduce Chesapeake's 2018 GRIP factors for all rate classes; however, FTS-9 customers would not have received the benefit of a refund nor would the lower 2018 GRIP factor have offset the amounts FTS-9 customers overpaid in 2017. Chesapeake proposes to refund the difference between the approved 2017 GRIP factor for FTS-9 customers (\$0.14596 per therm) and the amended GRIP factor (\$0.08359 per therm), resulting in a refund of \$0.06237 per therm for January through April, 2017.

Since all FTS-9 customers are current Chesapeake customers, refunds will be processed using bill credits. The credits will include refunds for any applicable taxes/fees, which will be computed when the refunds are processed through the billing system. Rule 25-7.091, Florida Administrative Code (F.A.C.), requires that interest be paid on all refunds, excluding deposit refunds and refunds associated with adjustment factors. FCG explained in its revised response to staff's first data request that its interpretation is that Rule 25-7.091, F.A.C., does not apply to the GRIP factor, which it considers an adjustment factor; however, the Company intends to include interest in the calculation of the refund. The refunds will be included with the June billing cycle and the Company informed staff that it plans to notify the affected customers by separate letter once refunds are processed. The Company agreed to notify staff when the refunds are complete.

Conclusion

Staff believes it is reasonable to amend the FTS-9 GRIP factor and to issue refunds to the FTS-9 customers who have been billed the incorrect 2017 GRIP factor.

Staff recommends that the Commission approve Chesapeake's petition to amend the 2017 GRIP factor for rate class FTS-9 customers effective on the date of the Commission's decision and issue refunds in the form of bill credits to the FTS-9 customers. Within 30 days of the issuance of the bill credits, Chesapeake should notify staff that the refunds have been completed.

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 administratively after Chesapeake notifies staff that the refunds are complete. (Janjic)

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 administratively after Chesapeake notifies staff that the refunds are complete.

Florida Division of Chesapeake Utilities Corporation
Original Volume No. 4

~~Fourth~~ Revised Sheet No. 105.1
Cancels ~~Fourth~~ ~~Third~~ Sheet No. 105.1

RATE SCHEDULES
MONTHLY RATE ADJUSTMENTS

Rate Schedule MRA

7. GAS REPLACEMENT INFRASTRUCTURE PROGRAM (GRIP):

Applicability:

All Customers receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A, FTS-B, FTS-1, FTS-2, FTS-2.1, FTS-3, FTS-3.1, FTS-4, FTS-5, FTS-6, FTS-7, FTS-8, FTS-9, FTS-10, FTS-11, FTS-12, and FTS-13.

The Usage Rate for Transportation Service to each applicable rate classification shall be adjusted by the following recovery factors. The recovery factors for all meters read for the period January 1, 2017 through December 31, 2017 for each rate classification are as follows:

<u>Rate Schedule</u>	<u>Classification of Service</u>	<u>Rate per therm</u>
FTS A	< 130 therms	\$0.45319
FTS-B	> 130 therms up to 250 therms	\$0.15225
FTS-1	> 0 up to 500 therms	\$0.10371
FTS-2	> 500 therms up to 1,000 therms	\$0.11170
FTS-2.1	> 1,000 therms up to 2,500 therms	\$0.11406
FTS-3	> 2,500 therms up to 5,000 therms	\$0.04527
FTS-3.1	> 5,000 therms up to 10,000 therms	\$0.06029
FTS-4	> 10,000 therms up to 25,000 therms	\$0.07233
FTS-5	> 25,000 therms up to 50,000 therms	\$0.07490
FTS-6	> 50,000 therms up to 100,000 therms	\$0.05947
FTS-7	> 100,000 therms up to 200,000 therms	\$0.08142
FTS-8	> 200,000 therms up to 400,000 therms	\$0.06465
FTS-9	> 400,000 therms up to 700,000 therms	\$0.08359 0.44596
FTS-10	> 700,000 therms up to 1,000,000 therms	\$0.09318
FTS-11	> 1,000,000 therms up to 2,500,000	\$0.05475
FTS-12	> 2,500,000 therms up to 12,500,000	\$0.03741
FTS-13	> 12,500,000 therms	N/A

(Continued to Sheet No. 105.2)

Issued by: Michael P. McMasters, President
Chesapeake Utilities Corporation

Effective: JAN-06-2017

Item 11

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 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Guffey) *SKG* *ESD PD* *GB*
Office of the General Counsel (Janjic) *DT* *JC*

RE: Docket No. 170038-GU – Request for approval of tariff modifications related to natural gas vehicles and fueling facilities by Peoples Gas System.

AGENDA: 05/04/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 10/20/17 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
2017 APR 21 AM 9:14
COMMISSION
CLERK

Case Background

On February 20, 2017, Peoples Gas System (Peoples or the company) filed a petition seeking approval of modifications to its Natural Gas Vehicle Service (NGVS) tariffs. Specifically, Peoples proposed modifications to its current NGVS-2 rate schedule and proposed new rate schedule NGVS-3. Rates and charges for NGVS customers are not changing. The proposed tariff changes are designed to provide more clarity regarding optional services offered by Peoples to customers buying natural gas for compression and delivery into compressed natural gas (CNG) vehicles.

In Order No. 25626, the Commission approved Peoples' original program for the use of CNG in motor vehicles.¹ The program was designed to assist fleet operators and filling station operators in obtaining compressor units to encourage the development of a CNG infrastructure. In 2013,

¹ Order No. 25626, issued January 22, 1992, in Docket No. 910942-EG, *In re: Petition for approval of its natural gas vehicle program for peoples Gas system, Inc.*

Docket No. 170038-GU

Date: April 21, 2017

the Commission approved Peoples' currently available NGVS-2 tariff, which provides three options for Peoples to install and maintain private or public fueling stations for CNG customers.²

Section 334.044(33)(a)4., Florida Statutes (F.S.), encourages the increased use of natural gas to reduce transportation costs for businesses and residents within the state. Peoples waived the 60-day file and suspend provision of Section 366.06(3), F.S. The Commission has jurisdiction over this matter pursuant to Section 366.04, F.S.

² Order No. PSC-13-0446-PAA-GU, issued October 1, 2013, in Docket No. 130197-GU, *In re: Request for approval of tariff modifications related to natural gas vehicles and fueling facilities by People's Gas System.*

Discussion of Issues

Issue 1: Should the Commission approve Peoples' petition to modify the NGVS-2 rate schedule and approve the new NGVS-3 rate schedule?

Recommendation: Yes. The Commission should approve Peoples' petition to modify the NGVS-2 rate schedule and approve the new NGVS-3 rate schedule effective May 4, 2017. (Guffey)

Staff Analysis: The NGVS-2 rate schedule applies to customers wishing to buy gas for the purpose of compression and delivery into CNG vehicles. The NGVS-2 rate schedule was designed to provide customers with three options with respect to the facilities and equipment required for the compression and dispensing of CNG while allowing Peoples to recover its cost to provide these options.

Peoples explained that based on three years of experience with the NGVS-2 rate schedule, Peoples has determined that the three options can be confusing to customers and the company. Therefore, Peoples filed the instant petition to keep Option 1 as the only service provided under the NGVS-2 rate schedule, eliminate Option 2, and offer Option 3 under the new rate schedule NGVS-3. Peoples currently has no customers taking service under Options 2 and 3.

The current NGVS-2 rate schedule is included as Attachment A to the recommendation. The proposed modified NGVS-2 and proposed new NGVS-3 rate schedules are included as Attachment B. The three existing options contained in the NGVS-2 rate schedule and Peoples' proposed modifications with respect to each option are discussed below.

Under Option 1, *Company-provided Facilities on Customer's Premises*, Peoples incurs the capital cost to construct the CNG station and the ongoing costs associated with the maintenance of the CNG station. Customers are billed under the otherwise applicable residential or commercial rate schedules based on annual consumption. In addition, customers are assessed a monthly facilities charge to allow Peoples to recover the cost associated with the facilities provided. The company currently has three customers: the City of Orlando's Solid Waste Division, NoPetro in Orlando serving CNG buses, and St. Johns County serving their CNG fleet. These customers have CNG fueling facilities on their premises, such as at a public works parking lot or fleet vehicles yard. This option would remain available to customers and will be the only service covered under the NGVS-2 rate schedule.

Under Option 2, *Limited Access Facilities Located on Company Premises*, one or more customers can contract with the company to provide and maintain, on company premises, an NGV compression and fueling station. Similar to Option 1, customers pay a monthly facilities charge. Peoples explained that this tariff option, as written, would have been difficult to administer as facilities cost would vary based on the number of customers taking this option. The company stated that it does not anticipate future customers taking service under this limited service option on company premises as there are more fueling stations that are open to the public now; therefore, Peoples is proposing to eliminate NGVS-2 rate schedule's Option 2.

Current Option 3, *Publicly Accessible Facilities Located on Company Premises*, contained in the NGVS-2 tariff is designed for Peoples to operate a publicly accessible facility located on its premises. Customers under this option are not billed the otherwise applicable rate. Customers instead pay \$0.50 per therm for distribution and dispensing, in addition to the cost of gas. The \$0.50 per therm fee was developed to recover the estimated cost of providing the CNG to a vehicle in a public station.

Peoples is proposing to move Option 3 to a new rate schedule NGVS-3. Although, currently, there are no customers taking service under Option 3, it is proposed as a placeholder to be used when the opportunity arises for Peoples to build publicly accessible CNG fueling stations.

Conclusion

Peoples' proposed NGVS programs and tariffs are reasonable and will allow Peoples to recover its cost of providing CNG service. Staff recommends that the Commission approve Peoples' petition to modify the NGVS-2 rate schedule and approve the new NGVS-3 rate schedule effective May 4, 2017.

Issue 2: Should this docket be closed?

Recommendation: ^{OTD 4-21-17} ~~Yes~~. If Issue 1 is approved the tariffs should become effective on May 4, 2017. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Janjic)

Staff Analysis: If Issue 1 is approved the tariffs should become effective on May 4, 2017. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

Peoples Gas System
a Division of Tampa Electric Company
Original Volume No. 3

Original Sheet No. 7.401-2

NATURAL GAS VEHICLE SERVICE -2
Rate Schedule NGVS-2

Availability:

Throughout the service areas of the Company.

Applicability:

For gas delivered to any Customer for the purpose of compression and delivery into motor vehicle fuel tanks or other transportation containers ("NGV Service") pursuant to Rate Schedules RS, SGS, GS-1, GS-2, GS-3, GS-4, or GS-5. This schedule provides options to Customers with respect to the facilities and equipment required for compression and dispensing of compressed natural gas ("CNG"). It also provides (see Option 3) the terms and conditions for Company's fueling of natural gas vehicles at publicly available fueling stations.

Monthly Rate:

NGV Service is available under any rate schedule referenced under "Applicability" above based on Customer's annual consumption in Therms as determined by Company. The charges, terms and conditions of the applicable rate schedule shall apply notwithstanding Customer's election of one or more of the options available under this schedule. This schedule provides three options available to a Customer or Customers, and provides for monthly charges in addition to those provided by the rate schedule pursuant to which the Customer is receiving service from Company.

Monthly Facilities Charge when Company Provides Equipment Necessary for NGV Service:

The Monthly Facilities Charge, if applicable, shall be equal to 1.6% multiplied by the Company's Gross Investment in facilities, as determined by the Company, required to provide NGV Service to the Customer. As used in this schedule, "Gross Investment" means the total installed cost of such facilities, as determined by the Company, which facilities may include but are not limited to dryers, compressors, storage vessels, controls, piping, metering, dispensers, and any other related appurtenances including any redundancy necessary to provide reliable NGV Service and land and land rights, before any adjustment for accumulated depreciation, a contribution in aid of construction, etc. The 1.6% factor is subject to adjustment if Customer makes a contribution in aid of construction and will be reduced based on the percentage of Company-provided Gross Investment to the total installed Gross Investment. The adjusted factor will be set forth in Company's agreement for NGV Service provided pursuant to this schedule. If such NGV Service is provided to more than one Customer, the Monthly Facilities Charge applicable to each Customer shall be set forth in the agreement with such Customer. The agreement may require a commitment by a Customer to purchase NGV Service for a minimum period of time, to take or pay for a minimum amount of NGV Service, a contribution in aid of construction, a guarantee, such as a surety bond, letter of credit, other means of establishing credit, and/or other provisions as determined appropriate by the Company.

Issued By: G. L. Gillette, President
Issued On: July 25, 2013

Effective: September 25, 2013

Peoples Gas System
a Division of Tampa Electric Company
Original Volume No. 3

Original Sheet No. 7.401-3

NATURAL GAS VEHICLE SERVICE -2 (continued)

OPTION 1: COMPANY-PROVIDED FACILITIES ON CUSTOMER'S PREMISES

If Customer elects for Company to provide and maintain the necessary facilities for the provision of NGV Service on Customer's premises, the Monthly Facilities Charge shall apply and be billed by Company pursuant to the agreement with Customer, in addition to any other charges payable by Customer pursuant to the rate schedule pursuant to which Customer receives service from Company.

Under this option, the Company's provision and maintenance of the facilities required to provide NGV Service does not include the physical dispensing of CNG into vehicles, or the provision of electricity required to operate such facilities. The physical dispensing of CNG into vehicles, the collection and remittance of any federal, state or local tax imposed on CNG dispensed for use as a motor fuel, and the payment for electricity used to operate such facilities, shall be the sole responsibility of the Customer receiving NGV Service. Company-provided facilities could be those constituting a residential compression and fueling station.

OPTION 2: LIMITED ACCESS FACILITIES LOCATED ON COMPANY PREMISES

If Customer elects for Company, pursuant to agreement(s) with Customer and/or one or more other Customers, to provide and maintain, on Company premises, facilities for the provision of NGV Service, the Monthly Facilities Charge shall apply and be billed by Company pursuant to the agreement with Customer, in addition to any other charges payable by Customer pursuant to the rate schedule pursuant to which Customer receives service from Company. In addition, Customer shall also pay a CNG Dispensing Fee, the amount of which fee shall permit the Company to recover all costs related to dispensing CNG and be provided in the agreement between Company and Customer.

Under this option, Company shall collect from the Customer and remit to the applicable authority any motor fuel tax on CNG or the dispensing thereof. Any service provided pursuant to this Option 2 shall be provided at the times and on terms and conditions determined by Company and specified in the Company's agreement(s) with the Customer(s). The agreement(s) may require a Customer commitment to purchase service for a minimum period of time, to take or pay for a minimum amount of service, to make a contribution in aid of construction, to furnish a guarantee, surety bond or other means of establishing credit, and/or other provisions determined appropriate by Company.

OPTION 3: PUBLICLY ACCESSIBLE FACILITIES LOCATED ON COMPANY PREMISES

If Company offers service to Customer from facilities located on the Company's premises, the following charges shall apply in lieu of the charges otherwise applicable under this, or any other Company rate schedule or rider:

Distribution and Dispensing Charge: \$0.50 per Therm,
Plus Company's Gas Cost (as determined by Company),
Plus taxes applicable to CNG or the sale or dispensing of CNG for use as motor fuel

Issued By: G. L. Gillette, President
Issued On: July 25, 2013

Effective: September 25, 2013

Peoples Gas System
a Division of Tampa Electric Company
Original Volume No. 3

Original Sheet No. 7.401-4

NATURAL GAS VEHICLE SERVICE-2 (continued)

The total charge, consisting of the Distribution and Dispensing Charge, Company's Gas Cost, and taxes, shall be as determined by Company; provided, however, that the Company's Gas Cost component of the charge shall not be less than Company's monthly Purchased Gas Adjustment ("PGA") factor in effect at the time of the sale to Customer. The total charge to the Customer, (less the Distribution and Dispensing Charge and applicable taxes) will be accounted for by Company as recovery of gas cost in Docket No. 130003-GU (the annual PGA docket) and successor dockets.

Any service provided by Company pursuant to this Option 3 shall be provided at the times and on terms and conditions determined by Company.

Special Conditions:

1. A separate meter or sub-meter may be requested by the Customer or required by Company; in which case the Customer will pay the cost of the meter (which shall remain the property of the Company) and its installation.
2. The collection and remittance of any federal or state or local tax imposed on CNG or the dispensing thereof for motor fuel shall be the responsibility of the Customer or Retailer, unless otherwise provided for in Customer's agreement with Company.
3. NGV service is not available for resale by a residential customer.
4. If Customer has elected Option 2 or Option 3, Company shall not be responsible in any manner for the use, care or handling of natural gas once it is delivered to a natural gas vehicle.
5. If the Company, alone or in partnership with another entity, responds to a competitive situation of a government agency or commercial customer that will consume quantities greater than 100,000 Therms per year, the Company has the option to provide NGV service, equipment, facilities, and distribution at rates and charges set on an individual Customer basis via a special contract as long as the rate is above incremental cost with a reasonable return. At the Company's discretion it may recover the difference between the otherwise applicable tariff rate and the approved special contract rate under this rate provision through Company's Competitive Rate Adjustment Clause set forth on Sheet No 7.101-5.
6. If a Customer desires to phase in the use of CNG as motor fuel and is acquiring and placing into service vehicles fueled by CNG over a period of years, the Monthly Facilities Charge may, in the discretion of Company, be phased-in over the term of the agreement between Customer and Company. However, the net present value of the revenue from the phased-in charges, discounted at the Company's then authorized rate of return, shall be set equal to the net present value of the revenue that would have been generated over the term of the agreement if the Monthly Facilities Charge had not been phased-in. Any such phase-in shall be included in the agreement between Customer and Company.

Issued By: G. L. Gillette, President
Issued On: July 25, 2013

Effective: September 25, 2013

Peoples Gas System
a Division of Tampa Electric Company
Original Volume No. 3

First Revised Sheet No. 7.401-2
Cancels Original Sheet No. 7.401-2

NATURAL GAS VEHICLE SERVICE -2
Rate Schedule NGVS-2

Availability:

Throughout the service areas of the Company.

Applicability:

For compression service provided by Company for gas delivered to any Customer for compression and delivery into motor vehicle fuel tanks or other transportation containers ("NGV Service") pursuant to Rate Schedules RS, SGS, GS-1, GS-2, GS-3, GS-4, or GS-5.

Monthly Rate:

NGV Service is available under the rate schedules referenced under "Applicability" above based on Customer's annual consumption in Therms as determined by Company. The charges, terms and conditions of the applicable rate schedule shall apply unless otherwise provided in this rate schedule. In addition to those charges provided by the rate schedule pursuant to which the Customer receives service from Company, Customer shall pay a Monthly Services Charge equal to 1.6% multiplied by the Company's Gross Investment in the facilities, as determined by the Company, required to provide NGV Service to the Customer. As used in this schedule, "Gross Investment" means the total installed cost of such facilities, as determined by the Company, necessary to provide reliable NGV Service. The 1.6% factor is subject to adjustment if Customer makes a contribution in aid of construction and will be reduced based on the percentage of Company-provided Gross Investment to the total installed Gross Investment. The adjusted factor will be set forth in Company's agreement for NGV Service provided pursuant to this schedule. The agreement may require a commitment by a Customer to purchase NGV Service for a minimum period of time, to take or pay for a minimum amount of NGV Service, a contribution in aid of construction, a guarantee, such as a surety bond, letter of credit, other means of establishing credit, and/or other provisions as determined appropriate by the Company.

The Monthly Services Charge shall be billed by Company pursuant to the agreement with Customer, in addition to the other charges payable by Customer pursuant to the rate schedule pursuant to which Customer receives service from Company.

Company's provision and maintenance of the facilities required to provide NGV Service does not include the physical dispensing of compressed natural gas ("CNG") into vehicles, or the provision of electricity required to operate such facilities. The physical dispensing of CNG into vehicles, the collection and remittance of any federal, state or local tax imposed on CNG dispensed for use as a motor fuel, and the payment for electricity used to operate such facilities, shall be the sole responsibility of the Customer receiving NGV Service.

Issued By: G. L. Gillette, President
Issued On:

Effective:

Peoples Gas System
a Division of Tampa Electric Company
Original Volume No. 3

First Revised Sheet No. 7.401-3
Cancels Original Sheet No. 7.401-3

NATURAL GAS VEHICLE SERVICE-2 (continued)

Special Conditions:

1. A separate meter or sub-meter may be requested by the Customer or required by Company; in which case the Customer will pay the cost of the meter (which shall remain the property of the Company) and its installation.
2. The collection and remittance of any federal or state or local tax imposed on CNG or the dispensing thereof for motor fuel shall be the responsibility of the Customer or Retailer, unless otherwise provided in Customer's agreement with Company.
3. Company shall not be responsible in any manner for the use, care or handling of natural gas once it is delivered to a natural gas vehicle.
4. If the Company, alone or together with another entity, responds to a competitive situation of a Customer that will consume quantities greater than 100,000 Therms per year, the Company may provide NGV Service at rates and charges set on an individual Customer basis via a special contract as long as the rate is above incremental cost with a reasonable return. At the Company's discretion it may recover the difference between the otherwise applicable tariff rate and the approved special contract rate under this provision through Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.
5. If a Customer desires to phase in the use of CNG as motor fuel and is acquiring and placing into service vehicles fueled by CNG over a period of years, the Monthly Services Charge may, in the discretion of Company, be phased-in over the term of the agreement between Customer and Company. The terms of any such phase-in shall be included in the agreement between Customer and Company.
6. Service under this schedule shall be subject to the operation of the Company's Tax and Adjustment Clause set forth on Sheet No. 7.101-5.

Issued By: G. L. Gillette, President
Issued On:

Effective:

REVISED: 4/4/2017

Peoples Gas System
a Division of Tampa Electric Company
Original Volume No. 3

First Revised Sheet No. 7.401-4
Cancels Original Sheet No. 7.401-4

NATURAL GAS VEHICLE SERVICE – 3
Rate Schedule NGVS - 3

Availability:

Throughout the service areas of the Company at such locations as are determined by Company.

Applicability:

Compressed natural gas ("CNG") for delivery into motor vehicles or other transportation containers from publicly accessible facilities owned by Company and located on Company's premises.

Monthly Rate:

None.

Distribution and Dispensing Charge:

\$0.50 per Therm,
Plus Company's Gas Cost (as determined by Company),
Plus taxes applicable to CNG or the sale or dispensing of CNG for use as motor fuel.

The total charge, consisting of the Distribution and Dispensing Charge, Company's Gas Cost, and taxes, shall be as determined by Company; provided, however, that the Company's Gas Cost component of the charge shall not be less than Company's monthly Purchased Gas Adjustment ("PGA") factor in effect at the time of the sale to Customer. The total charge to the Customer, (less the Distribution and Dispensing Charge and applicable taxes) will be accounted for by Company as recovery of gas cost in Docket No. 170003-GU (the annual PGA docket) and successor dockets.

Any service provided by Company pursuant to this rate schedule shall be provided at the times and on terms and conditions determined by Company.

Company shall not be responsible in any manner for the use, care or handling of natural gas once it is delivered to a natural gas vehicle.

Service under this schedule shall be subject to the operation of the Company's Tax and Adjustment Clause set forth on Sheet No. 7.101-5.

Issued By: G. L. Gillette, President
Issued On:

Effective:

Item 12

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 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Rome) *CR* *EJD* *PR* *GB*
Office of the General Counsel (Janjic) *AT* *JSC*

RE: Docket No. 170071-GU – Petition for approval of tariff modifications relating to relocation or modification of gas service facilities, by Peoples Gas System

AGENDA: 05/04/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 05/29/17 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

2017 APR 21 AM 9:14
RECEIVED-FPSC
COMMISSION CLERK

Case Background

On March 30, 2017, Peoples Gas System (Peoples or Company) filed a petition requesting Commission approval of amendments to the relocation of gas service facilities provision in the Company's tariff. The Commission approved Peoples' original gas service facilities tariff in 1982.¹ Peoples is a natural gas distribution utility subject to the Commission's regulatory jurisdiction under Chapter 366, Florida Statutes (F.S.).

Effective April 14, 2017, a federal pipeline safety rule (49 C.F.R. § 192.383 (2017)) with which Peoples must comply was amended by the Pipeline and Hazardous Materials Safety Administration (PHMSA).² Staff placed the relevant rulemaking record as published in the

¹ Order No. 10656, issued March 17, 1982, in Docket No. 810302-GU, *In re: Petition of Peoples Gas System, Inc. for an increase in rates and charges.*

² Docket No. PHMSA-2011-0009; Amendment No. 192-121, Federal Register / Vol. 81, No. 199 / Friday, October 14, 2016, pp. 70987-71002.

Docket No. 170071-GU

Date: April 21, 2017

Federal Register³ in the docket file for informational purposes. As a result of PHMSA's revisions to the federal rule, Peoples is seeking permission to modify Tariff Sheet Nos. 5.000-1 and 5.601-1. The proposed tariff sheets are included as Attachment A to this recommendation. The Commission has jurisdiction in this matter pursuant to Sections 366.03, 366.05, and 366.06, F.S.

³ The PHMSA rulemaking record published in the Federal Register contains the purpose for promulgating the rule, pertinent noticing requirements for the rule, a summary of the rulemaking process including stakeholder comments and PHMSA's responses thereto, and the final rule language.

Discussion of Issues

Issue 1: Should the Commission approve Peoples' proposed modifications relating to the Company's gas service facilities tariff?

Recommendation: Yes, the Commission should approve Peoples' proposed modifications relating to the Company's gas service facilities tariff, as reflected in Attachment A, effective May 4, 2017. (Rome)

Staff Analysis: The current wording of Peoples' Tariff Sheet No. 5.601-1 does not allow the Company to seek reimbursement for customer-requested modifications to the Company's gas service facilities. The proposed tariff revisions would allow Peoples to be reimbursed by customers who request modifications to the Company's gas service facilities, including those customers who request the installation of an excess flow valve (EFV) on an existing service line pursuant to the new PHMSA rule discussed below.

PHMSA Changes to Pipeline Safety Rules

Peoples is required by PHMSA to comply with federal Rule 49 C.F.R. § 192.383 (2017). As originally adopted, the rule required the installation of an EFV on any new or replaced service line serving a single-family residence after February 12, 2010, subject to certain exceptions. An EFV is a device designed to shut off automatically when the natural gas flow exceeds certain limits, such as when a service line is damaged due to excavation or other activities. Thus, the EFV provides safety benefits by limiting the risk of escaping gas due to third party damage or a pipe failure. EFVs do not protect against gas leaks occurring in piping behind the customer's gas meter. Most service lines serving non-residential customers deliver in excess of 1,000 standard cubic feet per hour and are fitted with curb valves that are shut off manually.

PHMSA adopted amendments to 49 C.F.R. § 192.383 (2017), which took effect on April 14, 2017. Among other things, the rule revisions, subject to certain exceptions, provide for the following: (a) "operators" such as Peoples are required to notify customers of their right to request installation of an EFV, (b) if a service line customer requests an EFV installation, Peoples must install the EFV at a mutually agreeable date, and (c) the question of who bears the cost of the requested EFV installation is left to the "operator's rate-setter".⁴ These three key elements are discussed individually below.

Regarding customer notification, PHMSA determined that notification through broad electronic means, including website postings, was acceptable.⁵ In Peoples' petition, the Company asserted that it is prepared to provide such notification as is required by the amended rule. In response to a staff inquiry, Peoples provided staff with a draft of the information to be posted on the Company's website. The website posting will include information such as the function and benefits of an EFV and answers to "Frequently Asked Questions" regarding EFVs, including potential cost estimates for EFV installations and a point of contact for interested customers.

⁴ Federal Register / Vol. 81, No. 199 / Friday, October 14, 2016; pp. 70987-71002.

⁵ *Id.*, pp. 70990, 70993-70994.

Regarding EFV installation, Peoples represented in its petition that the Company has been installing EFVs on new and replaced service lines since February 2010 and will continue to do so. Peoples stated that for a new service line, the average cost of the EFV itself is approximately \$30 and is included in the calculation of the Maximum Allowable Construction Cost (MACC) for purposes of determining whether a contribution-in-aid-of-construction would be required of the customer for the installation of the service line and other appurtenances necessary to provide gas service.

However, Peoples represented that the situation is considerably different in the case of an existing customer that requests an EFV installation on a line that may have been installed many years before, and that may require extensive excavation and restoration. Peoples estimated that in most cases, the cost of retrofitting an EFV on a typical existing service line would be between \$1,200 and \$1,800, depending on the excavation and restoration required in connection with the installation.⁶ According to the rulemaking record published in the Federal Register, PHMSA opined that customer-initiated EFV installations on existing lines would not be a circumstance with which operators would be dealing in significant numbers; however, PHMSA opted to retain the right for existing customers to request an EFV installation with the recognition that some individual households might have a high willingness-to-pay for EFVs due to risk aversion and other factors.⁷

Peoples suggested that it would be inappropriate for existing customers, who either already have an EFV installed on their service lines or who do not request that an EFV be installed, to subsidize the installations of EFVs for customers who request them. Peoples further stated that the costs of installing EFVs on existing service lines would not be incurred by Peoples but for the customers' requests, and such costs should be borne by the affected customers.

The rulemaking record published in the Federal Register also devoted considerable discussion to the appropriate regulatory entities which would be responsible for determining who should pay for the costs of EFV installations on existing service lines. PHMSA considered stakeholder comments and ultimately "left the question of who bears the cost of installing EFVs on service lines not being newly installed or replaced to the operator's rate-setter."⁸

Conclusion

Based upon the information provided by Peoples and a review of the PHMSA rulemaking record published in the Federal Register, staff agrees with Peoples' assertion that the Commission is Peoples' "rate-setter" for purposes of the federal rule. Staff also believes that it is appropriate for customers who request modifications to gas service facilities, such as the installation of EFVs on existing service lines, to bear the cost of the modifications and that such costs should not be subsidized by the general body of ratepayers. Therefore, staff recommends that the Commission approve Peoples' proposed modifications relating to the Company's gas service facilities tariff, as reflected in Attachment A, effective May 4, 2017.

⁶ Peoples also anticipated that depending upon site-specific conditions, the costs could be less than the bottom of this estimated range, as well as above the top of the range. Petition, paragraph 6.

⁷ Federal Register / Vol. 81, No. 199 / Friday, October 14, 2016; p. 70996.

⁸ *Id.*, p. 70987.

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 tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Janjic)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

Peoples Gas System ~~Fourth~~^{Fifth} Revised Sheet No. 5.000-1
a Division of Tampa Electric Company Cancels ~~Third~~^{Fourth} Revised Sheet No. 5.000-1
Original Volume No. 3

INDEX OF RULES AND REGULATIONS (Continued)

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	C. Relocation or Modification of Gas Service Facilities	5.601-1
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	D. Company Standards	5.901-1

Issued By: ~~G. L. Gillette~~^{T. J. Szelistowski} President
Issued On: ~~October 19, 2011~~

Effective: ~~March 13, 2012~~

Peoples Gas System
a Division of Tampa Electric Company
Original Volume No. 3

~~Second-Third~~ Revised Sheet No. 5.601-1
Cancels ~~First-Second~~ Revised Sheet No. 5.601-1

MAIN AND SERVICE EXTENSIONS (Continued)

to the Depositor an amount equal to the positive difference (if any) determined by subtracting (i) the Maximum Allowable Construction Cost as determined under section A.(2) above from (ii) the Maximum Allowable Construction Cost as recalculated utilizing actual revenue pursuant to this paragraph.

- b. For each additional Customer taking Gas Service from any point on the extended Main or Service facilities within a period of four (4) years from the date of construction, the Company shall refund to the Depositor the amount by which the Maximum Allowable Construction Cost of the new Customer exceeds the cost of connecting such new Customer, provided that an additional Main extension shall not have been necessary to serve such additional Customer. Where the Depositor and the Company agree that new Customers are likely to connect to the extended facilities over a period longer or shorter than four (4) years, the Depositor and the Company may agree, within the Construction Deposit Agreement, to provide for refunds over such longer or shorter period as the parties agree is reasonable and appropriate under the circumstances.
- c. The aggregate refund to any Depositor made through the provisions of (a) and (b) above shall not exceed the original deposit of such Depositor.
- d. The extension shall at all times be the property of the Company, and any unrefunded portion of said deposit at the end of four (4) years, or such longer or shorter period as may be agreed by the Depositor and Company pursuant to section (4)(b) above, shall accrue to the Company.

B. SERVICE EXTENSIONS FROM EXISTING MAINS

The Company will install, at no charge to the Customer, the Gas Service Facilities, commencing from an existing Main, necessary to serve a Customer applying for Gas Service, where the cost of such service extension does not exceed the Maximum Allowable Construction Cost as defined in section VI.A. (2) above. Customers not meeting the above criteria will be required to make a non-refundable contribution in aid of construction based on the difference between the cost of the required service facilities and the Maximum Allowable Construction Cost as calculated for each respective Customer.

C. RELOCATION OR MODIFICATION OF GAS SERVICE FACILITIES

When ~~alterations or additions to~~modifications to structures or improvements on premises to which the Company renders Gas Service necessitate the relocation of Company's ~~metering equipment or service line~~Gas Service Facilities, or when such relocation, ~~or modifications to Company's Gas Service Facilities, are~~ requested by the Customer for whatever reason, Customer may be required to reimburse the Company for all or any part of the costs incurred by the Company in the performance of such relocation or modifications.

Issued By: ~~William N. Cantrell~~T. J. Szelistowski, President Effective: ~~January 6,~~
~~2004~~
Issued On: ~~September 22, 2003~~