

FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION CONFERENCE AGENDA

CONFERENCE DATE AND TIME: Thursday, August 3, 2017, 9:30 a.m.

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

DATE ISSUED: July 21, 2017

NOTICE

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

To participate informally, affected persons need only appear at the conference and request the opportunity to address the Commission on an item listed on the agenda. Informal participation is not permitted: (1) on dispositive motions and motions for reconsideration; (2) when a recommended order is taken up by the Commission; (3) in a rulemaking proceeding after the record has been closed; or (4) when the Commission considers a post-hearing recommendation on the merits of a case after the close of the record. The Commission allows informal participation at its discretion in certain types of cases (such as declaratory statements and interim rate orders) in which an order is issued based on a given set of facts without hearing. See Florida Administrative Code Rules 25-22.0021 (agenda conference participation) and 25-22.0022 (oral argument).

Conference agendas, staff recommendations, vote sheets, and transcripts are available online at <http://www.floridapsc.com>, by selecting *Conferences & Meeting Agendas* and *Commission Conferences of the FPSC*. An official vote of "move staff" denotes that the Item's recommendations were approved.

In accordance with the Americans with Disabilities Act, persons needing a special accommodation to participate at this proceeding should contact the Office of Commission Clerk no later than five days prior to the conference at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850 or 850-413-6770 (Florida Relay Service, 1-800-955-8770 Voice or 1-800-955-8771 TDD). Assistive Listening Devices are available upon request from the Office of Commission Clerk, Gerald L. Gunter Building, Room 152.

The Commission Conference has a live video broadcast the day of the conference, which is available from the FPSC website. Upon completion of the conference, the archived video will be available from the website by selecting *Conferences & Meeting Agendas*, then *Audio and Video Event Coverage*.

EMERGENCY CANCELLATION OF CONFERENCE: If a named storm or other disaster requires cancellation of the Conference, Commission staff will attempt to give timely notice. Notice of cancellation will be provided on the Commission's website (<http://www.floridapsc.com>) under the Hot Topics link on the home page. Cancellation can also be confirmed by calling the Office of Commission Clerk at 850-413-6770.

If you have any questions, contact the Office of Commission Clerk at 850-413-6770 or Clerk@psc.state.fl.us.

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ITEM NO.

CASE

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Docket No. 20170127-TL – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for BellSouth Telecommunications, LLC d/b/a AT&T Florida d/b/a AT&T Southeast.

Docket No. 20170128-TL – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Embarq Florida, Inc. d/b/a CenturyLink.

Docket No. 20170129-TL – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Frontier Florida LLC.

Docket No. 20170130-TL – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Frontier Communications of the South, LLC.

Docket No. 20170131-TL – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for GTC, Inc. d/b/a FairPoint Communications.

Docket No. 20170132-TL – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for ITS Telecommunications Systems, Inc.

Docket No. 20170133-TX – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Knology of Florida, Inc. d/b/a WOW! Internet, Cable and Phone.

Docket No. 20170134-TL – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Northeast Florida Telephone Company d/b/a NEFCOM.

Docket No. 20170135-TL – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Quincy Telephone Company d/b/a TDS Telecom.

Docket No. 20170136-TL – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Smart City Telecommunications LLC d/b/a Smart City Telecom.

Docket No. 20170137-TL – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Windstream Florida, LLC.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Graham

Staff: TEL: Curry, Bates, Long

GCL: Cuello, Murphy

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: July 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Office of Telecommunications (Curry, Bates, Long)

Office of the General Counsel (Cuello, Murphy)

RE: Docket No. 20170127-TP – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for BellSouth Telecommunications, LLC d/b/a AT&T Florida d/b/a AT&T Southeast.

Docket No. 20170128-TP – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Embarq Florida, Inc. d/b/a CenturyLink.

Docket No. 20170129-TP – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Frontier Florida LLC.

Docket No. 20170130-TP – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Frontier Communications of the South, LLC.

Docket No. 20170131-TP – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for GTC, Inc. d/b/a FairPoint Communications.

Docket No. 20170132-TP – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for ITS Telecommunications Systems, Inc.

Docket No. 20170133-TP – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Knology of Florida, Inc. d/b/a WOW! Internet, Cable and Phone.

Docket No. 20170134-TP – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Northeast Florida Telephone Company d/b/a NEFCOM.


Docket No. 20170135-TP – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Quincy Telephone Company d/b/a TDS Telecom.

Docket No. 20170136-TP – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Smart City Telecommunications LLC d/b/a Smart City Telecom.

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Docket Nos. 20170127-TL, 20170128-TL, 20170129-TL, 20170130-TL, 20170131-TL, 20170132-TL, 20170133-TX, 20170134-TL, 20170135-TL, 20170136-TL, 20170137-TL
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Docket No. 20170137-TP – 2018 State certification under 47 C.F.R. §54.313 and §54.314 for Windstream Florida, LLC.

AGENDA: 08/03/17 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Section 254(e) of the Telecommunications Act of 1996, provides in part, that a carrier that receives universal service support “shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.” States seeking federal high-cost support for carriers within their jurisdiction are required to file a certification annually with the Federal Communications Commission (FCC) and with the Universal Service Administrative Company (USAC). The federal universal service high-cost program is designed to ensure that consumers in rural, insular, and high-cost areas have access to modern communications networks capable of providing voice and broadband service, both fixed and mobile, at rates that are reasonably comparable to those in urban areas. The program fulfills this universal service goal by allowing eligible carriers who serve these areas to recover some of their costs from the federal Universal Service Fund.

The carrier annual reporting data collection form, known as Form 481, is an FCC form that all eligible telecommunications carriers (ETCs) in the high-cost and Lifeline programs file annually with the FCC and state commissions. For carriers in the high-cost Program, the form collects:

- Detailed information on any outages.
- The number of unfulfilled requests for service.
- The number of complaints per 1,000 connections.
- Certification of service quality compliance.
- Certification of emergency operation capability.
- The company's price offerings.

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- Branding information of the holding company and its affiliates.
- Documentation demonstrating whether the carrier is engaged with Tribal governments.
- Certification that all frozen (at December 2011 levels) high-cost support the company received in 2016 was used to build and operate broadband-capable networks used to offer the provider's own retail broadband service in areas substantially unserved by an unsubsidized competitor.
- Certification that high-cost support designated for the use of offsetting reductions in access charges was used in the prior calendar year to build and operate broadband-capable networks used to offer provider's own retail service in areas substantially unserved by an unsubsidized competitor.¹

Incumbent carriers receiving high-cost support with rates below the FCC's benchmark must report rates and lines on the Rate Floor Data Collection Report and Certification. For carriers in the Lifeline Program, the form collects branding information of the holding company and its affiliates and terms and conditions on service plans offered to subscribers.

Each Florida ETC filed its Form 481 concurrently with the Florida Public Service Commission (Commission) and the FCC. Staff reviewed each company's Form 481 filing to verify that all of the required information for high-cost certification was provided. Staff's recommendation for certification affirms that the federal high-cost funds flowing to carriers in the state, or to any competitive eligible telecommunications carriers seeking support for serving customers within a carrier's service area, will be used in a manner that comports with Section 254(e) of the 1996 Telecommunications Act. Certification is defined by 47 C.F.R. §54.314(a) as follows:

Certification of support for eligible telecommunications carriers

(a) Certification. States that desire eligible telecommunications carriers to receive support pursuant to the high-cost program must file an annual certification with the Administrator and the Commission stating that all federal high-cost support provided to such carriers within that State was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. High-cost support shall only be provided to the extent that the State has filed the requisite certification pursuant to this section.

In order for a carrier to be eligible for high-cost universal service support for all of calendar year 2018, certification must be submitted by the Commission by October 1, 2017.² The certification may be filed with the FCC and USAC in the form of a letter from the Commission.³ Based on

¹ 47 C.F.R. §54.313(a) through (d)

² 47 C.F.R. §54.314(d)

³ 47 C.F.R. §54.314(c)

Docket Nos. 20170127-TL, 20170128-TL, 20170129-TL, 20170130-TL, 20170131-TL, 20170132-TL, 20170133-TX, 20170134-TL, 20170135-TL, 20170136-TL, 20170137-TL
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prior support received by carriers in Florida, staff estimates that the amount of funding carriers will receive for 2018 will likely be approximately \$57 million in high-cost support.⁴

USAC has developed a letter template for use with annual high-cost certifications of state ETCs. Attachment A is a draft letter, to be signed by the Chairman, using the USAC template to certify high-cost for Florida ETCs. In addition, USAC has also developed an online certification process whereby a state commission representative can sign-in to select and submit the ETCs from their states that have been certified for the upcoming year. Staff suggests filing both the letter and using USAC's online process this year.

⁴ This estimate was obtained using the USAC high-cost funding disbursement search tool and does not include wireless carriers.

Docket Nos. 20170127-TL, 20170128-TL, 20170129-TL, 20170130-TL, 20170131-TL, 20170132-TL, 20170133-TX, 20170134-TL, 20170135-TL, 20170136-TL, 20170137-TL Issue 1
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Discussion of Issues

Issue 1: Should the Commission certify to the FCC and to USAC, by letter from the Chairman and through USAC's online portal, that BellSouth Telecommunications, LLC d/b/a AT&T Florida; Embarq Florida, Inc. d/b/a CenturyLink; Frontier Florida LLC; Frontier Communications of the South, LLC; GTC, Inc. d/b/a FairPoint Communications; ITS Telecommunications Systems, Inc.; Knology of Florida, Inc. d/b/a WOW! Internet, Cable, and Phone; Northeast Florida Telephone Company d/b/a NEFCOM; Quincy Telephone Company d/b/a TDS Telecom/Quincy Telephone; Smart City Telecommunications, LLC d/b/a Smart City; and Windstream Florida, Inc. are eligible to receive federal high-cost support, that they have used the federal high-cost support in the preceding calendar year, and they will use the federal high-cost support they receive in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended?

Recommendation: Yes. The Commission should certify to the FCC and to USAC, by letter from the Chairman and through USAC's online portal, that BellSouth Telecommunications, LLC d/b/a AT&T Florida; Embarq Florida, Inc. d/b/a CenturyLink; Frontier Florida LLC; Frontier Communications of the South, LLC; GTC, Inc. d/b/a FairPoint Communications; ITS Telecommunications Systems, Inc.; Knology of Florida, Inc. d/b/a WOW! Internet, Cable, and Phone; Northeast Florida Telephone Company d/b/a NEFCOM; Quincy Telephone Company d/b/a TDS Telecom/Quincy Telephone; Smart City Telecommunications, LLC d/b/a Smart City; and Windstream Florida, Inc. are eligible to receive federal high-cost support, that they have used the federal high-cost support in the preceding calendar year, and they will use the federal high-cost support they receive in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. (Curry, Bates, Long)

Staff Analysis: Staff reviewed each of the carriers' annual Form 481 data collection forms to ensure all necessary information required for high-cost certification was provided by the ETCs. Within Form 481, each of the Florida ETCs receiving high-cost support has certified that all federal high-cost support provided to them within Florida was used in the preceding calendar year (2016) and will be used in the coming calendar year (2018) only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

Previously, Form 481 required interstate rate-of-return carriers receiving support for voice telephony service and offering broadband (as a condition of such support) to file a five-year build-out plan forecasting improvements or upgrades to the carriers' network for calendar years 2015 through 2019 and to annually report the progress towards those goals.⁵ However, in 2016

⁵The FCC waived the requirement to file a five-year build-out plan for interstate price cap carriers per FCC 14-591, WC Docket No. 10-90, Connect America Fund, Order, released May 1, 2014, https://apps.fcc.gov/edocs_public/attachmatch/DA-14-591A1.pdf, accessed on June 29, 2017, ¶ 1. In Florida the following companies are interstate price cap carriers: BellSouth Telecommunications, LLC d/b/a AT&T Florida; Embarq Florida, Inc. d/b/a CenturyLink; Frontier Communications of the South, LLC; Frontier Florida LLC⁵; GTC, Inc. d/b/a FairPoint Communications; Knology of Florida, Inc. d/b/a WOW! Internet, Cable, and Phone; and Windstream Florida, Inc.

Docket Nos. 20170127-TL, 20170128-TL, 20170129-TL, 20170130-TL, 20170131-TL, 20170132-TL, 20170133-TX, 20170134-TL, 20170135-TL, 20170136-TL, 20170137-TL Issue 1
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the FCC eliminated the annual reporting requirement.⁶ Therefore, carriers are no longer required to submit progress reports on their five-year plans.

Having reviewed the ETCs' filings, staff recommends that the Commission certify to the FCC and USAC, by letter from the Chairman and through USAC's online portal, that BellSouth Telecommunications, LLC d/b/a AT&T Florida; Embarq Florida, Inc. d/b/a CenturyLink; Frontier Florida LLC; Frontier Communications of the South, LLC; GTC, Inc. d/b/a FairPoint Communications; ITS Telecommunications Systems, Inc.; Knology of Florida, Inc. d/b/a WOW! Internet, Cable, and Phone; Northeast Florida Telephone Company d/b/a NEFCOM; Quincy Telephone Company d/b/a TDS Telecom/Quincy Telephone; Smart City Telecommunications, LLC d/b/a Smart City; and Windstream Florida, Inc. are eligible to receive federal high-cost support, that they have used the federal high-cost support in the preceding calendar year, and they will use the federal high-cost support they receive in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

⁶ FCC 16-33, WC Docket No 10-90, Connect America Fund, Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, released on March 30, 2016, https://apps.fcc.gov/edocs_public/attachmatch/FCC-16-33A1.pdf, accessed July 7, 2017, ¶ 9.

Docket Nos. 20170127-TL, 20170128-TL, 20170129-TL, 20170130-TL, 20170131-TL, 20170132-TL, 20170133-TX, 20170134-TL, 20170135-TL, 20170136-TL, 20170137-TL Issue 2
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Issue 2: Should this docket be closed?

Recommendation: Yes. This docket should be closed upon issuance of a Final Order.
(Cuello, Murphy)

Staff Analysis: This docket should be closed upon issuance of a Final Order.

Docket Nos. 20170127-TL, 20170128-TL, 20170129-TL, 20170130-TL, 20170131-TL,
20170132-TL, 20170133-TX, 20170134-TL, 20170135-TL, 20170136-TL, 20170137-TL
Date: July 21, 2017 Attachment A

STATE OF FLORIDA

JULIE I. BROWN
CHAIRMAN



Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
(850) 413-6042

Public Service Commission

July 21, 2017

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, SW Washington, DC 20554

USAC
Vice President, High Cost Division
700 12th Street, NW, Suite 900
Washington, DC 20005

Re: CC Docket No. 96-45/WC Docket No. 14-58, Annual State Certification of Support for Eligible Telecommunications Carriers Pursuant to 47 C.F.R. § 54.314

Dear Ms. Dortch:

Pursuant to the requirements of 47 C.F.R. § 54.314, the Florida Public Service Commission hereby certifies to the Federal Communications Commission and the Universal Service Administrative Company that the telecommunications carriers included in this letter are eligible to receive federal high-cost support for the program years cited.

For the carriers listed below, the Florida Public Service Commission certifies that all federal high-cost support provided to such carriers within Florida was used in the preceding calendar year (2016) and will be used in the coming calendar year (2018) only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.⁷

⁷ 47 C.F.R. §54.314(a) ("Certification. States that desire eligible telecommunications carriers to receive support pursuant to the high-cost program must file an annual certification with the Administrator and the Commission stating that all federal high-cost support provided to such carriers within that State was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. High-cost support shall only be provided to the extent that the State has filed the requisite certification pursuant to this section.")

Docket Nos. 20170127-TL, 20170128-TL, 20170129-TL, 20170130-TL, 20170131-TL, 20170132-TL, 20170133-TX, 20170134-TL, 20170135-TL, 20170136-TL, 20170137-TL Attachment A
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Company Name	Study Area Code
BellSouth Telecommunications, LLC d/b/a AT&T Florida	215191
Embarq Florida, Inc. d/b/a CenturyLink	210341
Frontier Communications of the South, LLC	210318
Frontier Florida LLC	210328
GTC, Inc. d/b/a FairPoint Communications	210291, 210329, 210339
ITS Telecommunications Systems, Inc.	210331
Knology of Florida, Inc. d/b/a WOW! Internet, Cable, and Phone	219904
Northeast Florida Telephone Company d/b/a NEFCOM	210335
Quincy Telephone Company d/b/a TDS Telecom/Quincy Telephone	210338
Smart City Telecommunications, LLC d/b/a Smart City Telecom	210330
Windstream Florida, Inc.	210336

If you have any questions regarding this certification, please contact Kiwanis L. Curry at (850) 413-6662, or Mark Long at (850) 413-6101.

Sincerely,

Julie I. Brown
Chairman

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: July 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Cicchetti, D. Buys, Richards) *DB*
Division of Economics (Friedrich, Hudson) *MF*
Division of Engineering (Ellis, Wooten) *FOE*
Office of the General Counsel (Murphy) *CM* *73*

RE: Docket No. 20160222-WS – Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.

AGENDA: 08/03/17 – Regular Agenda – Proposed Agency Action – Except Issue Nos. 9, 13, and 14 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: 01/22/2018 (15-Month Statutory Deadline (SARC))

SPECIAL INSTRUCTIONS: None

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Case Background

LP Waterworks, Inc. (LP or Utility) is Class C water and wastewater utility serving approximately 444 water and 389 wastewater residential customers in the Camp Florida Resort RV Park (RV Park or Park) in Highlands County. The Utility also serves 21 water and 18 wastewater general service customers in Highlands County. The customer base is comprised of single-family homes, mobile homes, and RV sites. LP's service territory is located in the water use caution area of the Southwest Florida Water Management District (SWFWMD).

The Florida Public Service Commission (Commission) ordered that the transfer of Certificate Nos. 620-W and 533-S from LP Utilities Corporation to LP Waterworks, Inc., was in the public interest and was approved, in March 2014.¹ The Utility's rate base was last established in its 2013 staff assisted rate case (SARC) settlement with the Office of Public Counsel (OPC) by Order No. PSC 2014-0413-PAA-WS.² The water and wastewater rate increase was implemented in two phases. Phase I recovered only the recommended operation and maintenance expenses, property taxes, and regulatory assessment fee (RAF) expense. Phase II rates included the recovery of the Utility's return on rate base, including the modified water and wastewater pro forma plant additions, depreciation net of amortization, and recovery of the approved operation and maintenance expenses, property taxes, and RAF expense. The Utility agreed not to file a new rate case before one year after implementation of the Phase II rate increase. Phase II rates were implemented September 5, 2015.

In its application for the instant SARC, the Utility is requesting that a test year ended August 31, 2016, be used. In addition, LP is requesting the opportunity to recover all prudent expenses the Utility will incur on a going-forward basis, and generate a fair rate of return on its investments in all property considered used and useful in the public service. LP reports investing \$45,379 in water plant and \$70,034 in wastewater plant during the years 2014 and 2015. Furthermore, the Utility is requesting pro forma plant additions and recovery of the cost of manhole rehabilitation and repair which occurred in October 2016. In the Utility's application, it noted that another contributing factor for the need to request a SARC at this time is the significant decrease in water consumption.

The Commission has jurisdiction in this case pursuant to Sections 367.081(8), 367.0812, 367.0814, and 367.091, Florida Statutes, (F.S.).

¹Order No. PSC-2014-0130-PAA-WS, issued March 17, 2014, in Docket No. 20130055-WS, *In re: Application for approval of transfer of LP Utilities Corporation's water and wastewater systems and Certificate Nos. 620-W and 533-S, to LP Waterworks, Inc., in Highlands County.*

²Order No. PSC-2014-0413-PAA-WS, issued August 14, 2014, in Docket No. 20130153-WS, *In re: Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.*

Discussion of Issues

Issue 1: Is the quality of service provided by LP Waterworks, Inc. satisfactory?

Recommendation: Yes. Staff recommends that the overall quality of service provided by the Utility be considered satisfactory. (Wooten)

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 the Utility. This is derived from an evaluation of three separate components of the Utility operations. These components are the quality of the Utility's product, the operating conditions of the Utility's plant and facilities, and the Utility's attempt to address customer satisfaction. The Rule further states that sanitary surveys, outstanding citations, violations, and consent orders on file with the Florida Department of Environmental Protection (DEP) and the county health department over the preceding three-year period shall be considered. In addition, input from DEP and health department officials and customer comments or complaints over the preceding five-year period shall be considered pursuant to Section 367.0812(1)(c), F.S.

The Utility is located in the water use caution area of the SWFWMD. A significant portion of LP's residential customer base is seasonal.

Quality of Utility's Product

In evaluation of LP's product quality, staff reviewed the Utility's compliance with DEP primary and secondary drinking water standards. Primary standards protect public health while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. Staff reviewed the chemical analysis of samples dated May 27, 2015. All of the contaminants were below the maximum contaminant level set by DEP. However, in December 2015, there was a lead warning issued by the Utility because of failed lead testing results from DEP. The Utility completed corrosion control treatment for lead in April 2016, and was in compliance with DEP as of January 13, 2017.

Operating Condition of the Utility's and Facilities

The Utility's water treatment system has two wells. One well is rated at 850 gallons per minute (gpm) and the second well is rated at 350 gpm. LP's water system has two ground storage tanks totaling 25,000 gallons in capacity. There are two fire hydrants located in the service area. The distribution system is comprised of varying sizes of PVC pipes. The Utility only provides wastewater service to a portion of its service territory, which primarily serves seasonal customers, with peak flows from January through March. Staff reviewed the Utility's last DEP Sanitary Survey, dated November 28, 2016, and the facility was determined to be in compliance.

The Utility's Attempt to Address Customer Satisfaction

On April 18, 2017, a customer meeting was held at the Lake View Clubhouse within the Utility's service territory to receive customer comments concerning quality of service. There were approximately 51 customers in attendance, 19 of which made comments. The majority of the comments related to improper billing and a single customer had service quality concerns about notices of lead on their bills.

Date: July 21, 2017

Staff requested a response from the Utility about the customer concerns regarding the notice on customer bills regarding an elevated lead presence in the drinking water in some of the homes and buildings. The Utility responded that due to a previously failed compliance test that DEP required the notice be placed on customers' bills. The Utility stated that it was now in compliance, but the notice had to remain on the bills for a set time period. Upon contacting DEP, staff determined that the Utility was currently in compliance and the issue had been resolved.

Staff confirmed with DEP that DEP received no complaints about the Utility in regards to either water or wastewater during the past five years. Staff reviewed all complaints filed with the Commission and determined that the Utility has resolved all of the complaints tracked by the Commission. The Commission's Consumer Activity Tracking System recorded 12 complaints during the past five years related to billing. All complaints were resolved in a timely manner.

Conclusion

The Utility has taken reasonable actions to comply with DEP's regulations and to address customer concerns. Staff recommends that the overall quality of service provided by the Utility be considered satisfactory.

Date: July 21, 2017

Issue 2: What are the used and useful percentages (U&U) of LP Waterworks, Inc. water treatment plant (WTP), water storage, wastewater treatment plant (WWTP), and distribution and collection systems?

Recommendation: The Utility's WTP, WWTP, water storage, water distribution system and wastewater collection system should all be considered 100 percent U&U. Staff recommends a 24 percent adjustment to purchased power and chemical expenses be made for excessive unaccounted for water. (Wooten)

Staff Analysis: LP's water treatment system has two wells. One well is rated at 850 gpm and the second well is rated at 350 gpm. The Utility's water system has two ground storage tanks totaling 25,000 gallons in capacity. There are two fire hydrants located in the service area. The distribution system is comprised of varying sizes of PVC pipes. The Utility's wastewater treatment plant is permitted by the DEP as a 50,000-gallon per day (gpd) annual average daily flow facility. According to the Utility, the wastewater collection system is comprised of 9,313 feet of PVC collection mains of varying sizes and 918 feet of force mains. There are 47 manholes present throughout the service area.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., defines Excessive Unaccounted for Water (EUW) as unaccounted for water in excess of 10 percent of the amount produced. Unaccounted for water is all water produced that is not sold, metered or accounted for in the records of the Utility. In determining whether adjustments to plant and operating expenses are necessary in accordance with Rule 25-30.4325(10), F.A.C., staff considers several factors. These include the causes of EUW, any corrective action taken, or the economical feasibility of a proposed solution. EUW is calculated by subtracting both the gallons sold to customers and the gallons used for other services, such as flushing, from the total gallons pumped for the test year.

The Monthly Operating Reports that the Utility files with DEP, indicate that the Utility treated 16,285,500 gallons during the test year. In response to a staff data request, the Utility indicated that it purchased no water and used 1,428,000 gallons for other uses during the test year. According to the staff audit report, the Utility sold 9,299,000 gallons of water for the test year. When both the gallons sold and water used for other uses is subtracted from the total gallons pumped, there are 5,558,500 gallons of unaccounted for water. The formula for unaccounted for water is given by gallons of unaccounted for water / (total gallons pumped + gallons purchased). The resulting unaccounted for water is 34 percent and the excessive unaccounted for water is 24 percent. Accordingly, staff recommends an adjustment to purchased power and chemical expenses due to 24 percent EUW.

Infiltration and Inflow

Rule 25-30.432, F.A.C., provides that in determining the amount of U&U plant, the Commission will consider Infiltration & Inflow (I&I). Infiltration typically results from groundwater entering a wastewater collection system through broken or defective pipes and joints; whereas inflow results from water entering a wastewater collection system through manholes or lift stations. The allowance for infiltration is 500 gpd per inch diameter pipe per mile, and an additional 10 percent of water sold is allowed for inflow. In addition, adjustments to operating expenses, such as chemical and electrical costs, are considered necessary if excessive. Excessive I&I is a

Date: July 21, 2017

calculation that is based on a comparison of the allowable wastewater treated to the actual amount of wastewater treated.

Using the pipe lengths of the Utility's collection system, the infiltration allowance is calculated to be 3,761,436 gallons per year. Ten percent of the total gallons sold to customers is allowed for inflow, which totals 929,900 gallons. The total I&I allowance is then calculated as 4,691,336 gallons per year.

The amount of wastewater expected to be returned from the system is calculated. This figure is determined by summing 80 percent of water sold to residential users with 90 percent of water sold to non-residential users. The amount calculated for expected return is 7,692,300 gallons per year. In order to find the total amount of wastewater allowed, the I&I allowance and the expected return are summed, yielding 12,383,636 gallons per year. Finally, this total is compared to the total wastewater actually treated during the test year, which in this case is 9,289,000 gallons. The actual amount does not exceed the allowable amount, therefore, there is no excessive I&I.

Water Treatment Plant

LP's water service territory covers approximately 125 acres. The WTP is a closed system with two wells and permitted capacity at 200,000 gallons per day. There are two fire hydrants located in the service area which must meet a minimum of 500 gallons per minute for a four-hour period of time. In the previous rate case, Docket No. 20130153-WS the water treatment facility was determined to be 100 percent U&U.³ Staff evaluated the circumstances and determined that there has been no change and the system should still be considered 100 percent U&U.

Water Distribution System and Storage

The distribution system is evaluated based on equivalent residential connections (ERCs) consisting of customer demand, growth and system capacity. The customer demand is the sum of the 499 ERCs (444 residential ERCs plus 21 general service customers equal to 55 ERCs) for the 2016 test year, and a growth of 8 ERCs over the statutory five-year period. System capacity is 519 ERCs. This is a calculated 98 percent U&U, but as the system appears built out, it should be considered 100 percent U&U. The Utility has two useable storage tanks with a total capacity of 25,000 gallons. Rule 25-30.4325(8), F.A.C., states that usable storage capacity less than or equal to the peak day demand shall be considered 100 percent used and useful. The peak day demand was found to be 125,000 gallons per day. The storage should be considered 100 percent U&U.

Wastewater Treatment Plant

The Utility only provides wastewater service to a portion of its service territory, and serves seasonal customers which have peak flows from January through March. The formula for calculating U&U for the WWTP is (average daily flow + growth – excessive I&I) / permitted plant capacity. The average daily flow for the Utility is 48,032 gallons per day. There is no excessive I&I and no growth based on a linear regression. The permitted capacity of the plant is 50,000 gallons per day. Based on this calculation, WWTP is 96 percent U&U. However, as is

³Order No. PSC-2014-0474-CO-WS, issued September 8, 2014, in Docket No. 20130153-WS, *In re: Application for staff-assisted rate case in Highlands County*.

consistent with prior Commission practice when a system is calculated over 95 percent U&U, staff recommends that the WWTP be considered 100 percent U&U.⁴

Wastewater Collection System

LP's wastewater service territory provides wastewater service to customers within park boundaries. Using the linear regression formula, there is no estimated growth over the next statutory five-year growth period. As there has been no significant customer growth and the system is built out as established in the previous SARC (Docket No. 20130153-WS), staff recommends the wastewater collection system still be considered 100 percent U&U.

Conclusion

The Utility's WTP, WWTP, water storage, water distribution system, and wastewater collection system should all be considered 100 percent U&U. Staff recommends a 24 percent adjustment to purchased power and chemical expenses be made for EUW.

⁴Order No. PSC-2012-0357-PAA-WU, issued July 10, 2012, in Docket No. 20100048-WU, *In re: Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.*

Issue 3: What is the appropriate simple average rate base for the test year ended August 31, 2016 for LP Waterworks, Inc.?

Recommendation: The appropriate simple average rate base for the test year ended August 31, 2016 is \$109,264 for water and \$162,724 for wastewater. (Richards, Wooten)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service, land, accumulated depreciation, contributions-in-aid-of-construction (CIAC), amortization of CIAC, and working capital. The last proceeding that established balances for rate base was Docket No. 20130153-WS. Staff selected the test year ended August 31, 2016, for the instant rate case. A summary of each component and staff's recommended adjustments are explained below.

Utility Plant in Service (UPIS)

The Utility recorded \$527,435 for water and \$441,119 for wastewater. In a response to a staff data request, the Utility stated that "all repairs and/or replacements below the \$400 limit are covered in the annual contract with [U.S. Water Services Corporation]." Therefore, only pro forma items costing more than \$400 were included in the pro forma plant balance. Pro forma projects over \$400 for water and wastewater are listed below in Table 3-1. Staff's adjustments to UPIS are identified in Table 3-2 below.

Audit Finding Adjustments

The Utility recorded an invoice for control panel and pumps in 2014 for \$18,477 in Account 371; however there was no retirement associated with this invoice. Staff made an adjustment of \$13,858 to reflect this retirement (75 percent). Additionally, the Utility recorded an invoice for replacing diffusers in the wastewater tanks in June 2015, for \$4,571 in Account 380 but inadvertently did not record a related retirement. Staff made an adjustment of \$3,428 to reflect this retirement (75 percent).

Pro Forma Plant Additions

The Utility was required to perform an emergency rehabilitation of a sewer line due to a leaking manhole which caused a customer's yard to sink around the manhole. The Utility installed a new surge pump and replaced the contactor and overload protector in the surge pump control panel. These repairs were necessary to maintain proper operation of the wastewater treatment plant. The Utility also performed an emergency replacement of the chlorine injector to maintain the required disinfection and chlorine residual to preserve water quality. As these were emergency repairs, the procurement of three bids was not necessary per Commission practice. Repair of the wash-down well in the wastewater treatment plant was also included by LP as a pro forma addition. The wash-down well is a necessary component in the wastewater treatment process and the repairs were made pursuant to the existing Operations and Maintenance Agreement with U.S. Water Services Corporation. The values in Table 3-1 are from the final invoices for the pro forma projects. As shown in Table 3-1 below, staff made a net adjustment increasing UPIS by \$279 and \$9,544 for water and wastewater pro forma plant additions, respectively.

**Table 3-1
 Pro Forma Plant Additions**

Project	Acct. No.	Description	Amount	
			Water	Wastewater
Manhole Repair	354	Materials, Labor and Equipment for Sanitary Sewer Rehabilitation.	\$0	\$8,236
Replaced Contactor & Overload Switch	371	Replaced contactor and overload switch in surge pump control panel.	0	519
		Associated Retirement	0	(390)
Surge Pump at WWTP	371	Installed new pump at WWTP in surge tank.	0	3,303
		Associated Retirement	0	(2,477)
WWTP Wash-down Well Repair	371	Repairs to the Wash-down well. Installed new water pump. Repaired water line and replaced check valve.	0	1,408
		Associated Retirement	0	(1,055)
Replace Gas Chlorine Injector # 2	320	Replaced chlorine injector at WTP #2.	1,116	0
		Associated Retirement	(837)	0
Net Adjustment			<u>\$279</u>	<u>\$9,544</u>

Source: Responses to staff data requests.

*The total retirements associated with the pro forma projects are \$837 for water and \$3,922 (\$390 + \$2,477 + \$1,055) for wastewater.

Staff's adjustments to UPIS result in net reductions of \$230 for water and \$7,742 for wastewater as shown in Table 3-2 below. Staff recommends a UPIS balance of \$527,205 (\$527,435 – \$230) for water and \$433,377 (\$441,119 - \$7,742) for wastewater.

**Table 3-2
 Staff Adjustment to UPIS**

	Adjustment Description	Water	Wastewater
1.	To reflect retirement of Control Panel and Pumps to Acct. 371.	\$0	(\$13,858)
2.	To reflect retirement of replacement Diffuser to Acct. 380.	0	(3,428)
3.	To reflect net amount of pro forma projects.	279	9,544
4.	To reflect an averaging adjustment.	(509)	0
	Total	<u>(\$230)</u>	<u>(\$7,742)</u>

Source: Utility Records, Response to Staff Data Requests, and Staff Audit Report.

Land & Land Rights

The Utility recorded a test year land value of \$27,412 for water and \$36,000 for wastewater. No adjustments are necessary, and therefore, staff recommends a land balance of \$27,412 for water and \$36,000 for wastewater.

Non-Used and Useful Components

As discussed in Issue 2, LP's water and wastewater systems are both considered 100 percent U&U. Therefore, a U&U adjustment is not necessary.

Accumulated Depreciation

The Utility recorded a balance for accumulated depreciation of \$362,984 and \$311,950 for water and wastewater, respectively. Staff reduced wastewater accumulated depreciation by \$17,286 (\$13,858 + \$3,428) for the retirement of the control panel, pumps, and diffusers. Staff increased accumulated depreciation for water by \$40, and wastewater by \$293 for pro forma plant. Staff reduced accumulated depreciation associated with the retirement or pro forma projects by \$837 for water and \$3,922 for wastewater. Staff further adjusted wastewater accumulated depreciation by \$4,921 to reconcile the Utility's beginning accumulated depreciation balance to that approved by the Commission in Order PSC-2014-0413-PAA-WS.⁵ Staff also adjusted wastewater accumulated depreciation by \$457 (\$383 + \$39 + \$35) for additions to Structures and Improvements, Collection Sewers, and Pumping Equipment. Staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C., and has also made an averaging adjustment of \$9,295 for water and \$8,227 for wastewater. Based on the above adjustments, staff recommends an accumulated depreciation balance of \$352,892 (\$362,984 - \$10,092) for water and \$277,430 (\$311,950 - \$34,520) for wastewater. Staff's adjustments are reflected in Table 3-3 below.

Table 3-3
Accumulated Depreciation Adjustments

Staff Adjustments	Water	Wastewater
Retirement of control panel, pumps, and diffusers	\$0	\$17,286
Depreciation on Pro Forma Plant	(40)	(293)
Retirement of Plant associated with Pro Forma Plant	837	3,922
Reconciliation of wastewater beginning balance	0	4,921
Additions to Structures and Improvements, Collection Sewers, and Pumping Equipment	0	457
Averaging Adjustment	<u>9,295</u>	<u>8,227</u>
Total	<u>\$10,092</u>	<u>\$34,520</u>

Source: Utility Records, Response to Staff Data Requests, and Staff Audit Report.

Contribution In Aid of Construction (CIAC)

The Utility recorded a CIAC balance of \$266,480 for water and \$92,400 for wastewater. Commission audit staff noted that an adjustment of \$417 for water is necessary to reflect a simple average balance for rate base, pursuant to Rule 25-30.433, F.A.C. No adjustment is necessary for wastewater. Staff recommends a CIAC balance of \$266,063 (\$266,480 - \$417) for water and \$92,400 for wastewater.

⁵ Order No. PSC-2014-0413-PAA-WS, issued August 14, 2014, in Docket No. 20130153-WS, *in re: Application for staff-assisted rate case in Highlands County, by LP Utilities Corporation c/o LP Waterworks, Inc.*

Accumulated Amortization of CIAC

The Utility recorded a balance for accumulated amortization of CIAC of \$167,447 for water and \$55,709 for wastewater. Staff decreased accumulated amortization of CIAC by \$4,930 for water and \$1,717 for wastewater, to reflect the simple average for the test year. Staff recommends an accumulated amortization of CIAC balance of \$162,517 (\$167,447 - \$4,930) for water and \$53,992 (\$55,709 - \$1,717) for wastewater.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Staff also removed the unamortized balance of rate case expense of \$421 for water and \$351 for wastewater pursuant to Section 367.081(9), F.S.⁶ Applying this formula, staff recommends a working capital allowance of \$11,084 for water (based on O&M expense of \$92,044 ÷ 8 - \$421 for water) and \$9,186 for wastewater (based on O&M expense of \$76,295 ÷ 8 - \$351 for wastewater).

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$109,264 for water and \$162,724 for wastewater. Rate base is shown on Schedule No. 1-A for water and on Schedule No. 1-B for wastewater. The related adjustments for water and wastewater are shown on Schedule No. 1-C.

⁶Section 367.081(9), F.S., which became effective July 1, 2016, states, “A utility may not earn a return on the unamortized balance of the rate case expense. Any unamortized balance of rate case expense shall be excluded in calculating the utility’s rate base.” Therefore, staff excluded rate case expense from the working capital calculations.

Issue 4: What is the appropriate rate of return on equity (ROE) and overall rate of return for LP Waterworks, Inc.?

Recommendation: The appropriate mid-point ROE is 9.27 percent with a range of 8.27 percent to 10.27 percent. The appropriate overall rate of return is 7.89 percent. (Cicchetti, Richards)

Staff Analysis: Rule 25-30.433(4), F.A.C., requires that a simple average method be used to calculate the cost of capital for Class C utilities. The simple average capital structure per the staff auditor report included common equity of \$147,317, long-term debt of \$63,547, and customer deposits of \$3,353.

The Utility indicated that it is funding the pro forma project additions of \$14,582 with equity contributions from the shareholders. Staff made an adjustment to increase common equity to reflect the equity infusion from the shareholders.

Finally, staff made a pro rata adjustment to reconcile the average rate base to the average capital structure by increasing common equity and long-term debt by \$40,136 and \$3,053, respectively. The resulting average capital structure based on investor sources only used to determine the ROE consists of common equity of \$202,035 (\$147,317 + \$14,582 + 40,136) and long-term debt of \$66,660 (\$63,547 + 3,053). The equity ratio used for determining the allowed mid-point ROE is 75.21 percent of investors' sources which excludes customer deposits.

The appropriate ROE is 9.27 percent using the Commission approved leverage formula currently in effect and an equity ratio of 75.21 percent.⁷ The Utility's capital structure has been reconciled with staff's recommended rate base. Staff recommends a mid-point ROE of 9.27 percent, with a range of 8.27 percent to 10.27 percent and an overall rate of return of 7.89 percent. The appropriate ROE and overall rate of return are shown on Schedule No. 2.

⁷Order No. PSC-2017-0249-PAA-WS, issued June 26, 2017, in Docket No. 20170006-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 5: What are the appropriate test year revenues for the water and wastewater systems of LP Waterworks, Inc.?

Recommendation: The appropriate test year revenues for LP's water and wastewater systems are \$105,065 and \$85,659, respectively. (Friedrich)

Staff Analysis: The Utility recorded total test year revenues of \$107,183 for water and \$84,240 for wastewater. The water revenues included \$104,515 of service revenues and \$2,668 of miscellaneous revenues. The wastewater revenues included \$84,240 of service revenues and no miscellaneous revenues. Based on staff's review of the LP's billing determinants and the service rates that were in effect during the test year, staff determined test year service revenues should be \$103,452 for water and \$84,228 for wastewater. This results in decreases of \$1,063 and \$12 for water and wastewater test year service revenues, respectively. Staff also made adjustments to miscellaneous revenues for water and wastewater. Staff increased the Utility's miscellaneous revenues by \$376 and allocated these revenues to the Utility's water and wastewater systems consistent with each system's corresponding ERCs to reflect the approved miscellaneous service charges. Therefore, there are miscellaneous revenues of \$1,613 for the water system and \$1,431 for the wastewater system. Based on the above, the appropriate test year revenues for LP's water and wastewater systems are \$105,065 and \$85,659 respectively.

Issue 6: What is the appropriate amount of Operating Expense for the test year ended August 31, 2016?

Recommendation: The appropriate amount of operating expense for the LP Waterworks, Inc. is \$110,945 for water and \$96,863 for wastewater. (Richards)

Staff Analysis: The Utility recorded operating expense of \$110,497 for water and \$96,385 for wastewater for the test year ended August 31, 2016. The test year O&M expenses have been reviewed, including invoices, canceled checks, and other supporting documentation. Staff has made several adjustments to the Utility's operating expenses as summarized below.

Salaries and Wages – Officers, Directors (603/703)

The Utility recorded a balance of \$6,120 for water and \$5,880 for wastewater in Accounts 603 and 703 respectively. This represents compensation for the officers and directors of the Utility. The amount of officer and director compensation for the Utility is \$12.07 and \$13.91 per ERC for water and wastewater respectively. The average amount of officer's and director's salaries for LP Waterworks, Inc.'s affiliated utilities is approximately \$27 per ERC for water and \$28 per ERC for wastewater.⁸ The total amount included in Accounts 603 and 703 is \$12,000, which is the same amount approved in Order No. PSC-2014-0413-PAA-WS.⁹ Therefore, staff recommends no adjustments for salaries and wages - officers and directors expense.

Sludge Removal Expense (711)

The Utility recorded \$2,312 for sludge hauling expenses.¹⁰ Staff reviewed the source documentation and agrees with the amount. Staff recommends no adjustment to sludge removal expense.

Purchased Power (615/715)

The Utility recorded \$2,770 for purchased power expense for water and \$4,528 for wastewater in Accounts 615 and 715, respectively. Staff made an adjustment of \$99 to increase purchased power expense for water to reflect the actual amount of purchased power expense of \$2,869. Staff made a second adjustment to decrease water purchased power expense by \$689 to reflect excessive unaccounted for water as discussed in Issue 2. Finally, staff increased purchase power expense for wastewater by \$323 to reflect actual amount of purchased power expense of \$4,851 for the test year. Staff recommends purchased power expense of \$2,180 ($\$2,770 + \$99 - \689) for water and \$4,851 ($\$4,528 + \323) for wastewater.

Chemicals (618/718)

The Utility recorded chemical expense of \$650 for water and \$525 for wastewater. Staff decreased chemical expense for water by \$156 to reflect excessive unaccounted for water as discussed in Issue 2. Staff recommends a balance of \$494 ($\$650 - \156) for water. There were no adjustments for wastewater. Staff recommends chemical expense for the test year of \$494 for water and \$525 for wastewater.

⁸Staff Audit Report Control No. 16-320-4-1, Audit Request No. 6.

⁹Order No. PSC-2014-0413-PAA-WS, issued August 14, 2014, in Docket No. 20130153-WS, *In re: Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.*

¹⁰Document No. 00039-2017, filed January 3, 2017.

Contractual Services – Accounting Fees (632/732)

The Utility recorded a credit (negative balance) of \$638 for water and \$613 for wastewater in these accounts for accounting fees. The Utility explained this relates to an over accrual from a prior period and currently there are no outside accounting fees. Staff made adjustments to remove these amounts because they are outside the test year period. Staff recommends accounting expense of zero for both water and wastewater.

Contractual Services – Legal Fees (633/733)

The Utility recorded legal fees of \$2,575 for water and \$835 for wastewater. Staff reduced legal fees by \$1,808 for water and \$195 for wastewater to remove out-of-period expenses. The staff audit noted that some of the legal fees may be non-recurring. In response to a staff data request, the Utility provided invoices showing that legal fees of \$287 for water and \$240 for wastewater are recurring expenses.¹¹ In addition to the recurring legal fees, the Utility also had non-recurring legal fees for utility-related corporate purposes of \$480 for water and \$400 for wastewater. Because these fees are non-recurring, staff believes they should be amortized over five years, or \$96 per year for water and \$80 per year for wastewater. Consequently, staff reduced legal fees by \$384 for water and \$320 for wastewater to reflect the five-year amortization of the non-recurring legal fees. Staff's total adjustments result in reductions of \$2,192 (\$1,808 + \$384) for water and \$515 (\$195 + \$320) for wastewater. Therefore, staff recommends contractual services – legal of \$383 (\$287 + \$96) for water and \$320 (\$240 + \$80) for wastewater.

Contractual Services – Other (636/736)

The Utility recorded \$79,598 for water and \$60,530 for wastewater for operating, maintenance and customer service fees. The Utility receives all of its operational and administrative services under a contract with an affiliated company, U.S. Water Services Corporation (USWSC). The Commission previously reviewed and approved expenses related to the USWSC management services contract for the Utility in its last SARC.¹² The Commission also approved the expenses related to the USWSC management service contract for five of LP Waterworks, Inc.'s affiliated utility systems.¹³ In those dockets, the Commission found USWSC's costing and allocation model to be reasonable with the exception of some allocated expenses related to salary overtime, fuel, and vehicle maintenance which were adjusted in those dockets.

¹¹ Document No. 01528-2017, filed on February 7, 2017.

¹² Order No. PSC-2014-0413-PAA-WS, issued August 14, 2014, in Docket No. 20130153-WS, *In re: Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.*

¹³ Order No. PSC-2015-0013-PAA-WS, issued January 2, 2015, in Docket No. 20130194-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.*; Order No. PSC-2015-0282-PAA-WS, issued July 8, 2015, in Docket No. 20140158-WS, *In re: Application for increase in water/wastewater rates in Highlands County by HC Waterworks, Inc.*; Order No. PSC-2015-0329-PAA-WU, issued August 14, 2015, in Docket No. 20140186-WU, *In re: Application for staff-assisted rate case in Brevard County by Brevard Waterworks, Inc.*; Order No. PSC-2015-0335-PAA-WS, issued August 20, 2015, in Docket No 20140147-WS, *In re: Application for staff-assisted rate case in Sumter County by Jumper Creek Utility Company*; Order No. PSC-2016-0256-PAA-WU, issued June 30, 2016, in Docket No. 20150199-WU, *In re: Application for staff-assisted rate case in Lake County by Raintree Waterworks, Inc.*

Consumer Price Index

The Utility submitted invoices to show an increase in the annual contract of \$557 for water and \$424 for wastewater to reflect an increase in the Consumer Price Index.¹⁴ Consistent with the Commission's prior decisions staff increased these accounts by \$557 and \$424 for water and wastewater, respectively.

Salaried Employees Overtime

The Commission found USWSC's costing and allocation model reasonable in four related dockets with the exception of some allocated expense related to salary overtime, fuel, and vehicle maintenance which were adjusted in those dockets. In the Utility's supplemental response to staff's data request, the Utility acknowledged an overtime expense to salaried employees of \$1,278 for water and \$747 for wastewater, which staff believes should be disallowed.

Staff's adjustment to this account results in a net decrease of \$721 (\$557 - \$1,278) for water and a net decrease of \$323 (\$424 - \$747) for wastewater. For water, the adjusted annual contract fee of \$78,877 results in an average of \$156 per ERC. For wastewater, the adjusted annual contract fee of \$60,207 results in an average of \$142 per ERC. These amounts are comparable to the amounts approved by the Commission for LP's affiliated utilities which ranged from \$171 to \$247 per water ERC and \$138 to \$383 per wastewater ERC.

The Utility confirmed that USWSC's current cost model for the contract continues to include 1,000 additional projected ERCs for all systems for which USWSC provides service. Inclusion of the 1,000 potential future ERCs that are expected to be added through growth or acquisitions serves to spread the costs over a larger base and lowers the cost per ERC. USWSC and its managers bring considerable management and operator experience and expertise at a comparably reasonable cost. By spreading costs over multiple systems, and adding ERCs to recognize potential future growth, LP's customers are realizing operational and cost benefits that would not be available if the Utility operated on a stand-alone basis. Staff believes the adjusted cost of the USWSC management services contract is reasonable. Therefore, staff recommends Contractual Services – Other Expense of \$78,877 for water and \$60,207 for wastewater.

Rent Expense (640/740)

The Utility recorded rent expense of \$220 for water and \$0 for wastewater. The rent expense amount was reclassified to Account 675 for miscellaneous expense. Therefore, the recommended rent expense for water and wastewater should be zero for the test year.

Insurance Expense (655/755)

The Utility recorded insurance expense of \$619 for water and \$619 for wastewater. Staff increased the insurance expense \$26 for water and \$26 for wastewater to reflect the April 2016, invoice which totaled \$1,290. This amount was allocated 50 percent to water and 50 percent to wastewater to follow both the methodology used by the Utility and Order No. PSC-2014-0413-

¹⁴Document No. 03483-2017, filed on March 10, 2017.

PAA-WS.¹⁵ Thus, staff recommends insurance expense of \$645 for water and \$645 for wastewater.

Regulatory Commission Expense (665/765)

The Utility, in its initial SARC filing, recorded \$430 for water and wastewater for regulatory commission expense (RCE).¹⁶ Staff recommends current annual RCE of \$421 for water and \$351 for wastewater.

Filing Fees and Customer Notices

Pursuant to Rule 25-22.0407, F.A.C., the Utility is required to mail notices of the customer meeting, final rates and the four-year rate reduction to its customers. For these notices, staff has estimated \$686 for postage expense, \$467 for printing expense, and \$70 for envelopes, resulting in noticing expense of \$1,223. The Utility paid a \$1,000 rate case filing fee for water, and a \$500 rate case filing fee for wastewater.

Travel Expenses

The Utility recorded rate case travel expense of \$250 to attend the customer meeting and \$250 to attend the Commission Conference. In its support documentation, the Utility submitted copies of two hotel reservation receipts for a total of \$247 to attend the Customer Meeting and one hotel reservation receipt for \$120 to attend the Commission Conference.¹⁷ After reviewing invoices submitted by the Utility, staff has decreased the travel expense to attend the customer meeting by \$3 and decreased the travel expense to attend the Commission Conference by \$130.

Rate Case Expense Amortization

Staff's recommended total current rate case expense including postage, notices, envelopes, filing and travel costs are \$3,090. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a four-year period, which is \$772 per year ($\$3,090 \div 4$). In the Utility's previous rate case, staff allocated rate case expense equally between water and wastewater based on the settlement agreement between OPC and the Utility. In this docket, staff believes it is more appropriate to follow Commission practice and allocate rate case expense based on the appropriate level of ERCs for water (481) and wastewater (393). Staff's adjustments to these accounts, described above, results in a decrease of \$9 for water and a decrease of \$79 for wastewater. Staff recommends Regulatory Commission Expense of \$421 ($\$430 - \9) for water and \$351 ($\$430 - \79) for wastewater. Rate Case Expense is delineated in Table 6-1.

¹⁵Order No. PSC-2014-0413-PAA-WS, issued August 14, 2014, in Docket No. 20130153-WS, *In re: Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.*

¹⁶Document No. 08270-2016, filed October 17, 2016.

¹⁷Document No. 04599-2017, filed May 3, 2017.

**Table 6-1
 Current Rate Case Expense Breakdown**

Item	Staff		
	Recommended	Water	Wastewater
Filing Fee	\$1,500	\$818	\$682
Travel – Customer Meeting	247	135	112
Travel – Agenda Conference	120	65	55
Notices – Customer Meeting	533	291	242
Notices – Final Rates	345	188	157
Notices – Four-Year Rate Reduction	345	188	157
Total Rate Case Expense	<u>\$3,090</u>	<u>\$1,685</u>	<u>\$1,405</u>
Annual Rate Case Expense	\$772	\$421	\$351

Source: Response to staff data requests

Prior Rate Case Expense

In its previous rate case filing, the Utility was authorized a total rate case expense including postage, notices, envelopes, and filing fee of \$2,774.¹⁸ The rate case expense was amortized over a four-year period, or \$694 per year ($\$2,774 \div 4$) allocated equally between water and wastewater. The approved Commission expense was \$347 for water and \$347 for wastewater. The Utility has one year remaining of this previous rate case expense.

Therefore, staff recommends annual regulatory commission expense of \$768 ($\$421 + \347) for water and \$698 ($\$351 + \347) for wastewater.

Bad Debt Expense (670/770)

The Utility recorded negative bad debt expense of \$408 for water and positive bad debt expense of \$157 for wastewater. Staff could not take the average of the last three years bad debt expense because the Utility’s 2014 and 2016 bad debt expense were credits (negative amounts) for both water and wastewater. The credit balances result from the bad debt accrual method used by the Utility. In LP’s previous SARC, a settlement was reached between the Utility and the OPC in which they agreed to a bad debt expense of 1 percent of test year revenue. Staff analyzed the previous years’ bad debt expense and believes basing bad debt expense on 1 percent of test year revenue is reasonable. Staff adjusted bad debt expense to reflect 1 percent of test year revenue and results in an increase of \$1,459 for water and \$700 for wastewater. Staff recommends a bad debt expense of \$1,051 ($\$1,459 - \408) for water and \$857 ($\$157 + \700) for wastewater which is equivalent to 1 percent of test year revenues.

Miscellaneous Expense (675/775)

The Utility recorded \$1,306 of miscellaneous expense for water. This amount included \$500 representing the Florida DEP Operating License Fee, and \$750 for three quarters of annual property owner’s association fees from Camp Florida POA, Inc. The Utility owns lots for egress to its facilities and must pay the property owners’ association fees assessed by Camp Florida

¹⁸Order No. PSC-2014-0413-PAA-WS, issued August 14, 2014, in Docket No. 20130153-WS, *In re: Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.*

POA, Inc. for those lots. The other quarter of the annual property owner's association fees is \$220 which was moved to Account 675 Miscellaneous Expense from Account 640 as discussed under Rent Expense (640). The Utility does not report any miscellaneous expense for wastewater. Therefore, staff recommends miscellaneous expense of \$1,526 ($\$1,306 + \220) for water and \$0 for wastewater.

Operating and Maintenance Expense Summary

The Utility recorded O&M expenses of \$93,242 for water and \$75,203 for wastewater. Total adjustments to O&M expense result in a decrease of \$1,198 for water and an increase of \$1,092 for wastewater. Staff's recommended O&M expense is \$92,044 ($\$93,242 - \$1,198$) for water and \$76,295 ($\$75,203 + \$1,092$) for wastewater. O&M expenses are shown on Schedule Nos. 3-A and 3-B for water and wastewater, respectively.

Depreciation Expense

The Utility's records reflect test year water depreciation expense of \$19,511 and CIAC amortization expense of \$9,861, resulting in a net water depreciation expense of \$9,650 ($\$19,511 - \$9,861 = \$9,650$). Also, the Utility's records reflect test year wastewater depreciation expense of \$16,426 and CIAC amortization expense of \$3,434, resulting in a net wastewater depreciation expense of \$12,992 ($\$16,426 - \$3,434 = \$12,992$). Staff calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and also determined the adjustments necessary to reflect the pro forma additions and retirements discussed previously in Issue 3. Based on the staff audit adjustments and recalculated depreciations expense, staff decreased water depreciation expense by \$40 and decreased wastewater depreciation expense by \$648. In addition, staff calculated CIAC amortization based on composite rates, and determined that no adjustments are necessary. This results in a net depreciation expense of \$9,610 ($\$9,650 - \40) for water, and a net depreciation expense of \$12,344 ($\$12,992 - \648) for wastewater. Therefore, staff recommends net depreciation expense of \$9,610 and \$12,344 for water and wastewater, respectively.

Taxes Other Than Income (TOTI)

LP recorded taxes other than income (TOTI) for the test year of \$7,605 and \$8,190 for water and wastewater, respectively. The Utility recorded regulatory assessment fees (RAFs) of \$4,823 and \$3,791 for water and wastewater, respectively. Staff determined that RAFs should be decreased by \$95 for water and increased by \$64 for wastewater to reflect the appropriate amount of RAFs for the test year.

Utility recorded property tax expense of \$2,782 for water and \$4,399 for wastewater. Audit staff determined that the Utility's actual property taxes for the test year were \$3,907 for water and \$3,141 for wastewater. Therefore, staff increased water property taxes by \$1,125 and decreased wastewater property taxes by \$1,258 to reflect the proper amounts for the test year.

Staff also made an adjustment to reflect the appropriate property taxes related to the pro forma plant additions discussed in Issue 3. The pro forma plant additions increased property taxes by \$4 and \$146 for water and wastewater, respectively. Staff's net adjustments to TOTI are an increase of \$1,034 for water and a decrease of \$1,048 for wastewater.

In addition, as discussed in Issue 7, revenues have been increased by \$14,501 for water and \$24,043 for wastewater to reflect the change in revenue required to cover expenses and allow the recommended rate of return. As a result, TOTI should be increased by \$653 for water and \$1,082 for wastewater to reflect RAFs of 4.5 percent for the increase in revenues.

Therefore, staff recommends TOTI of \$9,291 ($\$7,605 + \$1,034 + \653) for water and \$8,224 ($\$8,190 - \$1,048 + \$1,082$) for wastewater.

Operating Expense Summary

The application of staff's recommended adjustments to the Utility's adjusted test year operating expenses results in staff's recommended operating expenses of \$110,946 for water and \$96,863 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B for water and wastewater, respectively. The related adjustments for water and wastewater are shown on Schedule No. 3-C.

Issue 7: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$119,566 for water and \$109,702 for wastewater, resulting in an annual increase of \$14,501 (13.80 percent) for water and an annual increase of \$24,043 (28.07 percent) for wastewater. (Richards)

Staff Analysis: The Utility should be allowed an annual increase of \$14,501 (13.80 percent) for water and \$24,043 (28.07 percent) for wastewater. This will allow the Utility the opportunity to recover its expenses as well as a 7.89 percent return on its investment. The calculations are shown in Table 7-1 for water and Table 7-2 for wastewater.

**Table 7-1
Water Revenue Requirement**

Adjusted Rate Base	\$109,264
Rate of Return	<u>7.89%</u>
Return on Rate Base	8,621
Adjusted O&M Expense	92,044
Depreciation Expense (Net)	9,610
Taxes Other Than Income	9,291
Income Taxes	<u>0</u>
Revenue Requirement	\$119,566
Less Test Year Revenues	<u>105,065</u>
Annual Increase / (Decrease)	<u>\$14,501</u>
Percent Increase / Decrease	13.80%

Source: Staff Analysis

**Table 7-2
Wastewater Revenue Requirement**

Adjusted Rate Base	\$162,724
Rate of Return	<u>7.89%</u>
Return on Rate Base	12,840
Adjusted O&M Expense	76,295
Depreciation Expense (Net)	12,344
Taxes Other Than Income	8,224
Income Taxes	<u>0</u>
Revenue Requirement	\$109,702
Less Test Year Revenues	<u>85,659</u>
Annual Increase / (Decrease)	<u>\$24,043</u>
Percent Increase / Decrease	28.07%

Source: Staff Analysis

Issue 8: What are the appropriate rate structures and rates for the water and wastewater systems of LP Waterworks, Inc.?

Recommendation: The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. 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 this notice. (Friedrich)

Staff Analysis:

Water Rates

The Utility is located in Highlands County within the SWFWMD. LP provides water service to approximately 444 residential customers and 21 general service customers. Approximately 57.15 percent of the residential customer bills during the test year had zero gallons, indicating a highly seasonal customer base. The average residential water demand is 1,336 gallons per month. The average residential water demand excluding zero gallon bills is 3,117 gallons per month.

The Utility's current water system rate structure for residential customers consists of a base facility charge (BFC) and two-tier inclining block rate structure. The rate blocks are: (1) 0-3,000 gallons and (2) all usage in excess of 3,000 gallons per month. The general service rate structure consists of a BFC and uniform gallonage charge. In addition, the Utility's private fire protection service rates are based on one-twelfth of the Utility's BFC for each meter size pursuant to 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.

Staff believes an across-the-board increase to the Utility's existing rates is appropriate because of the low revenue requirement percentage increase. In addition, the existing rate structure appears reasonable and no significant repression is anticipated. To determine the appropriate percentage increase to apply to the service rates, miscellaneous revenues were removed from the test year revenues, resulting in a 13.97 percent increase in the service rates. Staff's recommended rate structure and rates for LP Waterworks, Inc.'s water system are shown on Schedule No. 4-A.

Wastewater Rates

The Utility provides wastewater service to 389 residential customers and 18 general service customers. Currently, the residential wastewater rate structure consists of a uniform BFC for all meter sizes and a gallonage charge with an 8,000-gallon cap per month. The general service rate

structure consists of a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

Staff performed an analysis of the Utility's billing data to evaluate various BFC cost recovery percentages and gallonage caps for the residential 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; and (3) implement a gallonage cap that considers approximately the amount of water that may return to the wastewater system.

The Commission's practice is to allocate at least 50 percent of the wastewater revenue to the BFC due to the capital-intensive nature of wastewater plants. However, staff believes a BFC allocation of 65 percent is more appropriate and would increase revenue stability due to the high seasonality of the Utility's customer base. Additionally, in the Utility's last rate case, a BFC allocation of 60 percent was approved and attributed partly to the Utility's seasonal customer base.¹⁹

LP's current residential wastewater cap is 8,000 gallons per month. It is Commission practice to set the wastewater cap at approximately 80 percent of residential water gallons sold, which typically results in gallonage caps of 6,000, 8,000, or 10,000. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. However, due to the seasonality of the Utility's customer base, 83 percent of the total water sold is captured at 3,000 gallons, which is lower than gallonage caps typically approved for wastewater. Although staff typically bases its recommended residential wastewater cap on 80 percent of the total water sold, in this case, it would yield an exceptionally low residential wastewater cap. In addition, staff believes that lowering the gallonage cap below 6,000 gallons would have an adverse effect on the residential gallonage charge and resulting customer bills. Therefore, staff believes that 6,000 gallons per month is a reasonable residential wastewater cap.

Additionally, staff recommends that the general service gallonage charge be 1.2 times greater than the residential gallonage charge which is consistent with Commission practice. Staff's recommended rate structure and rates for LP's wastewater system are shown on Schedule No. 4-B.

Conclusion

Based on the above, the recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. 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 this notice.

¹⁹Order No. PSC-2014-0413-PAA-WS, issued August 14, 2014, in Docket No. 20130153-WS, *In re: Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.*

Issue 9: What is the appropriate amount by which rates should be reduced in four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.081(8), F.S.?

Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B, respectively, 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 367.081(8), F.S. The Utility 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. (Friedrich, Richards)

Staff Analysis: Section 367.081(8), 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 unless a longer period can be justified and is in the public interest. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reductions are \$441 for water and \$368 for wastewater.

The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B, respectively, 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 367.081(8), F.S. The Utility 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.

Issue 10: What are the appropriate miscellaneous service charges for LP Waterworks, Inc.?

Recommendation: The miscellaneous service charges identified in Table 10-5 are appropriate and should be approved. The charges should be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved changes 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. (Friedrich)

Staff Analysis: LP's current miscellaneous service charges were approved on February 22, 2002.²⁰ Section 367.091, F.S., authorizes the Commission to change miscellaneous service charges. The Utility's request to revise its miscellaneous charges was accompanied by its reason for requesting the charges, as well as the cost justification required by Section 367.091(6), F.S.

Within its cost justification, the Utility requested recovery of benefits and overhead for the utility technician who performs the miscellaneous services. The Utility did not request recovery of overhead and benefits for the administrative employee since this is a contracted employee of Opus 21, an outside billing contractor. Therefore, the field labor component displayed in the tables below reflects the hourly salary of the utility technician marked up to include benefits and overhead consistent with the Utility's Commission-approved contract with USWSC.

Additionally, within its cost justification, the Utility requested recovery of vehicle costs associated with performing miscellaneous services. However, it is Commission practice to calculate transportation costs of miscellaneous services using the Internal Revenue Service mileage rate and the average miles the field employee will travel to the Utility's territory during and after hours. The calculations for staff's recommended charges for miscellaneous services are shown in Tables 10-1 through 10-4 and are rounded up to the nearest tenth. The Utility's current and staff's recommended miscellaneous service charges are shown in Table 10-5.

Initial Connection Charge

The initial connection charge is levied for service initiation at a location where service did not exist previously. A Utility representative makes one trip when performing the service of an initial connection. Based on labor and transportation to and from the service territory, staff recommends initial connection charges for LP's water and wastewater systems of \$31.10 for normal hours and \$36.20 for after hours. Staff's calculations are shown in Table 10-1.

²⁰Order No. PSC-2002-0250-PAA-WS, issued February 26, 2002, in Docket No. 19990374-WS, *In re: Application for certificates to operate a water and wastewater utility in Highlands County by the Woodlands of Lake Placid, L.P., and for deletion of portion of wastewater territory in Certificate No.361-S held by Highlands Utilities Corporation.*

**Table 10-1
 Initial Connection Charge Calculation**

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (Administrative) (\$28/hr x 1/4 hr)	\$7.00	Labor (Administrative) (\$28/hr x 1/4 hr)	\$7.00
Labor (Field) (\$30.42/hr x 1/3 hr)	\$10.14	Labor (Field) (45.63/hr x 1/3 hr)	\$5.21
Transportation (\$0.535/mile x 26 miles-to/from)	\$13.91	Transportation (\$0.535/mile x 26 miles-to/from)	\$13.91
Total	\$31.05	Total	\$36.12

Source: Staff Analysis

Normal Reconnection Charge

A normal reconnection charge is levied for the transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer requested disconnection. A normal reconnection requires two trips, which includes one to turn service on and the other to turn service off.

Based on labor and transportation to and from the service territory, staff recommends normal reconnection charges for LP's water and wastewater systems of \$57.10 for normal hours and \$64.70 for after hours. Staff's calculations are shown in Table 10-2.

**Table 10-2
 Normal Reconnection Charge Calculation**

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (Administrative) (\$28/hr x 1/4hr x 2)	\$14.00	Labor (Administrative) (\$28/hr x 1/4hr)	\$14.00
Labor (Field) (\$30.42/hr x 1/4 hr x 2)	\$15.21	Labor (Field) (\$45.63/hr x 1/4hr x 2)	\$22.81
Transportation (\$0.535/mile x 26 miles-to/from x 2)	\$27.82	Transportation (\$0.535/mile x 26 miles-to/from x 2)	\$27.82
Total	\$57.03	Total	\$64.63

Source: Staff Analysis

Date: July 21, 2017

Violation Reconnection Charge

The violation reconnection charge is levied prior to reconnection of an existing customer after discontinuance of service for cause. The service performed for violation reconnection requires two trips, which includes one trip to turn off service and a subsequent trip to turn on service once the violation has been remedied. Based on labor and transportation to and from the service territory, staff recommends violation reconnection charges for LP's water system of \$57.10 for normal hours and \$64.70 for after hours. However for LP's wastewater system, this charge should remain at actual cost pursuant to Rule 25-30.460(1)(c), F.A.C. Staff's calculations are shown in Table 10-3.

Table 10-3
Violation Reconnection Charge Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (Administrative) (\$28/hr x 1/4hr x 2)	\$14.00	Labor (Administrative) (\$28/hr x 1/4hr x 2)	\$14.00
Labor (Field) (\$30.42/hr x 1/4 hr x 2)	\$15.21	Labor (Field) (\$45.63hr x 1/4 hr x 2)	\$22.81
Transportation (\$0.535/mile x 26 miles-to/from) x 2	\$27.82	Transportation (\$0.535/mile x 26 miles-to/from) x 2	\$27.82
Total	\$57.03	Total	\$64.63

Source: Staff Analysis

Premises Visit Charge

The premises visit charge is levied when a service representative visits premises at the customer's request for complaint resolution and the problem is found to be the customer's responsibility. In addition, the premises visit charge can be levied when a service representative visits premises for the purpose of discontinuing service for nonpayment of a due and collectible bill, and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill. A premises visit requires one trip.

Based on labor and transportation to and from the service territory, staff recommends a premises visit charge of \$31.10 for normal hours and \$36.20 for after hours. Staff's calculations are shown in Table 10-4.

**Table 10-4
 Premises Visit Charge Calculation**

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (Administrative) (\$28.00/hr x 1/4hr)	\$7.00	Labor (Administrative) (\$28.00/hr x 1/4hr)	\$7.00
Labor (Field) (\$30.42/hr x 1/3 hr)	\$10.14	Labor (Field) (\$45.63/hr x 1/3 hr)	\$15.21
Transportation (\$0.535/mile x 26 miles-to/from)	\$13.91	Transportation (\$0.535/mile x 26 miles-to/from)	\$13.91
Total	\$31.05	Total	\$36.12

Source: Staff Analysis

Conclusion

Based on the aforementioned, the miscellaneous service charges identified in Table 10-5 are appropriate and should be approved. The charges should be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved changes 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.

**Table 10-5
 Miscellaneous Service Charges**

	Current	Staff Recommended	
	Normal and After Hours	Normal Hours	After Hours
Initial Connection Charge	\$15.00	\$31.10	\$36.20
Normal Reconnection Charge	\$15.00	\$57.10	\$64.70
Violation Reconnection Charge (Water Only)	\$15.00	\$57.10	\$64.70
Violation Reconnection Charge (Wastewater Only)	Actual Cost	Actual Cost	
Premises Visit Charge	\$10.00	\$31.10	\$36.20

Source: Staff Analysis

Issue 11: Should LP Waterworks, Inc. be authorized to collect Non-Sufficient Funds Charges (NSF)?

Recommendation: Yes. LP should be authorized to collect NSF charges. The charges should be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved changes 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. (Friedrich)

Staff Analysis: Section 367.091, F.S., authorizes the Commission to approve miscellaneous service charges. Staff believes that the Utility should be authorized to collect NSF charges consistent with Section 68.065, F.S., which allows for the assessment of charges for the collection of worthless checks, drafts, or orders of payment. As currently set forth in Section 68.065(2), F.S., the following NSF charges may be assessed:

- 1) \$25, if the face value does not exceed \$50,
- 2) \$30, if the face value exceeds \$50 but does not exceed \$300,
- 3) \$40, if the face value exceeds \$300,
- 4) or five percent of the face amount of the check, whichever is greater

Approval of NSF charges is consistent with prior Commission decisions.²¹ Furthermore, NSF charges place the cost on the cost-causer, rather than requiring that the costs associated with the return of the NSF checks to be spread across the general body of ratepayers.

Conclusion

The Utility should be authorized to collect NSF charges. The charges should be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved changes 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.

²¹Order Nos. PSC-2014-0198-TRF-SU, issued May 2, 2014, in Docket No. 20140030-SU, *In re: Request for approval to amend Miscellaneous Service charges to include all NSF charges by Environmental Protection Systems of Pine Island, Inc.*; and PSC-2013-0646-PAA-WU, issued December 5, 2013, in Docket No. 20130025-WU, *In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.*

Issue 12: What are the appropriate main extension charges for the water and wastewater systems of LP Waterworks, Inc.?

Recommendation: The appropriate main extension charges for LP’s water and wastewater systems are \$510 and \$390 per equivalent residential connection (ERC), respectively. The recommended service availability charge should be based on an estimated 350 gallons per day of water. The Utility should file revised tariff sheets and a proposed customer notice. LP should provide notice to customers who have requested service within the 12 calendar months prior to the month the application was filed to the present. The approved charges should be effective for connections made on or after the stamped approval date on the tariff sheets. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Friedrich)

Staff Analysis: The Utility’s current service availability charges were approved in 2002 and include customer connection (tap-in) and main extension charges for LP’s water and wastewater systems; as well as a meter installation charge for LP’s water system.²² 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 sewage collection systems. The Utility’s current contribution levels for the water and wastewater systems are 52 percent and 20 percent, respectively.

A main extension charge allows a utility to recover a portion of the cost of the utility’s distribution and collection systems from future customers. The costs of LP’s distribution and collection systems are \$264,875 and \$181,057 for water and wastewater, respectively. Additionally, the water distribution system has a design capacity of 519 ERCs and the wastewater collection system has a design capacity of 464 ERCs. Therefore, based on the average historical cost of the existing distribution and collection systems, and the capacity of those systems, staff recommends main extension charges of \$510 and \$390 per ERC for LP’s water and wastewater systems in lieu of its current charges at actual cost. The Utility’s current and staff’s recommended service availability charges are shown in Table 12-1.

**Table 12-1
 Service Availability Charges**

Service Availability Charges	Current		Staff Recommended	
	Water	Wastewater	Water	Wastewater
Main Extension Charge	Actual Cost	Actual Cost	\$510	\$390
Customer Connection (Tap-in) Charge	\$200	\$400	\$200	\$400
Meter Installation Charge	\$189	N/A	\$189	N/A

Source: Staff Analysis

²² Order No. PSC-2002-0250-PAA-WS, issued February 26, 2002, in Docket No. 19990374-WS, *In re: Application for certificates to operate a water and wastewater utility in Highlands County by The Woodlands of Lake Placid, L.P., and for deletion of portion of wastewater territory in Certificate No. 361-S held by Highlands Utilities Corporation.*

Conclusion

Based on the above, the appropriate main extension charges for LP's water and wastewater systems are \$510 and \$390 per ERC, respectively. The recommended service availability charge should be based on an estimated 350 gallons per day of water. The Utility should file revised tariff sheets and a proposed customer notice. The Utility should provide notice to customers who have requested service within the 12 calendar months prior to the month the application was filed to the present. The approved charges should be effective for connections made on or after the stamped approval date on the tariff sheets. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Date: July 21, 2017

Issue 13: Should the recommended rates be approved for LP Waterworks, Inc. on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

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

Staff Analysis: This recommendation proposes an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the recommended rates be approved as temporary rates. LP should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

The Utility should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$25,850. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond should contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or,
- 2) If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If the Utility chooses a letter of credit as a security, it should contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect, and,
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions should be part of the agreement:

- 1) The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement; and,
- 2) No monies in the escrow account may be withdrawn by the Utility without the prior written authorization of the Commission Clerk, or his or her designee;
- 3) The escrow account shall be an interest bearing account;
- 4) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 5) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility;
- 6) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 7) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 8) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to *Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments;
- 9) The account must specify by whom and on whose behalf such monies were paid.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase should be maintained by the Utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

Should the recommended rates be approved by the Commission on a temporary basis, the Utility should maintain a record of the amount of the security, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Issue 14: Should LP Waterworks, Inc. be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision?

Recommendation: Yes. LP should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. The Utility should submit a letter within 90 days of the final order in this docket confirming that the adjustments to all applicable NARUC USOA primary 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 the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Richards)

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. LP should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary 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 the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Issue 15: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order 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. Once these actions are complete, this docket should be closed administratively. (Murphy)

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. Once these actions are complete, this docket should be closed administratively.

LP WATERWORKS, INC.		SCHEDULE NO. 1-A	
TEST YEAR ENDED 08/31/2016		DOCKET NO. 20160222-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$527,435	(\$230)	\$527,205
2. LAND & LAND RIGHTS	27,412	0	27,412
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. ACCUMULATED DEPRECIATION	(362,984)	10,092	(352,892)
5. CIAC	(266,480)	417	(266,063)
6. AMORTIZATION OF CIAC	167,447	(4,930)	162,517
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>11,084</u>	<u>11,084</u>
8. WATER RATE BASE	<u>\$92,830</u>	<u>\$16,434</u>	<u>\$109,264</u>

LP WATERWORKS, INC.		SCHEDULE NO. 1-B	
TEST YEAR ENDED 08/31/2016		DOCKET NO. 20160222-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$441,119	(\$7,742)	\$433,377
2. LAND & LAND RIGHTS	36,000	0	36,000
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. ACCUMULATED DEPRECIATION	(311,950)	34,520	(277,430)
5. CIAC	(92,400)	0	(92,400)
6. AMORTIZATION OF CIAC	55,709	(1,717)	53,992
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>9,186</u>	<u>9,186</u>
8. WASTEWATER RATE BASE	<u>\$128,478</u>	<u>\$34,246</u>	<u>\$162,724</u>

LP WATERWORKS, INC.		SCHEDULE NO. 1-C	
TEST YEAR ENDED 08/31/2016		DOCKET NO. 20160222-WS	
ADJUSTMENTS TO RATE BASE			
		<u>WATER</u>	<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>			
1.	To reflect retirement of Control Panel and Pumps to Acct. 371 per Audit Request 5.	\$0	(\$13,858)
2.	To reflect retirement of replacement Diffuser to Acct. 380 per Audit Finding 1.	0	(3,428)
3.	To reflect pro forma Manhole repair to Acct. 354.	0	8,236
4.	To reflect pro forma replacement of Contactor and Overload to Acct. 371.	0	519
5.	To reflect pro forma Surge Pump at WWTP to Acct. 371.	0	3,303
6.	To reflect pro forma repairs to Wash-down Well at WWTP to Acct. 371.	0	1,408
7.	To reflect pro forma replacement of Chlorine Injector at WTP # 2 to Acct. 320.	1,116	0
8.	To reflect 75 percent retirement on pro forma projects.	(837)	(3,922)
9.	To reflect an averaging adjustment.	<u>(509)</u>	<u>0</u>
	Total	<u>(\$230)</u>	<u>(\$7,742)</u>
<u>ACCUMULATED DEPRECIATION</u>			
1.	To reflect retirement of Control Panel and Pumps to Acct. 371 per Audit Request 5.	\$0	\$13,858
2.	To reflect retirement of replacement Diffuser to Acct. 380 per Audit Finding 1.	0	3,428
3.	To reflect an addition to Structure Improvements to Acct. 354 per Audit Finding 2.	0	383
4.	To reflect an addition to Collection Sewers - Gravity Acct. 361 per Audit Finding 2.	0	39
5.	To reflect an addition to Pumping Equipment Acct. 371 per Audit Finding 2.	0	35
6.	Adjustment to reconcile with Order No. PSC-2014-0413-PAA-WS per Audit Finding 1.	0	4,921
7.	To reflect 75 percent retirement on pro forma projects.	837	3,922
8.	To reflect pro forma accumulated depreciation per Rule 25-30.140.	(40)	(293)
9.	To reflect an averaging adjustment.	<u>9,295</u>	<u>8,227</u>
	Total	<u>\$10,092</u>	<u>\$34,520</u>
<u>CIAC</u>			
	To reflect an averaging adjustment.	<u>\$417</u>	<u>\$0</u>
<u>AMORTIZATION OF CIAC</u>			
	To reflect an averaging adjustment.	<u>(\$4,930)</u>	<u>(\$1,717)</u>
<u>WORKING CAPITAL ALLOWANCE</u>			
	To reflect 1/8 of test year O&M expenses.	<u>\$11,084</u>	<u>\$9,186</u>

LP WATERWORKS, INC. TEST YEAR ENDED 08/31/2016 SCHEDULE OF CAPITAL STRUCTURE				SCHEDULE NO. 2 DOCKET NO. 20160222-WS		
CAPITAL COMPONENT	TEST YEAR AVERAGE CAPITAL STRUCTURE	ADJUSTMENT FOR PRO FORMA PLANT*	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON EQUITY	\$147,317	\$54,718	\$202,035	74.28%	9.27%	6.89%
2. LONG TERM DEBT	63,547	3,053	66,600	24.49%	4.00%	0.98%
3. CUSTOMER DEPOSITS	<u>3,353</u>	<u>0</u>	<u>3,353</u>	<u>1.23%</u>	2.00%	<u>0.02%</u>
4. TOTAL	<u>\$214,217</u>	<u>\$57,771</u>	<u>\$271,988</u>	<u>100.00%</u>		<u>7.89%</u>
	RANGE OF REASONABLENESS			<u>LOW</u>	<u>HIGH</u>	
				RETURN ON EQUITY	<u>8.27%</u>	<u>10.27%</u>
				OVERALL RATE OF RETURN	<u>7.15%</u>	<u>8.63%</u>

*Pro rata adjustment to reconcile rate base and capital structure of \$40,136, plus \$14,582 added to equity for pro forma plant, for a total adjustment of \$54,718.

LP WATERWORKS, INC.		SCHEDULE NO. 3-A				
TEST YEAR ENDED 08/31/2016		DOCKET NO. 20160222-WS				
SCHEDULE OF WATER OPERATING INCOME						
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT	
1. OPERATING REVENUES	<u>\$107,183</u>	<u>(\$2,118)</u>	<u>\$105,065</u>	<u>\$14,501</u> 13.80%	<u>\$119,566</u>	
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$93,242	(\$1,198)	\$92,044	\$0	\$92,044	
3. DEPRECIATION (NET)	9,650	(40)	9,610	0	9,610	
4. TAXES OTHER THAN INCOME	7,605	1,034	8,639	653	9,291	
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
6. TOTAL OPERATING EXPENSES	<u>\$110,497</u>	<u>(\$204)</u>	<u>\$110,293</u>	<u>\$653</u>	<u>\$110,945</u>	
7. OPERATING INCOME/(LOSS)	<u>(\$3,314)</u>		<u>(\$5,228)</u>		<u>\$8,621</u>	
8. WATER RATE BASE	<u>\$92,830</u>		<u>\$109,264</u>		<u>\$109,264</u>	
9. RATE OF RETURN	<u>-3.57%</u>		<u>-4.78%</u>		<u>7.89%</u>	

LP WATERWORKS, INC.		SCHEDULE NO. 3-B				
TEST YEAR ENDED 08/31/2016		DOCKET NO. 20160222-WS				
SCHEDULE OF WASTEWATER OPERATING INCOME						
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT	
1. OPERATING REVENUES	<u>\$84,240</u>	<u>\$1,419</u>	<u>\$85,659</u>	<u>\$24,043</u> 28.07%	<u>\$109,702</u>	
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$75,203	\$1,092	\$76,295	\$0	\$76,295	
3. DEPRECIATION (NET)	12,922	(648)	12,344	0	12,344	
4. TAXES OTHER THAN INCOME	8,190	(1,048)	7,142	1,082	8,224	
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
6. TOTAL OPERATING EXPENSES	<u>\$96,385</u>	<u>(\$604)</u>	<u>\$95,781</u>	<u>\$1,082</u>	<u>\$96,863</u>	
7. OPERATING INCOME/(LOSS)	<u>(\$12,145)</u>		<u>(\$10,122)</u>		<u>\$12,839</u>	
8. WASTEWATER RATE BASE	<u>\$128,478</u>		<u>\$162,724</u>		<u>\$162,724</u>	
9. RATE OF RETURN	<u>-9.45%</u>		<u>-6.22%</u>		<u>7.89%</u>	

LP WATERWORKS, INC.		SCHEDULE NO. 3-C	
TEST YEAR ENDED 08/31/2016		DOCKET NO. 20160222-WS	
ADJUSTMENTS TO OPERATING INCOME		Page 1 of 2	
	WATER	WASTEWATER	
OPERATING REVENUES			
1. To reflect the appropriate amount of service revenues.	(\$1,063)	(\$12)	
2. To reflect the appropriate amount of miscellaneous revenues.	<u>(1,055)</u>	<u>1,431</u>	
Subtotal	<u>(\$2,118)</u>	<u>\$1,419</u>	
OPERATION AND MAINTENANCE EXPENSES			
1. Purchase Power (615/715)			
a. To reflect actual amount per auditor.	\$99	\$323	
b. To reflect 24 percent excessive unaccounted for water.	<u>(689)</u>	<u>0</u>	
Subtotal	<u>(\$590)</u>	<u>\$323</u>	
2. Chemicals (618/718)			
To reflect 24 percent excessive unaccounted for water.	<u>(\$156)</u>	<u>\$0</u>	
3. Contractual Services - Accounting (632/732)			
To reflect auditor's adjustments.	<u>\$638</u>	<u>\$613</u>	
4. Contractual Services – Legal Fees (633/733)			
a. To reflect removal of out-of-period expenses	(\$1,808)	(\$195)	
b. To reflect non-recurring legal fees.	<u>(384)</u>	<u>(320)</u>	
Subtotal	<u>(\$2,192)</u>	<u>(\$515)</u>	
5. Contractual Services - Other (636/736)			
a. To reflect CPI adjustment to contractual services - other.	\$557	\$424	
b. To reflect removal of overtime for Salaried Employees.	<u>(1,278)</u>	<u>(747)</u>	
Subtotal	<u>(\$721)</u>	<u>(\$323)</u>	
6. Rent Expense (640)			
To reflect auditor's adjustments.	<u>(\$220)</u>	<u>\$0</u>	

LP WATERWORKS, INC.		SCHEDULE NO. 3-C	
TEST YEAR ENDED 08/31/2016		DOCKET NO. 20160222-WS	
ADJUSTMENTS TO OPERATING INCOME		Page 2 of 2	
	WATER	WASTEWATER	
7. Insurance Expense (655/755) To reflect staff auditor's adjustments.	<u>\$26</u>	<u>\$26</u>	
8. Regulatory Commission Expense (665/765) a. To reflect the 4-year amortization of current RCE.	(\$9)	(\$79)	
b. To reflect 1 year of amortized prior rate case expense.	<u>347</u>	<u>347</u>	
Subtotal	<u>\$338</u>	<u>\$268</u>	
9. Bad Debt Expense (670/770) To reflect 1 percent of test year revenue.	<u>\$1,459</u>	<u>\$700</u>	
10. Miscellaneous Expense (675) Reclassification of Rent Expense per audit adjustment.	<u>\$220</u>	<u>\$0</u>	
TOTAL OPERATING & MAINTENANCE ADJUSTMENTS	<u>(\$1,198)</u>	<u>\$1,092</u>	
DEPRECIATION EXPENSE (NET)			
1. To reflect staff auditor's adjustments.	\$0	(\$355)	
2. To reflect Pro forma Plant Addition Projects Depreciation Expense.	<u>(40)</u>	<u>(293)</u>	
Total	<u>(\$40)</u>	<u>(\$648)</u>	
TAXES OTHER THAN INCOME			
1. To reflect appropriate Test Year RAFs.	(95)	64	
2. To Reflect appropriate Test Year Property Tax per Audit Finding 6.	\$1,125	(\$1,258)	
3. To reflect property taxes associated with pro forma plant additions.	<u>4</u>	<u>146</u>	
Total	<u>\$1,034</u>	<u>(\$1,048)</u>	

LP WATERWORKS, INC.		SCHEDULE NO. 3-D		
TEST YEAR ENDED 08/31/2016		DOCKET NO. 20160222-WS		
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE				
ACCT. #	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
603	Salaries and Wages - Officers, Directors	\$6,120	\$0	\$6,120
615	Purchase Power	2,770	(590)	2,180
618	Chemicals	650	(156)	494
632	Contractual Services - Accounting	(638)	638	0
633	Legal Fees	2,575	(2,192)	383
636	Contractual Services - Other	79,598	(721)	78,877
640	Rent	220	(220)	0
655	Insurance Expense	619	26	645
665	Regulatory Commission Expense	430	338	768
670	Bad Debt Expense	(408)	1,459	1,051
675	Miscellaneous Expense	<u>1,306</u>	<u>220</u>	<u>1,526</u>
	Total O & M Expense	<u>\$93,242</u>	<u>(\$1,198)</u>	<u>\$92,044</u>

LP WATERWORKS, INC.		SCHEDULE NO. 3-E		
TEST YEAR ENDED 08/31/2016		DOCKET NO. 20160222-WS		
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE				
ACCT. #	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
703	Salaries and Wages - Officers, Directors	\$5,880	\$0	\$5,880
711	Sludge Removal	2,312	0	2,312
715	Purchase Power	4,528	323	4,851
718	Chemicals	525	0	525
732	Contractual Services - Accounting	(613)	613	0
733	Legal Fees	835	(515)	320
736	Contractual Services - Other	60,530	(323)	60,207
755	Insurance Expense	619	26	645
765	Regulatory Commission Expense	430	268	698
770	Bad Debt Expense	<u>157</u>	<u>700</u>	<u>857</u>
	Total O & M Expense	<u>\$75,203</u>	<u>\$1,092</u>	<u>\$76,295</u>

LP WATERWORKS, INC.		SCHEDULE NO. 4-A	
TEST YEAR ENDED 8/31/2016		DOCKET NO. 20160222-WS	
MONTHLY WATER RATES			
	RATES AT TIME OF FILING	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$8.54	\$9.73	\$0.04
3/4"	\$12.82	\$14.60	\$0.06
1"	\$21.38	\$24.33	\$0.10
1-1/2"	\$42.74	\$48.65	\$0.20
2"	\$68.38	\$77.84	\$0.32
3"	\$136.77	\$155.68	\$0.64
4"	\$213.70	\$243.25	\$1.00
6"	\$427.40	\$486.50	\$2.00
Charge per 1,000 Gallons- Residential Service			
0-3,000 gallons	\$4.91	\$5.60	\$0.02
Over 3,000 gallons	\$7.21	\$8.22	\$0.03
Charge per 1,000 Gallons- General Service			
	\$5.91	\$6.74	\$0.03
<u>Private Fire Protection Service</u>			
5/8" x 3/4"	\$0.71	\$0.81	
3/4"	\$1.07	\$1.22	
1"	\$1.78	\$2.03	
1-1/2"	\$3.56	\$4.05	
2"	\$5.70	\$6.49	
3"	\$11.40	\$12.97	
4"	\$17.81	\$20.27	
6"	\$35.62	\$40.54	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$23.27	\$26.53	
6,000 Gallons	\$44.90	\$51.19	
8,000 Gallons	\$59.32	\$67.63	

LP WATERWORKS, INC.		SCHEDULE NO. 4-B	
TEST YEAR ENDED 8/31/2016		DOCKET NO. 20160222-WS	
MONTHLY WASTEWATER RATES			
	RATES AT TIME OF FILING	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential</u>			
Base Facility Charge - All Meter Sizes	\$12.27	\$14.79	\$0.05
Charge per 1,000 gallons (8,000 gallon cap)	\$4.94		\$0.03
Charge per 1,000 gallons (6,000 gallon cap)		\$7.64	
-			
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$12.27	\$14.79	\$0.05
3/4"	\$18.41	\$22.19	\$0.08
1"	\$30.68	\$36.98	\$0.13
1-1/2"	\$61.35	\$73.95	\$0.25
2"	\$98.16	\$118.32	\$0.40
3"	\$196.32	\$236.64	\$0.80
4"	\$306.75	\$369.75	\$1.25
6"	\$613.51	\$739.50	\$2.50
Charge per 1,000 gallons	\$5.92	\$9.17	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$27.09	\$37.71	
6,000 Gallons	\$41.91	\$60.63	
8,000 Gallons	\$51.79	\$60.63	

LP WATERWORKS, INC.			SCHEDULE NO. 5-A	
TEST YEAR ENDED 08/31/2016			DOCKET NO. 20160222-WS	
SCHEDULE OF WATER PLANT, DEPRECIATION, CIAC & CIAC AMORTIZATION BALANCES				
ACCT. NO.	DEPR. RATE PER RULE 25-30.140	DESCRIPTION	UPIS 8/31/2016 (DEBIT)	ACCUM. DEPR. 8/31/2016 (CREDIT)*
301	2.50%	Organization	\$471	\$186
304	3.70%	Structures and Improvements	68,986	59,965
307	3.70%	Wells and Springs	41,707	29,852
309	3.13%	Supply Mains	1,040	559
310	5.88%	Power Generating Equipment	9,706	7,443
320	5.88%	Water Treatment Equipment	15,542	568
330	3.03%	Distribution Reservoirs & Standpipes	32,416	25,947
331	2.63%	Trans. & Dist. Mains	206,312	123,413
333	2.86%	Services	58,563	43,416
334	5.88%	Meter & Meter Installations	74,899	65,859
335	2.50%	Hydrants	5,364	3,543
336	10.00%	Backflow Prevention Devices	1,874	1,870
340	6.67%	Office Furniture and Equipment	698	462
346	10.00%	Communication Equipment	9,131	1,598
347	6.67%	Miscellaneous Equipment	<u>726</u>	<u>(2,082)</u>
		Total	<u>\$527,435</u>	<u>\$362,599</u>
			CIAC AMORT. 8/31/2016 (DEBIT)*	CIAC 8/31/2016 (CREDIT)
			<u>\$167,447</u>	<u>\$266,480</u>

*The plant and accumulated depreciation balances exclude the pro forma chlorine injector project. Staff-recommended averaging adjustments that are used only for rate setting purposes are excluded and should not be reflected on the Utility's books.

LP WATERWORKS, INC.			SCHEDULE NO. 5-B	
TEST YEAR ENDED 08/31/2016			DOCKET NO. 20160222-WS	
SCHEDULE OF WASTEWATER PLANT, DEPRECIATION, CIAC & CIAC AMORTIZATION BALANCES				
ACCT. NO.	DEPR. RATE PER RULE 25-30.140	DESCRIPTION	UPIS 8/31/2016 (DEBIT)	ACCUM. DEPR. 8/31/2016 (CREDIT)*
351	2.50%	Organization	\$400	\$134
354	3.70%	Structures and Improvements	43,191	41,286
360	3.70%	Collection Sewers - Force	11,557	10,880
361	2.50%	Collection Sewers - Gravity	161,264	94,297
362	2.70%	Special Collecting Structures	1,040	482
363	2.86%	Service to Customers	111,860	84,434
371	6.67%	Pumping Equipment	5,367	(10,299)
380	6.67%	Treatment and Disposal Equipment	87,561	67,918
390.7	6.67%	Office Furniture and Equipment	645	266
393.7	6.67%	Tools, Shop and Garage Equipment	<u>947</u>	<u>947</u>
		Total	<u>\$423,832</u>	<u>\$290,345</u>
			CIAC AMORT. 8/31/2016 (DEBIT)*	CIAC 8/31/2016 (CREDIT)
			\$55,709	\$92,400

*The plant and accumulated depreciation balances exclude the pro forma projects. Staff-recommended averaging adjustments that are used only for rate setting purposes are excluded and should not be reflected on the Utility's books.

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: July 21, 2017

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Phillip O. Ellis, Public Utilities Supervisor, Division of Engineering *POE* *TS*

RE: Docket No. 20170072 - Petition for approval of amended standard offer contract and amended interconnection agreement, by Duke Energy Florida, LLC. - Revised Recommendation.

Attached for filing is the revised recommendation in the above-named docket. This recommendation was deferred from the July 13, 2017 Commission Conference. On July 14, 2017, Duke Energy Florida, LLC's (DEF) filed revised amendments to its standard offer contract. There have been changes made to Issue 1, on pages 3 and 6, and Attachment A to reflect DEF's revised amendments.

EXE Approval _____

A handwritten signature in blue ink, appearing to be "POE", written over a horizontal line.

POE:tj

Attachment

State of Florida



Public Service Commission

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

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

DATE: July 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Ellis, Thompson) *POE TT*
Office of the General Counsel (Cuello) *SAC TTT*

RE: Docket No. 20170072-EQ – Petition for approval of amended standard offer contract and amended interconnection agreement, by Duke Energy Florida, LLC.

AGENDA: 08/3/17 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Section 366.91(3), Florida Statutes (F.S.), requires that each investor-owned utility (IOU) continuously offers to purchase capacity and energy from renewable generating facilities and small qualifying facilities. Florida Public Service Commission (Commission) Rules 25-17.200 through 25-17.310, Florida Administrative Code (F.A.C.), implement the statute and require each IOU to file with the Commission, by April 1 of each year, a standard offer contract based on the next avoidable fossil fueled generating unit of each technology type identified in the utility’s current Ten-Year Site Plan. On March 30, 2017, Duke Energy Florida, LLC. (DEF) filed a petition for approval of its amended standard offer contract and rate schedule and amended interconnection agreement based on its 2017 Ten-Year Site Plan. The standard offer contract requires execution of the interconnection agreement; however, the interconnection agreement can be utilized without the standard offer contract.

Docket No. 20170072-EQ

Date: July 21, 2017

At the Commission Conference held on July 13, 2017, the Commission discussed concerns regarding certain terms of the amended standard offer contract, such as; changes to completion/performance security provisions and inclusion of language for right of refusal regarding environmental attributes. The Commission deferred the item and on July 14, 2017, DEF filed a revised standard offer contract to address these concerns.

The Commission has jurisdiction over this standard offer contract pursuant to Sections 366.04 through 366.06 and 366.91, F.S.

Discussion of Issues

Issue 1: Should the Commission approve the amended standard offer contract, filed on July 14, 2017, and associated rate schedule and amended interconnection agreement filed by Duke Energy Florida?

Recommendation: Yes. The provisions of the amended standard offer contract and associated rate schedule, along with the updated interconnection agreement, conform to all requirements of Rules 25-17.200 through 25-17.310, F.A.C. and address the concerns raised at the July 13, 2017 Commission Conference. The amended standard offer contract provides flexibility in the arrangements for payments so that a developer of renewable generation may select the payment stream best suited to its financial needs. The updated interconnection agreement provides the Utility an opportunity to limit the physical capacity of any new connection based on testing results. Staff recommends that the revisions to the rate schedule and standard offer contract, as well as the updated interconnection agreement be approved as filed. (Ellis)

Staff Analysis:

Standard Offer Contract

Rule 25-17.250, F.A.C., requires that DEF, an IOU, continuously makes available a standard offer contract for the purchase of firm capacity and energy from renewable generating facilities (RF) and small qualifying facilities (QF) with design capacities of 100 kilowatts (kW) or less. Pursuant to Rule 25-17.250(1) and (3), F.A.C., the standard offer contract must provide a term of at least 10 years, and the payment terms must be based on the Utility's next avoidable fossil-fueled generating unit identified in its most recent Ten-Year Site Plan or, if no avoided unit is identified, its next avoidable planned purchase. DEF has identified a 228 MW natural gas-fueled combustion turbine (CT) facility as its next planned generating unit in its 2017 Ten-Year Site Plan. The projected in-service date of the unit is June 1, 2024.

The RF/QF operator may elect to make no commitment as to the quantity or timing of its deliveries to DEF, and to have a committed capacity of zero (0) MW. Under such a scenario, the energy is delivered on an as-available basis and the operator receives only an energy payment. Alternatively, the RF/QF operator may elect to commit to certain minimum performance requirements based on the identified avoided unit, such as being operational and delivering an agreed upon amount of capacity by the in-service date of the avoided unit, and thereby become eligible for capacity payments in addition to payments received for energy. The standard offer contract may also serve as a starting point for negotiation of contract terms by providing payment information to an RF/QF operator, in a situation where one or both parties desire particular contract terms other than those established in the standard offer.

In order to promote renewable generation, the Commission requires each IOU to offer multiple options for capacity payments, including the options to receive early or levelized payments. If the RF/QF operator elects to receive capacity payments under the normal or levelized contract options, it will receive as-available energy payments only until the in-service date of the avoided unit (in this case June 1, 2024), and thereafter begin receiving capacity payments in addition to the energy payments. If either the early or early levelized option is selected, then the operator will begin receiving capacity payments earlier than the in-service date of the avoided unit.

However, payments made under the early capacity payments options tend to be lower in the later years of the contract term because the net present value (NPV) of the total payments must remain equal for all contract payment options.

Table 1 below, estimates the annual payments for each payment option available under the amended standard offer contract to an operator with a 50 MW facility operating at a capacity factor of 95 percent, which is the minimum capacity factor required under the contract to qualify for full capacity payments. Normal and levelized capacity payments begin in 2024, reflecting the projected in-service date of the avoided unit (June 1, 2024).

**Table 1 – Estimated Annual Payments to a 50 MW Renewable Facility
 (95% Capacity Factor)**

Year	Energy Payment	Capacity Payment (By Type)			
		Normal	Levelized	Early	Early Levelized
	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
2018	10,914	-	-	-	-
2019	8,896	-	-	-	-
2020	7,374	-	-	-	-
2021	7,703	-	-	-	-
2022	8,159	-	-	2,003	2,321
2023	8,417	-	-	2,054	2,324
2024	8,784	1,529	1,751	2,105	2,328
2025	9,122	2,687	3,007	2,158	2,332
2026	9,518	2,754	3,012	2,211	2,335
2027	9,654	2,823	3,016	2,267	2,339
2028	9,856	2,894	3,021	2,323	2,343
2029	10,073	2,966	3,026	2,382	2,347
2030	10,307	3,040	3,032	2,441	2,351
2031	10,801	3,116	3,037	2,502	2,356
2032	11,373	3,194	3,042	2,565	2,360
2033	11,738	3,274	3,048	2,629	2,365
2034	12,126	3,356	3,054	2,694	2,369
2035	12,728	3,440	3,060	2,762	2,374
2036	13,245	3,526	3,066	2,831	2,379
2037	13,811	3,614	3,072	2,902	2,384
Total	204,600	42,211	41,244	38,828	37,606
NPV (2018\$)	100,862	16,647	16,647	16,647	16,647

Source: DEF’s Response to Staff’s First Data Request¹

Along with the updated avoided unit and payment information, DEF’s 2017 amended standard offer contract includes content not seen in previous versions. Section 6.3 requires any RF/QF wishing to sell environmental attributes (EAs) to provide notice to DEF of its intent to sell the EAs, along with a “reasonable opportunity to offer to purchase such EAs.” In its first data request, staff asked DEF to provide an explanation of the term “reasonable opportunity,” along with a discussion of how this term relates to the right of first refusal which was expressly disallowed in standard offer contracts. DEF responded that a reasonable opportunity simply

¹Document No. 04583-17, dated May 2, 2017, in Docket No. 170072-EQ.

means that it would have the same opportunity to purchase the EAs at the same terms and conditions as any other potential purchaser, and that the term “reasonable opportunity” does not rise to the level of a right of first refusal. Staff is persuaded that the inclusion of this section does not conflict with the Commission’s intent.²

As agreed to by DEF at the July 13, 2017 Commission Conference, the standard offer contract filed on July 14, 2017, removes potential conflicting language that was originally proposed in Section 6.2. In addition, DEF has revised Section 11.4 to return Completion/Performance security deposits once certain conditions are met. Therefore, this version addresses the concerns expressed by the Commission at the July 13, 2017 Commission Conference.

Interconnection Agreement

The updated interconnection agreement contains two notable revisions. The first revision is a requirement that, in order to proceed with the project, the RF/QF must provide DEF with written notification of its intent to continue to the next study phase of the project after each previous study phase is completed, and also of its intent to proceed with construction. The second revision is a section noting DEF’s right to limit the physical capacity of any RF/QF connection based on the results of static and dynamic testing.

The type-and-strike format versions of the amended standard offer contract and associated rate schedule, as well as the updated interconnection agreement, are included as Attachment A to this recommendation. All of the changes made to DEF’s tariff sheets are consistent with the updated avoided unit.

Conclusion

The provisions of DEF’s amended standard offer contract and associated rate schedule, as revised on July 14, 2017, conform to all requirements of Rules 25-17.200 through 25-17.310, F.A.C. and address the concerns raised at the July 13, 2017 Commission Conference. The amended standard offer contract provides flexibility in the arrangements for payments so that a developer of renewable generation may select the payment stream best suited to its financial needs. The updated interconnection agreement provides the Utility an opportunity to limit the physical capacity of any new connection based on testing results. Staff recommends that the revisions to the rate schedule and standard offer contract, as well as the updated interconnection agreement be approved as filed.

²Order No. PSC-09-0643-FOF-EI, issued September 22, 2009, in Docket No. 080501-EI, *In re: Petition for waiver of Rule 25-17.250(1) and (2)(a), F.A.C., which requires Progress Energy Florida to have a standard offer contract open until a request for proposal is issued for same avoided unit in standard offer contract, and for approval of standard offer contract.*

Issue 2: Should this docket be closed?

Recommendation: Yes. This docket should be closed upon issuance of a consummating order, unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the Commission's Proposed Agency Action Order. Potential signatories should be aware that, if a timely protest is filed, DEF's standard offer contract and interconnection agreement may subsequently be revised. (Cuello)

Staff Analysis: This docket should be closed upon the issuance of a consummating order, unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the Commission's Proposed Agency Action Order. Potential signatories should be aware that, if a timely protest is filed, DEF's standard offer contract and interconnection agreement may subsequently be revised.

AMENDED STANDARD OFFER CONTRACT
(Legislative format)

DUKE ENERGY FLORIDA



SECTION No. IX
SECOND REVISED SHEET NO. 9.400
CANCELS FIRST REVISED SHEET NO. 9.400

**STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW**

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ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 28, 2013



SECTION NO. IX
FIRST REVISED SHEET NO. 9.401
CANCELS ORIGINAL SHEET NO. 9.401

**STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW**

between

and

DUKE ENERGY FLORIDA

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION NO. IX
SECOND REVISED SHEET NO.9.402
CANCELS FIRST REVISED SHEET NO. 9.402

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ISSUED BY: Javier Portuendo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION NO. IX
FOURTH REVISED SHEET NO. 9.403
CANCELS THIRD REVISED SHEET NO. 9.403

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ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 10, 2014



SECTION NO. IX
THIRD-FOURTH REVISED SHEET NO. 9.404
CANCELS SECOND-THIRD REVISED SHEET NO.
9.404

**STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW**

THIS STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY (hereinafter referred to as the "Contract") is made and entered this ___ day of _____, ____ (hereinafter referred to as the "Execution Date"), by and between _____ (hereinafter the Renewable Energy Provider/Qualifying Facility ("RF/QF"), and Duke Energy Florida, Inc. d/b/a Duke Energy (hereinafter "DEF"), a private utility corporation organized and existing under the laws of the State of Florida. The RF/QF and DEF shall be individually identified herein as the "Party" and collectively as the "Parties". This Contract contains ~~five~~^{six} Appendices which are incorporated into and made part of this Contract: Appendix A: Monthly Capacity Payment Calculation; Appendix B: Termination Fee; Appendix C: Detailed Project Information; Appendix D: Rate Schedule COG-2; Appendix E: Agreed Upon Payment Schedules and Other Mutual Agreements; and Appendix F: Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.310, F.A.C.

WITNESSETH:

WHEREAS, the RF/QF desires to sell, and DEF desires to purchase electricity to be generated by the RF/QF consistent with Florida Statutes 366.91 (2006) and FPSC Rules 25-17.080 through 25-17.310 F.A.C.; and

WHEREAS, the RF/QF will acquire an interconnection/transmission service agreement with the utility in whose service territory the Facility is to be located, pursuant to which the RF/QF assumes contractual responsibility to make any and all transmission-related arrangements (including ancillary services) between the RF/QF and the Transmission Provider for delivery of the Facility's firm capacity and energy to DEF. The Parties recognize that the Transmission Provider may be DEF and that the transmission service will be provided under a separate agreement; and

WHEREAS, the FPSC has approved this Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer; and

WHEREAS, the RF/QF guarantees that the Facility is capable of delivering firm capacity and energy to DEF for the term of this Contract in a manner consistent with the provision of this Contract;

NOW, THEREFORE, for mutual consideration the Parties agree as follows:

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 10, 2014



SECTION NO. IX
SECOND REVISED SHEET NO. 9.405
CANCELS FIRST REVISED SHEET NO. 9.405

1. Definitions

“AFR” means the Facility’s annual fuel requirement.

“AFTR” means the Facility’s annual fuel transportation requirement

“Annual Capacity Billing Factor” or “ACBF” means 12 month rolling average of the Monthly Availability Factor as further defined and explained in Appendix A.

“Appendices” shall mean the schedules, exhibits, and attachments which are appended hereto and are hereby incorporated by reference and made a part of this Contract. Such Appendices include:

“Appendix A” sets forth the Monthly Capacity Payment Calculation.

“Appendix B” sets forth the Termination Fee.

“Appendix C” sets forth the Detailed Project Information.

“Appendix D” sets forth Rate Schedule COG-2.

“Appendix E” sets forth the Agreed Upon Payment Schedules and Other Mutual Agreements

“Appendix F” sets forth Florida Public Service Commission (“FPSC”) Rules 25-17.080 through 25-17.310, F.A.C.

“As-Available Energy Rate” means the rate calculated by DEF in accordance with FPSC Rule 25-17.0825, F.A.C., and DEF’s Rate Schedule COG-1, as they may each be amended from time to time

“Authorization to Construct” means authorization issued by any appropriate Government Agency to construct or reconstruct the Facility granted to RF/QF in accordance with the laws of the State of Florida and any relevant federal law.

“Avoided Unit” means the electrical generating unit described in Section 4 upon which this Contract is based.

“Avoided Unit Energy Cost” has the meaning assigned to it in Appendix D.

“Avoided Unit Fuel Cost” has the meaning assigned to it in Appendix D.

“Avoided Unit Heat Rate” means the average annual heat rate of the Avoided Unit as defined in Section 4.

“Avoided Unit In-Service Date” means the date upon which the Avoided Unit would have started commercial operation as specified in Section 4.

“Avoided Unit Life” means the economic life of the Avoided Unit.

“Avoided Unit Variable O&M” means the Avoided Unit variable operation and maintenance expenses as defined in Section 4. The annual escalation will begin in the payment for January deliveries.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION No. IX
FOURTH-FIFTH REVISED SHEET NO. 9.406
CANCELS ~~THIRD-FOURTH~~ REVISED SHEET NO.
9.406

“Base Capacity Payment” or “BCP” means capacity payment rates defined in Appendix D and further defined by the selection of Option A,B,C or D in Section 9.2 or in Appendix E if applicable.

“Base Year” means the year that this Contract was approved by the FPSC.

“Business Day” means any day except a day upon which banks licensed to operate in the State of Florida are authorized, directed or permitted to close, Saturday, Sunday or a weekday that is observed as a public holiday in the State of Florida.

“CAMD” means the Clean Air Markets Division of the Environmental Protection Agency or successor administrator (collectively with any local, state, regional, or federal entity given jurisdiction over a program involving transferability of Environmental Attributes).

“Capacity” means the minimum average hourly net capacity (generator output minus auxiliary load) measured over the Committed Capacity Test Period.

“Capacity Delivery Date” means the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.

“Capacity Payment” means the payment defined in Section 9.2 and Appendix A.

“Committed Capacity” or “CC” means the capacity in kW that the RF/QF commits to sell to DEF; the amount of which shall be determined in accordance with Section 7 and shall be greater than zero.

“Committed Capacity Test” means the testing of the capacity of the Facility performed in accordance with the procedures set forth in Section 8.

“Committed Capacity Test Period” means a test period of twenty-four (24) consecutive hours.

“Completed Permits Date” means the date by which the RF/QF must complete licensing and certification, and obtain all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility including Qualifying Facility status. This date is specified in Section 4.

“Completion/Performance Security” means the security described in Section 11.

“Conditions Precedent” shall have the meaning assigned to it in Section 5.

“Contract” means this standard offer contract for the purchase of Firm Capacity and Energy from a Renewable Energy Producer or Qualifying Facility with a nameplate capacity of less than 100 kW.

“Credit Support Provider” means any Person that has provided an RF/QF Guarantee in connection with this Agreement.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 21, 2015



SECTION No. IX
FOURTH REVISED SHEET NO. 9.407
CANCELS THIRD REVISED SHEET NO. 9.407

“Creditworthy” with respect to a Party or its Credit Support Provider, as applicable, means a party is rated at least BBB by Standard & Poor’s (S&P), or at least Baa3 by Moody’s Investor Services (Moody’s). Rating shall be the unsecured, senior long-term debt rating (not supported by third party credit enhancement) or the issuer rating will be used if not available. If a Party or its Credit Support Provider, as applicable, is rated by both S&P and Moody’s, then the lower of the two ratings will apply.

“DEF” has the meaning assigned to it in the opening paragraph of this Contract.

“DEF Entities” has the meaning assigned to it in Section 16.

“Demonstration Period” means a sixty-hour period in which the Committed Capacity Test must be completed.

“Distribution System” means the distribution system consisting of electric lines, electric plant, transformers and switchgear used for conveying electricity to ultimate consumers, but not including any part of the Transmission System.

“Dispute” shall have the meaning assigned to it in Section 20.9.

“Drop Dead Date” means the date which is twelve (12) months following the Execution Date except for the condition defined in Section 5(a)(i). The Parties recognize that firm transmission service agreements can take up to 24 months to obtain so for Section 5(a)(i) only the Drop Dead Date means the date which is twenty four (24) months following the Execution Date.

“Eastern Prevailing Time” or “EPT” means the time in effect in the Eastern Time Zone of the United States of America, whether Eastern Standard Time or Eastern Daylight Savings Time.

“Effective Date” has the meaning assigned to it in Section 5.

“Electrical Interconnection Point” means the physical point at which the Facility is connected with the Transmission System or, if RF/QF interconnects with a Transmission System other than DEF’s, DEF’s interconnection with the Transmission Provider’s Transmission System, or such other physical point on which RF/QF and DEF may agree.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: June 9, 2016



SECTION No. IX
FOURTH-FIFTH REVISED SHEET NO. 9.408
CANCELS THIRD-FOURTH REVISED SHEET NO.
9.408

“Eligible Collateral” means (i) a Letter of Credit from a Qualified Institution or (ii) cash deposit provided to DEF by RF/QF or a combination of (i), and/or (ii) as outlined in Section 11.

“Energy” means megawatt-hours generated by the Facility of the character commonly known as three-phase, sixty hertz electric energy that is delivered at a nominal voltage at the Electrical Interconnection Point.

“Environmental Attributes” or **“EA”** means all attributes of an environmental or other nature that are created or otherwise arise from the Facility’s generation of electricity from a renewable energy source in contrast with the generation of electricity using nuclear or fossil fuels or other traditional resources. Forms of such attributes include, without limitation, any and all environmental air quality credits, green credits, renewable energy credits (“RECs”), carbon credits, emissions reduction credits, certificates, tags, offsets, allowances, or similar products or rights, howsoever entitled, (i) resulting from the avoidance of the emission of any gas, chemical, or other substance, including but not limited to, mercury, nitrogen oxide, sulfur dioxide, carbon dioxide, carbon monoxide, particulate matter or similar pollutants or contaminants of air, water or soil gas, chemical, or other substance, and (ii) attributable to the generation, purchase, sale or use of Energy from or by the Facility, or otherwise attributable to the Facility during the Term. Environmental Attributes include, without limitation, those currently existing or arising during the Term under local, state, regional, federal, or international legislation or regulation relevant to the avoidance of any emission described in this Contract under any governmental, regulatory or voluntary program, including, but not limited to, the United Nations Framework Convention on Climate Change and related Kyoto Protocol or other programs, laws or regulations involving or administered by the Clean Air Markets Division of the Environmental Protection Agency (“CAMD”) or successor administrator (collectively with any local, state, regional, or federal entity given jurisdiction over a program involving transferability of Environmental Attributes.).

“Event of Default” has the meaning assigned to it in Section 14.

“Execution Date” has the meaning assigned to it in the opening paragraph of this Contract.

“Exemplary Early Capacity Payment Date” means the exemplary date used to calculate Capacity Payments for Option B and D. This date is specified in Section 4. The actual Capacity Payments for Option B and D will be calculated based upon the Required Capacity Delivery Date.

“Expiration Date” means the final date upon which this Contract can be executed. This date is specified in Section 4.

“Facility” means all equipment, as described in this Contract, used to produce electric energy and, and all equipment that is owned or controlled by the RF/QF required for parallel operation with the Transmission System. In the case of a cogenerator the Facility includes all equipment that is owned or controlled by the RF/QF to produce useful thermal energy through the sequential use of energy.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 21, 2015



SECTION No. IX
SECOND REVISED SHEET NO. 9.409
CANCELS FIRST REVISED SHEET NO. 9.409

"Financial Closing" means the fulfillment of each of the following conditions:

- (a) the execution and delivery of the Financing Documents; and
- (b) all Conditions Precedent to the initial availability for disbursement of funds under the Financing Documents (other than relating to the effectiveness of this Contract) are satisfied or waived.

"Financing Documents" shall mean documentation with respect to any private equity investment in RF/QF, any loan agreements (including agreements for any subordinated debt), notes, bonds, indentures, guarantees, security agreements and hedging agreements relating to the financing or refinancing of the design, development, construction, Testing, Commissioning, operation and maintenance of the Facility or any guarantee by any Financing Party of the repayment of all or any portion of such financing or refinancing.

"Financing Party" means the Persons (including any trustee or agent on behalf of such Persons) providing financing or refinancing to or on behalf of RF/QF for the design, development, construction, testing, commissioning, operation and maintenance of the Facility (whether limited recourse, or with or without recourse).

"Firm Capacity and Energy" has the meaning assigned to it in Appendix D.

"Firm Capacity Rate" has the meaning assigned to it in Appendix D.

"Firm Energy Rate" has the meaning assigned to it in Appendix D.

"Force Majeure" has the meaning given to it in Section 18:

"FPSC" means the Florida Public Service Commission or its successor.

"Government Agency" means the United States of America, or any state or any other political subdivision thereof, including without limitation, any municipality, township or county, and any domestic entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any corporation or other entity owned or controlled by any of the foregoing.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 10, 2014



SECTION No. IX
FOURTH REVISED SHEET NO. 9.410
CANCELS THIRD REVISED SHEET NO 9.410

“IEEE” means the Institute of Electrical and Electronics Engineers, Inc.

“Indemnified Party” has the meaning assigned to it in Section 16.

“Indemnifying Party” has the meaning assigned to it in Section 16.

“Initial Reduction Value” has the meaning assigned to it in Appendix B.

“Insurance Services Office” has the meaning assigned to it in Section 17.

“KVA” means one or more kilovolts-amperes of electricity, as the context requires.

“kW” means one or more kilowatts of electricity, as the context requires.

“kWh” means one or more kilowatt-hours of electricity, as the context requires.

“Letter of Credit” means a stand-by letter of credit from a Qualified Institution that is acceptable to DEF whose approval may not be unreasonably withheld. The Letter of Credit must provide that DEF has the right to draw on the Letter of Credit in the event that less than twenty (20) Business Days remain until its expiration and RF/QF has failed to renew the Letter of Credit or provide replacement Eligible Collateral as required under this Agreement.

“LOI” means a letter of intent for fuel supply.

“MCPC” means the Monthly Capacity Payment for Option A.

“Monthly Billing Period” means the period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

“Monthly Availability Factor” or “MAF” means the total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity and the total hours during the Monthly Billing Period.

“Monthly Capacity Payment” or “MCP” means the payment for Capacity calculated in accordance with Appendix A.

“MW” means one or more megawatts of electricity, as the context requires.

“MWh” means one or more megawatt-hours of electricity, as the context requires.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: June 9, 2016



SECTION No. IX
SECOND REVISED SHEET NO. 9.411
CANCELS FIRST REVISED SHEET NO. 9.411

“Option A” means normal Capacity Payments as described in Appendix D.

“Option B” means early Capacity Payments as described in Appendix D.

“Option C” means levelized Capacity Payments as described in Appendix D.

“Option D” means early levelized Capacity Payments as described in Appendix D.

“Party” or **“Parties”** has the meaning assigned to it in the opening paragraph of this Contract.

“Person” means any individual, partnership, corporation, association, joint stock company trust, joint venture, unincorporated organization, or Governmental Agency (or any department, agency, or political subdivision thereof).

“Project Consents” mean the following Consents, each of which is necessary to RF/QF for the fulfillment of RF/QF’s obligations hereunder:

- (a) the Authorization to Construct;
- (b) planning permission and consents in respect of the Facility, and any electricity substation located at the Facility site, including but not limited to, a prevention of significant deterioration permit, a noise, proximity and visual impact permit, and any required zoning permit; and
- (c) any integrated pollution control license.

“Project Contracts” means this Contract, and any other contract required to construct, operate and maintain the Facility. The Project Contracts may include, but are not limited to, the turnkey engineering, procurement and construction contract, the electrical interconnection and operating agreement, the fuel supply agreement, the facility site lease, and the operation and maintenance agreement.

“Prudent Utility Practices” means any of the practices, methods, standards and acts (including, but not limited to, the practices, methods and acts engaged in or approved by a significant portion of owners and operators of power plants of technology, complexity and size similar to the Facility in the United States) that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made, could have been expected to accomplish the desired result and goals (including such goals as efficiency, reliability, economy and profitability) in a manner consistent with applicable facility design limits and equipment specifications and applicable laws and regulations. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of acceptable practices, methods or acts in each case taking into account the Facility as an independent power project.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 21, 2016



SECTION No. IX
THIRD-FOURTH REVISED SHEET NO. 9.412
CANCELS SECOND-THIRD REVISED SHEET NO.
9.412

“Qualifying Facility” or “QF” means a cogenerator, small power producer, or non-utility generator that has been certified or self-certified by the FERC as meeting certain ownership, operating and efficiency criteria established by the Federal Energy Regulatory Commission pursuant to the Public Utility Regulatory Policies Act of 1978 (“PURPA”), the criteria for which are currently set forth in 18 C.F.R. § 292, *et seq.* (2006), Section 210 of PURPA, 16 U.S.C. § 824a-3 (2005), 16 U.S.C. 796 *et seq.* (2006), and Section 1253 of EPAct 2005, Pub. L. No. 109-58, § 1253, 119 Stat. 594 (2005) or, alternatively, analogous provisions under the laws of the State of Florida.

“Qualified Institution” means the domestic office of a United States commercial bank or trust company or the United States branch of a foreign bank having total assets of at least ten billion dollars (\$10,000,000,000) (which is not an affiliate of either party) and a general long-term senior unsecured debt rating of A- or higher (as rated by Standard & Poor’s Ratings Group), or A3 or higher (as rated by Moody’s Investor Services).

“Rate Schedule COG-1” means DEF’s Agreement for Purchase of As-Available Energy and/or Parallel Operation with a Qualifying Facility as approved by the FPSC and as may be amended from time to time.

“REC” means renewable energy credits, green tags, green tickets, renewable certificates, tradable renewable energy credits (“T-REC”) or any tradable certificate that is produced by a renewable generator in addition to and in proportion to the production of electrical energy.

“Reduction Value” has the meaning assigned to it in Appendix B.

“Remedial Action Plan” has the meaning assigned to it in Section 20.3.

“Renewable Facility” or “RF/QF” means an electrical generating unit or group of units at a single site, interconnected for synchronous operation and delivery of electricity to an electric utility, where the primary energy in British Thermal Units used for the production of electricity is from one or more of the following sources: hydrogen produced from sources other than fossil fuels, biomass, solar energy, geothermal energy, wind energy, ocean energy, hydroelectric power or waste heat from a commercial or industrial manufacturing process.

“Required Capacity Deliver Date” means the date specified in Appendix E. In the event that no Required Capacity Delivery Date is specified in Appendix E then the RF/QF shall achieve the Capacity Delivery Date on or before the Avoided Unit In-Service Date

“RF/QF Entities” has the meaning assigned to it in Section 16.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 21, 2016



SECTION No. IX
THIRD REVISED SHEET NO. 9.413
CANCELS SECOND REVISED SHEET NO. 9.413

"RF/QF Insurance" has the meaning assigned to it in Section 17.

"RF/QF Performance Security" has the meaning assigned in Section 11.

"Security Documentation" has the meaning assigned to it in Section 12.

"Term" has the meaning assigned to it in Section 3.

"Termination Date" means the date upon which this Contract terminates unless terminated earlier in accordance with the provisions hereof. This date is specified in Section 4.

"Termination Fee" means the fee described in Appendix B as it applies to any Capacity Payments made under Option B, C or D.

"Termination Security" has the meaning assigned to it in Section 12.

"Transmission Provider" means the operator(s) of the Transmission System(s) or any successor thereof or any other entity or entities authorized to transmit Energy on behalf of RF/QF from the Electrical Interconnection Point.

"Transmission System" means the system of electric lines comprised wholly or substantially of high voltage lines, associated system protection, system stabilization, voltage transformation, and capacitance, reactance and other electric plant used for conveying electricity from a generating station to a substation, from one generating station to another, from one substation to another, or to or from any Electrical Interconnection Point or to ultimate consumers and shall include any interconnection owned by the Transmission Provider or DEF, but shall in no event include any lines which the Transmission Provider has specified to be part of the Distribution System except for any distribution facilities required to accept capacity and energy from the Facility.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 21, 2015



SECTION No. IX
 SECOND REVISED SHEET NO. 9.414
 CANCELS FIRST REVISED SHEET NO. 8.414

2. Facility; Renewable Facility or Qualifying Facility Status

The Facility's location and generation capabilities are as described in Table 1 below.

TABLE 1

TECHNOLOGY AND GENERATOR CAPABILITIES	
Location: Specific legal description (e.g., metes and bounds or other legal description with street address required)	City: County:
Generator Type (Induction or Synchronous)	
Technology	
Fuel Type and Source	
Generator Rating (KVA)	
Maximum Capability (kW)	
Net Output (kW)	
Power Factor (%)	
Operating Voltage (kV)	
Peak Internal Load kW	

The RF/QF's failure to complete Table 1 in its entirety shall render this Contract null and void and of no further effect.

The RF/QF shall use the same fuel or energy source and maintain the status as a Renewable Facility or a Qualifying Facility throughout the term of this Contract. RF/QF shall at all times keep DEF informed of any material changes in its business which affects its Renewable Facility or Qualifying Facility status. DEF and RF/QF shall have the right, upon reasonable notice of not less than seven (7) Business Days, to inspect the Facility and to examine any books, records, or other documents reasonably deemed necessary to verify compliance with this Contract. In the event of an emergency at or in proximity to the RF/QF site that impacts DEF's system, DEF shall make reasonable efforts to contact the Facility and make arrangements for an emergency inspection. On or before March 31 of each year during the term of this Contract, the RF/QF shall provide to DEF a certificate signed by an officer of the RF/QF certifying that the RF/QF continuously maintained its status as a Renewable Facility or a Qualifying Facility during the prior calendar year.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
 EFFECTIVE: April 29, 2013



SECTION No. IX
~~TENTH-ELEVENTH REVISED SHEET NO. 9.415~~
~~CANCELS NINTH-TENTH REVISED SHEET NO.~~
 9.415

3. Term of Contract

Except as otherwise provided herein, this Contract shall become effective immediately upon its execution by the Parties and shall end at 12:01 a.m. on the Termination Date, (the "Term") unless terminated earlier in accordance with the provisions hereof. Notwithstanding the foregoing, if the Capacity Delivery Date of the Facility is not accomplished by the RF/QF before the Required Capacity Delivery Date (or such later date as may be permitted by DEF pursuant to Section 7), this Contract shall be rendered null and void and DEF's shall have no obligations under this Contract.

4. Minimum Specifications and Milestones

As required by FPSC Rule 25-17.0832(4)(c), the minimum specifications pertaining to this Contract and milestone dates are as follows:

Avoided Unit	Undesignated Combustion Turbine
Avoided Unit Capacity	228849 MW
Avoided Unit In-Service Date	June 1, 2024
Avoided Unit Heat Rate	10,672,239 BTU/kWh
Avoided Unit Variable O&M	0.09514152¢ per kWh in mid-20176 dollars escalating annually at 2.50%
Avoided Unit Life	35 years
Capacity Payments begin	Avoided Unit In-Service Date unless Option B, or D is selected or amended in Appendix E
Termination Date	May 31, 2034 (10 years) unless amended in Appendix E
Minimum Performance Standards – On Peak Availability Factor*	95%
Minimum Performance Standards – Off Peak Availability Factor	95%
Minimum Availability Factor Required to qualify for a Capacity payment	75%
Expiration Date	April 1, 20187
Completed Permits Date	June 1, 2022
Exemplary Early Capacity Payment Date	January 1, 20223

* RF/QF performance shall be as measured and/or described in Appendix A.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
 EFFECTIVE: June 9, 2018



SECTION No. IX
~~SIXTH SEVENTH REVISED SHEET NO. 9.416~~
~~CANCELS FIFTH SIXTH REVISED SHEET NO. 9.416~~

5. Conditions Precedent

- (a) Unless otherwise waived in writing by DEF, on or before the Drop Dead Date, RF/QF shall satisfy the following Conditions Precedent:
- (i) RF/QF shall have obtained firm transmission service necessary to deliver Capacity and energy from the Facility to the Electrical Interconnection Point, in a form and substance satisfactory to RF/QF in its sole discretion;
 - (ii) RF/QF shall have obtained the Project Consents and any other Consents for which it is responsible under the terms hereof in a form and substance satisfactory to RF/QF in its sole discretion;
 - (iii) RF/QF shall have entered into Financing Documents relative to the construction of the Facility and have achieved Financial Closing in a form and substance satisfactory to RF/QF in its sole discretion;
 - (iv) RF/QF shall have entered into the Project Contracts in a form and substance satisfactory to RF/QF in its sole discretion;
 - (v) RF/QF shall have obtained insurance policies or coverage in compliance with Section 17;
 - (vi) Each Party shall have delivered to the other Party (i) a copy of its constitutional documents (certified by its corporate secretary as true, complete and up-to-date) and (ii) a copy of a corporate resolution approving the terms of this Contract and the transactions contemplated hereby and authorizing one or more individuals to execute this Contract on its behalf (such copy to have been certified by its corporate representative as true, complete and up-to-date);
 - (vii) RF/QF shall have obtained Qualifying Facility status from either the FPSC or FERC. The RF/QF shall provide the Duke Energy Florida Director of Qualified Facility Contracts a copy of the certification of QF status filing and any re-filings required to reflect subsequent changes to the previously certified Facility.
- (b) Promptly upon satisfaction of the Conditions Precedent to be satisfied, the Party having satisfied the same shall deliver to the other Party a certificate evidencing such satisfaction. DEF may waive the satisfaction of a Condition Precedent at its sole discretion. Such waiver must be made in writing. Subject to there being no Event of Default which has occurred and/or is continuing as of the date upon which the last of such certificates is delivered, the date of such last certificate shall constitute the effective date of this Contract (the "Effective Date").
- (c) Unless all Conditions Precedent are satisfied on or before the Drop Dead Date or such Conditions Precedent are waived in writing, this Contract shall terminate on such date and neither Party shall have any further liability to the other Party hereunder.
- (d) RF/QF shall achieve the Capacity Delivery Date on or before the Required Capacity Delivery Date.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 21, 2015



SECTION No. IX
THIRD-FOURTH REVISED SHEET NO.9.417
CANCELS SECOND-THIRD REVISED SHEET NO.
9.417

- (e) RF/QF shall ensure that before the initial Committed Capacity Test:
- (a) the Facility shall have been constructed so that the Committed Capacity Test may be duly and properly undertaken in accordance with Section 7; and
 - (b) an operable physical connection from the Facility to the Transmission System shall have been effected in accordance with the electrical interconnection and operating agreement required by the Transmission Provider, provided, however, that such physical connection shall be made consistent with the terms hereof.

6. Sale of Electricity by the RF/QF

6.1 Consistent with the terms hereof, the RF/QF shall sell to DEF and DEF shall purchase from the RF/QF electric power generated by the Facility. The purchase and sale of electricity pursuant to this Contract shall be a () net billing arrangement or () simultaneous purchase and sale arrangement; provided, however, that no such arrangement shall cause the RF/QF to sell more than the Facility's net output. The billing methodology may be changed at the option of the RF/QF, subject to the provisions of Appendix D.

6.2 Ownership and Offering For Sale Of Renewable Energy Attributes

Subject to Section 6.3, the RF/QF shall retain any and all rights to own and to sell any and all Environmental Attributes associated with the electric generation of the Facility.

6.3 In the event that the RF/QF decides to sell any or all EAs that result from the electric generation of the RF/QF during the term of this Contract, the RF/QF shall provide notice to the Company of its intent to sell such EAs and provide the Company a reasonable opportunity to offer to purchase such EAs.

6.34 The RF/QF shall not rely on interruptible or curtailable standby service for the start up requirements (initial or otherwise) of the Facility.

6.45 The RF/QF shall be responsible for the scheduling of required transmission and for all costs, expenses, taxes, fees and charges associated with the delivery of energy to DEF. The RF/QF shall enter into a transmission service agreement with the Transmission Provider in whose service territory the Facility is to be located and the RF/QF shall make any and all transmission-related arrangements (including interconnection and ancillary services) between the RF/QF and the Transmission Provider for delivery of the Facility's firm Capacity and energy to DEF. The Capacity and energy amounts paid to the RF/QF hereunder do not include transmission losses. The RF/QF shall be responsible for transmission losses that occur prior to the point at which the RF/QF's energy is delivered to DEF. The Parties recognize that the Transmission Provider may be DEF and that

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EFFECTIVE: April-29, 2013



SECTION No. IX
THIRD-FOURTH REVISED SHEET NO.9.417
CANCELS SECOND-THIRD REVISED SHEET NO.
9.417

if DEF is the Transmission Provider, the transmission service will be provided under a separate agreement.

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EFFECTIVE: April 29, 2013



SECTION No. IX
FIFTH SIXTH REVISED SHEET NO. 9.418
CANCELS FOURTH FIFTH REVISED SHEET NO.
9.418

7. Committed Capacity/Capacity Delivery Date

~~7.1~~ In the event that the RF/QF elects to make no commitment as to the quantity or timing of its deliveries to DEF, then its Committed Capacity as defined in the following Section ~~7.2~~ shall be zero (0) MW. If the Committed Capacity is zero (0) MW, Sections ~~7.2~~ through Section ~~7.7~~ and all of Section ~~8~~ shall not apply.

7.13 If the RF/QF commits to sell capacity to DEF, the amount of which shall be determined in accordance with this Section 7. Subject to Section ~~7.34~~, the Committed Capacity is set at _____ kW, with an expected Capacity Delivery Date on or before the Required Capacity Delivery Date.

7.23 Capacity testing of the Facility (each such test a Committed Capacity Test) shall be performed in accordance with the procedures set forth in Section 8. The Demonstration Period for the first Committed Capacity Test shall commence no earlier than ninety (90) days before the Required Capacity Delivery Date and testing must be completed before the Avoided Unit In-Service Date or an earlier date in Appendix E. The first Committed Capacity Test shall not be successfully completed unless the Facility demonstrates a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section ~~7.12~~. Subject to Section 8.1, the RF/QF may schedule and perform up to three (3) Committed Capacity Tests to satisfy the requirements of the Contract with respect to the first Committed Capacity Test.

7.34 In addition to the first Committed Capacity Test, DEF shall have the right to require the RF/QF, after notice of no less than ten (10) Business Days prior to such proposed event, to validate the Committed Capacity by means of a Committed Capacity Test at any time, up to two (2) times per year, the results of which shall be provided to DEF within seven (7) calendar days of the conclusion of such test. On and after the date of such requested Committed Capacity Test, and until the completion of a subsequent Committed Capacity Test, the Committed Capacity shall be set at the lower of the Capacity tested or the Committed Capacity as set forth in Section ~~7.12~~. Provided however, any such second test requested within a twelve (12) month period must be for cause.

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EFFECTIVE: July 10, 2014



SECTION No. IX
~~SIXTH-SEVENTH~~ REVISED SHEET NO. 9.419
CANCELS ~~FIFTH-SIXTH~~ REVISED SHEET NO. 9.419

- 7.45 Notwithstanding anything contrary to the terms hereof, the Committed Capacity may not exceed the amount set forth in Section 7.12 without the consent of DEF, which consent shall be granted in DEF's sole discretion.
- 7.56 Unless Option B or D as contained in Appendix D or Appendix E is chosen by RF/QF, DEF shall make no Capacity Payments to the RF/QF prior to the Avoided Unit In-Service Date.
- 7.67 The RF/QF shall be entitled to receive Capacity Payments beginning on the Capacity Delivery Date, provided the Capacity Delivery Date occurs before the Required Capacity Delivery Date (or such later date permitted by DEF). If the Capacity Delivery Date does not occur before the Required Capacity Delivery Date, DEF shall immediately be entitled to draw down the Completion/Performance Security in full.

8. Testing Procedures

- 8.1 The Committed Capacity Test must be completed successfully within the Demonstration Period, which period, including the approximate start time of the Committed Capacity Test, shall be selected and scheduled by the RF/QF by means of a written notice to DEF delivered at least thirty (30) calendar days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test ordered by DEF under any of the provisions of this Contract. DEF shall have the right to be present onsite to monitor firsthand any Committed Capacity Test required or permitted under this Contract.
- 8.2 The Committed Capacity Test results shall be based on a test period of twenty-four (24) consecutive hours (the "Committed Capacity Test Period") at the highest sustained net kW rating at which the Facility can operate without exceeding the design operating conditions, temperature, pressures, and other parameters defined by the applicable manufacturer(s) for steady state operations at the Facility. The Committed Capacity Test Period shall commence at the time designated by the RF/QF pursuant to Section 8.1 or at such time requested by DEF pursuant to Section 7.34; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that DEF is notified of, and consents to, such earlier time.
- 8.3 Normal station service use of unit auxiliaries, including, without limitation, cooling towers, heat exchangers, and other equipment required by law, shall be in service during the Committed Capacity Test Period.
- 8.4 The Capacity of the Facility shall be the minimum hourly net output in kW (generator output minus auxiliary) measured over the Committed Capacity Test Period.

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EFFECTIVE: June 9, 2016



SECTION No. IX
FOURTH-FIFTH REVISED SHEET NO. 9.420
CANCELS THIRD-FOURTH REVISED SHEET NO.
9.420

8.5 The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the RF/QF.

8.6 The results of any Committed Capacity Test, including all data related to Facility operation and performance during testing, shall be submitted to DEF by the RF/QF within seven (7) calendar days of the conclusion of the Committed Capacity Test. The RF/QF shall certify that all such data is accurate and complete.

9. Payment for Electricity Produced by the Facility

9.1 Energy

9.1.1 ~~DEF agrees to pay the RF/QF for energy produced by the Facility and delivered to DEF in accordance with the rates and procedures contained in DEF's approved Rate Schedule COG-1, as it may be amended from time to time if the Committed Capacity pursuant to Section 7.2 is set to zero. If the Committed Capacity is greater than zero MW, then DEF agrees to pay the RF/QF for energy produced by the Facility and delivered to DEF in accordance with the rates and procedures contained in Appendix D, as it may be amended from time to time. The Parties agree that this Contract shall be subject to all of the provisions contained in Rate Schedule COG-1 or Appendix D whichever applies as approved and on file with the FPSC.~~

9.1.2 DEF may, at its option, limit deliveries under this Contract to 110% of the Committed Capacity as set forth in Section 7. In the event that DEF chooses to limit deliveries, any energy in excess of 110% of the Committed Capacity will be paid for at the rates defined in Rate Schedule COG-1 and shall not be included in the calculations in Appendix A hereto.

9.2 Capacity

DEF agrees to pay the RF/QF for the Capacity described in Section 7 in accordance with the rates and procedures contained in Appendix D, as it may be amended and approved from time to time by the FPSC, and pursuant to the election of Option _____ of Appendix D or an alternative rate schedule in Appendix E. The RF/QF understands and agrees that Capacity Payments will only be made if the Capacity Delivery Date occurs before the Required Capacity Delivery Date and the Facility is delivering firm Capacity and Energy to DEF. Once so selected, this Option, the Firm Capacity Rate and/or the Firm Energy Rate cannot be changed for the term of this Contract.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 10, 2014



SECTION No. IX
FOURTH REVISED SHEET NO. 9.421
CANCELS THIRD REVISED SHEET NO. 9.421

9.3 Payments for Energy and Capacity

9.3.1 Payments due the RF/QF will be made monthly, and normally by the twentieth Business Day following the end of the billing period. The kilowatt-hours sold by the RF/QF and the applicable avoided energy rate at which payments are being made shall accompany the payment to the RF/QF.

9.3.2 Payments to be made under this Contract shall, for a period of not longer than two (2) years, remain subject to adjustment based on billing adjustments due to error or omission by either Party, provided that such adjustments have been agreed to between the Parties.

10. Electricity Production and Plant Maintenance Schedule

10.1 No later than sixty (60) calendar days prior to the Required Capacity Delivery Date, and prior to October 1 of each calendar year thereafter during the term of this Contract, the RF/QF shall submit to DEF in writing a good-faith estimate of the amount of electricity to be generated by the Facility and delivered to DEF for each month of the following calendar year, including the time, duration and magnitude of any scheduled maintenance period(s) or reductions in Capacity. The RF/QF agrees to provide updates to its planned maintenance periods as they become known. The Parties agree to discuss coordinating scheduled maintenance schedules.

10.2 By October 31 of each calendar year, DEF shall notify the RF/QF in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If DEF does not accept any of the requested scheduled maintenance periods, DEF shall advise the RF/QF of the time period closest to the requested period(s) when the outage(s) can be scheduled. The RF/QF shall only schedule outages during periods approved by DEF, and such approval shall not be unreasonably withheld. Once the schedule for the detailed plan has been established and approved, either Party requesting a subsequent change in such schedule, except when such change is due to Force Majeure, must obtain approval for such change from the other Party. Such approval shall not be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to twenty four days per calendar year. In no event shall maintenance periods be scheduled during the following periods: June 1 through September 15 and December 1 through and including the last day of February.

10.3 The RF/QF shall comply with reasonable requests by DEF regarding day-to-day and hour-by-hour communication between the Parties relative to electricity production and maintenance scheduling.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 10, 2014



SECTION No. IX
FIFTH REVISED SHEET No. 9.422
CANCELS FOURTH REVISED SHEET NO. 9.422

10.4 The Parties recognize that the intent of the availability factor in Section 4 of this Contract includes an allowance for scheduled outages, forced outages and forced reductions in the output of the Facility. Therefore, the RF/QF shall provide DEF with notification of any forced outage or reduction in output which shall include the time and date at which the forced outage or reduction occurred, a brief description of the cause of the outage or reduction and the time and date when the forced outage or reduction ceased and the Facility was able to return to normal operation. This notice shall be provided to DEF within seventy-two (72) hours of the end of the forced outage or reduction.

The RF/QF is required to provide the total electrical output to DEF except (i) during a period that was scheduled in Section 10.2, (ii) during a period in which notification of a forced outage or reduction was provided, (iii) during an event of Force Majeure or (iv) during a curtailment period as described in Section 10.5.5. In no event shall the RF/QF deliver any portion of their electrical output to a third party.

10.5 Dispatch and Control

10.5.1 Power supplied by the RF/QF hereunder shall be in the form of three-phase 60 hertz alternating current, at a nominal operating voltage of _____ volts (_____ kV) and power factor dispatchable and controllable in the range of 90% lagging to 90% leading as measured at the interconnection point to maintain system operating parameters, including power factor, as specified from time to time by DEF.

10.5.2 The RF/QF shall operate the Facility with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, DEF's system, except for normal testing and repair in accordance with good engineering and operating practices as agreed by the Parties. The RF/QF shall provide adequate system protection and control devices to ensure safe and protected operation of all energized equipment during normal testing and repair. All RF/QF facilities shall meet IEEE and utility standards. The RF/QF shall have independent, third party qualified personnel test, calibrate and certify in writing all protective equipment at least once every twelve (12) months in accordance with good engineering and operating practices. A unit functional trip test shall be performed after each overhaul of the Facility's turbine, generator or boilers and results provided to DEF in writing prior to returning the equipment to service. The specifics of the unit functional trip test will be consistent with Prudent Utility Practices.

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EFFECTIVE: July 21, 2015



SECTION No. IX
SEVENTH REVISED SHEET NO. 9.423
CANCELS SIXTH REVISED SHEET NO. 9.423

10.5.3 If the Facility is separated from the DEF system for any reason, under no circumstances shall the RF/QF reconnect the Facility to DEF's system without first obtaining DEF'S specific approval.

10.5.4 During the term of this Contract, the RF/QF shall employ qualified personnel for managing, operating and maintaining the Facility and for coordinating such with DEF. The RF/QF shall ensure that operating personnel are on duty at all times, twenty-four (24) hours a calendar day and seven (7) calendar days a week. Additionally, during the term of this Contract, the RF/QF shall operate and maintain the Facility in such a manner as to ensure compliance with its obligations hereunder and in accordance with applicable law and Prudent Utility Practices.

10.5.5 DEF shall not be obligated to purchase, and may require curtailed or reduced deliveries of energy to the extent allowed under FPSC Rule 25-17.086 and under any curtailment plan which DEF may have on file with the FPSC from time to time.

10.5.6 During the term of this Contract, the RF/QF shall maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two-(72) hour period. At DEF's request, the RF/QF shall demonstrate this capability to DEF's reasonable satisfaction. During the term of this Contract, the RF/QF's output shall remain within a band of plus or minus ten percent (10%) of the daily output level or levels specified by the plant operator, in ninety percent (90%) of all operating hours under normal operating conditions. This calculation will be adjusted to exclude forced outage periods and periods during which the RF/QF's output is affected by a Force Majeure event.

11. Completion/Performance Security

11.1 Simultaneous with the execution of this Contract RF/QF shall deliver to DEF Eligible Collateral in an amount equal to \$30.00/kw of Committed Capacity as Completion/Performance Security.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 10, 2014



SECTION No. IX
SEVENTH-EIGHTH REVISED SHEET NO. 9.424
CANCELS SIXTH-SEVENTH REVISED SHEET NO.
9.424

- 11.2 The choice of the type of Eligible Collateral by the RF/QF may be selected from time to time by the RF/QF and upon receipt of substitute Eligible Collateral, DEF shall promptly release ~~such the~~ Eligible Collateral that has been replaced by the substitute Eligible Collateral. Following any termination of this Contract, the Parties shall mutually agree to a final settlement of all obligations under this Contract which such period shall not exceed 90 days from such termination date unless extended by mutual agreement between the Parties. After such settlement, any remaining Eligible Collateral posted by the RF/QF that has not been drawn upon by DEF pursuant to its rights under this Contract shall be returned to the RF/QF. Any dispute between the Parties regarding such final settlement shall be resolved according to applicable procedures set forth in Section 20.9.
- 11.3 Draws, Replenishment - DEF may draw upon Eligible Collateral provided by the RF/QF following the occurrence of an Event of Default or pursuant to the other provisions of this Contract in order to recover any damages to which DEF is entitled to under this Contract. In the event of such a draw then, except in the circumstance when this Contract otherwise terminates, the RF/QF shall within five (5) Business Days replenish the Eligible Collateral to the full amounts required.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 40, 2014



SECTION No. IX
FIFTH-SIXTH REVISED SHEET NO. 9.425
CANCELS FOURTH-FIFTH REVISED SHEET NO.
9.425

11.4 In the event that the (a) Capacity Delivery Date occurs before the Required Capacity Delivery Date and (b) the ACBF is equal to or greater than 95% for the first twelve (12) months following the Capacity Delivery Date then DEF will return the Completion/Performance Security to the RF/QF within ninety (90) days of the first anniversary of the Capacity Delivery Date. In the event that the Capacity Delivery Date does not occur before the Required Capacity Delivery Date then DEF shall immediately be entitled to draw down the Completion/Performance Security in full. In the event that the ACBF is less than 95% for any of the first twelve (12) months following the Capacity Delivery Date then DEF shall ~~retain~~ be entitled to draw upon the Completion/Security until the ACBF is equal to or greater than 95% for 12 consecutive months. Upon the completion of twelve (12) consecutive months with the ACBF greater than or equal to 95% then DEF will return the Completion/Performance Security within ninety (90) days.

11.5 Reporting - RF/QF shall promptly notify DEF of any circumstance that results in RF/QF's failure to be in compliance with the RF/QF Performance Security Requirements of this Section 11. From time to time, at DEF's written request, RF/QF shall provide DEF with such evidence as DEF may reasonably request, that RF/QF Letter of Credit or Security Account is in full compliance with this Contract.

12. Termination Fee and Security

12.1 In the event that the RF/QF receives Capacity Payments pursuant to Option B, Option C, or Option D of Appendix D or any Capacity Payment schedule in Appendix E that differs from a Normal Capacity Payment Rate as calculated in FPSC Rule 25-17.0832(6)(a), then upon the termination of this Contract, the RF/QF shall owe and be liable to DEF for the Termination Fee. The RF/QF's obligation to pay the Termination Fee shall survive the termination of this Contract. DEF shall provide the RF/QF, on a monthly basis, a calculation of the Termination Fee.

12.1.1 The Termination Fee shall be secured by the RF/QF by: (i) an unconditional, irrevocable, standby letter(s) of credit issued by a Qualified Institution in form and substance acceptable to DEF (including provisions (a) permitting partial and full draws and (b) permitting DEF to draw upon such Letter of Credit, in full, if such Letter of Credit is not renewed or replaced at least twenty (20) Business Days prior to its expiration date); (ii) a bond issued to DEF by a financially sound company in form and substance acceptable to DEF in its sole discretion; or (iii) a cash deposit with DEF (any of (i), (ii), or (iii), the "Termination Security").

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: June 8, 2016



SECTION No. IX
THIRD REVISED SHEET NO. 9.426
CANCELS SECOND REVISED SHEET NO. 9.426

12.1.2 DEF shall have the right and the RF/QF shall be required to monitor the financial condition of (i) the issuer(s) in the case of any Letter of Credit and (ii) the insurer(s), in the case of any bond. In the event the senior debt rating of any issuer(s) or insurer(s) has deteriorated to the extent that they fail to meet the requirements of a Qualified Institution, DEF may require the RF/QF to replace the letter(s) of credit or the bond, as applicable. In the event that DEF notifies the RF/QF that it requires such a replacement, the replacement letter(s) of credit or bond, as applicable, must be issued by a Qualified Institution, and meet the requirements of Section 12.1.1 within thirty (30) calendar days following such notification. Failure by the RF/QF to comply with the requirements of this Section 12.1.2 shall be grounds for DEF to draw in full on any existing Letter of Credit or bond and to exercise any other remedies it may have hereunder.

12.1.3 After the close of each calendar quarter (March 31, June 30, September 30, and December 31) occurring subsequent to the Capacity Delivery Date, upon DEF's issuance of the Termination Fee calculation as described in Section 12.1, the RF/QF must provide DEF, within ten calendar (10) days, written assurance and documentation (the "Security Documentation"), in form and substance acceptable to DEF, that the amount of the Termination Security is sufficient to cover the balance of the Termination Fee through the end of the following quarter. In addition to the foregoing, at any time during the term of this Contract, DEF shall have the right to request and the RF/QF shall be obligated to deliver within five (5) calendar days of such request, such Security Documentation. Failure by the RF/QF to comply with the requirements of this Section 12.1.3 shall be grounds for DEF to draw in full on any existing Letter of Credit or bond or to retain any cash deposit, and to exercise any other remedies it may have hereunder.

12.1.4 Upon any termination of this Contract following the Required Capacity Delivery Date, DEF shall be entitled to receive (and in the case of the Letter(s) of Credit or bond, draw upon such Letter(s) of Credit or bond) and retain one hundred percent (100%) of the Termination Security.

13. Performance Factor

DEF desires to provide an incentive to the RF/QF to operate the Facility during on-peak and off-peak periods in a manner that approximates the projected performance of the Avoided Unit. A formula to achieve this objective is attached as Appendix A.

ISSUED BY: Javier Portuendo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 21, 2015



SECTION No. IX
SIXTH REVISED SHEET NO. 9.427
CANCELS FIFTH REVISED SHEET NO. 9.427

14. Default

Notwithstanding the occurrence of any Force Majeure as described in Section 18, each of the following shall constitute an Event of Default:

- (a) the RF/QF changes or modifies the Facility from that provided in Section 2 with respect to its type, location, technology or fuel source, without the prior written approval of DEF;
- (b) after the Capacity Delivery Date, the Facility fails for twelve (12) consecutive months to maintain an Annual Capacity Billing Factor, as described in Appendix A, of at least seventy five percent (75%);
- (c) the RF/QF fails to satisfy its obligations to maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two-(72) hour period under Section 10.5.6 hereof;
- (d) the failure to make when due, any payment required pursuant to this Contract if such failure is not remedied within three (3) Business Days after written notice;
- (e) either Party, or the entity which owns or controls either Party, ceases the conduct of active business; or if proceedings under the federal bankruptcy law or insolvency laws shall be instituted by or for or against either Party or the entity which owns or controls either Party; or if a receiver shall be appointed for either Party or any of its assets or properties, or for the entity which owns or controls either Party; or if any part of either Party's assets shall be attached, levied upon, encumbered, pledged, seized or taken under any judicial process, and such proceedings shall not be vacated or fully stayed within thirty (30) calendar days thereof; or if either Party shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due;
- (f) the RF/QF fails to give proper assurance of adequate performance as specified under this Contract within thirty (30) calendar days after DEF, with reasonable grounds for insecurity, has requested in writing such assurance;
- (g) the RF/QF fails to achieve licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility by no later than the Completed Permits Date;
- (h) the RF/QF fails to comply with the provisions of Section 11 hereof;
- (i) any of the representations or warranties, including the certification of the completion of the Conditions Precedent, made by either Party in this Contract is false or misleading in any material respect as of the time made;

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: June 9, 2016



SECTION No. IX
FOURTH-FIFTH REVISED SHEET NO. 9.428
CANCELS THIRD-FOURTH REVISED SHEET NO.
9.428

- (j) if, at any time after the Capacity Delivery Date, the RF/QF reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section 7.12 (as such level may be reduced by Section 7.34) within twelve (12) months following the occurrence of such event of Force Majeure; or
- (k) either Party breaches any material provision of this Contract not specifically mentioned in this Section 14;
- (l) the RF/QF fails to maintain its status as a Qualifying Facility.
- (m) the RF/QF sells any energy or firm capacity to an entity other than DEF.

15. Rights in the Event of Default

15.1 Upon the occurrence of any of the Events of Default in Section 14, the DEF may, at its option:

- 15.1.1 immediately terminate this Contract, without penalty or further obligation, except as set forth in Section 15.2, by written notice to the RF/QF, and offset against any payment(s) due from DEF to the RF/QF, any monies otherwise due from the RF/QF to DEF;
- 15.1.2 enforce the provisions of the Completion/Performance Security pursuant to Section 11 and/or the Termination Security requirement pursuant to Section 12 hereof, as applicable; and
- 15.1.3 exercise any other remedy(ies) which may be available to DEF at law or in equity.

15.2 Termination shall not affect the liability of either Party for obligations arising prior to such termination or for damages, if any, resulting from any breach of this Contract.

16. Indemnification

16.1 DEF and the RF/QF shall each be responsible for its own facilities. DEF and the RF/QF shall each be responsible for ensuring adequate safeguards for other DEF customers, DEF's and the RF/QF's personnel and equipment, and for the protection of its own generating system. Each Party (the "Indemnifying Party") agrees, to the extent permitted by applicable law, to indemnify, pay, defend, and hold harmless the other Party (the "Indemnified Party") and its officers, directors, employees, agents and contractors (hereinafter called respectively, "DEF Entities" and "RF/QF Entities") from and against any and all claims, demands, costs or expenses for loss, damage, or injury to persons or property of the Indemnified Party (or to third parties) directly caused by, arising out of, or resulting from:

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 21, 2016



SECTION No. IX
SECOND REVISED SHEET NO. 9.429
CANCELS FIRST REVISED SHEET NO. 9.429

- (a) a breach by the Indemnifying Party of its covenants, representations, and warranties or obligations hereunder;
- (b) any act or omission by the Indemnifying Party or its contractors, agents, servants or employees in connection with the installation or operation of its generation system or the operation thereof in connection with the other Party's system;
- (c) any defect in, failure of, or fault related to, the Indemnifying Party's generation system;
- (d) the negligence or willful misconduct of the Indemnifying Party or its contractors, agents, servants or employees; or
- (e) any other event or act that is the result of, or proximately caused by, the Indemnifying Party or its contractors, agents, servants or employees related to the Contract or the Parties' performance thereunder.

16.2 Payment by an Indemnified Party to a third party shall not be a condition precedent to the obligations of the Indemnifying Party under Section 16. No Indemnified Party under Section 16 shall settle any claim for which it claims indemnification hereunder without first allowing the Indemnifying Party the right to defend such a claim. The Indemnifying Party shall have no obligations under Section 16 in the event of a breach of the foregoing sentence by the Indemnified Party. Section 16 shall survive termination of this Contract.

17. Insurance

17.1 The RF/QF shall procure or cause to be procured and shall maintain throughout the entire Term of this Contract, a policy or policies of liability insurance issued by an insurer acceptable in the state of Florida on a standard "Insurance Services Office" commercial general liability and/or excess liability form or equivalent and Workers' Compensation in accordance with the statutory requirements of the state of Florida (such policy or policies, collectively, the "RF/QF Insurance"). A certificate of insurance shall be delivered to DEF at least fifteen (15) calendar days prior to the start of any interconnection work. At a minimum, the RF/QF Insurance shall contain (a) an endorsement providing coverage, including products liability/completed operations coverage for the term of this Contract, and (b) premises and operations liability, (c) a broad form contractual liability endorsement covering liabilities (i) which might arise under, or in the performance or nonperformance of, this Contract or (ii) caused by operation of the Facility or any of the RF/QF's equipment Without limiting the foregoing, the RF/QF Insurance must be reasonably acceptable to DEF. Any premium assessment or deductible shall be for the account of the RF/QF and not DEF.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 10, 2014



SECTION No. IX
THIRD-FOURTH REVISED SHEET NO. 9.430
CANCELS SECOND-THIRD REVISED SHEET NO.
9.430

- 17.2 The RF/QF Insurance for liability shall have a minimum limit of five million dollars (\$5,000,000.00) per occurrence for bodily injury (including death) or property damage. This liability limit can be met by any combination of commercial general and excess liability insurance policies.
- 17.3 To the extent that the RF/QF Insurance is on a "claims made" basis, the retroactive date of the policy(ies) shall be the Effective Date of this Contract or an earlier date. Furthermore, to the extent the RF/QF Insurance is on a "claims made" basis, the RF/QF's duty to provide insurance coverage shall survive the termination of this Contract until the expiration of the maximum statutory period of limitations in the State of Florida for actions based in contract or in tort. To the extent the RF/QF Insurance is on an "occurrence" basis, such insurance shall be maintained in effect at all times by the RF/QF during the term of this Contract.
- 17.4 The RF/QF shall provide DEF with a copy of any material communication or notice related to the RF/QF Insurance within ten (10) Business Days of the RF/QF's receipt or issuance thereof.
- 17.5 DEF shall be designated as an additional named insured under the RF/QF Insurance (except Workers' Compensation). The RF/QF Insurance shall be primary to any coverage maintained by DEF and provide, where permitted by law, waiver of any rights of subrogation against DEF. Any deductibles or retentions shall be the sole responsibility of RF/QF. RF/QF's compliance with these provisions and the limits of insurance specified herein shall not constitute a limitation of RF/QF's liability or otherwise affect RF/QF's indemnification obligations pursuant to this Contract. Any failure to comply with all of these provisions shall not be deemed a waiver of any rights of DEF under this Contractor with respect to any insurance coverage required hereunder. DEF may request the RF/QF to provide a copy of any or all of its required insurance policies, including endorsements in which DEF is included as an additional insured for any claims filed relative to this Contract.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July-10-2014



SECTION No. IX
THIRD REVISED SHEET NO. 9.431
CANCELS SECOND REVISED SHEET NO. 9.431

18. Force Majeure

18.1 "Force Majeure" is defined as an event or circumstance that is not reasonably foreseeable, is beyond the reasonable control of and is not caused by the negligence or lack of due diligence of the Party claiming Force Majeure or its contractors or suppliers and adversely affects the performance by that Party of its obligations under or pursuant to this Contract. Such events or circumstances may include, but are not limited to, actions or inactions of civil or military authority (including courts and governmental or administrative agencies), acts of God, war, riot or insurrection, blockades, embargoes, sabotage, epidemics, explosions and fires not originating in the Facility or caused by its operation, hurricanes, floods, strikes, lockouts or other labor disputes or difficulties (not caused by the failure of the affected party to comply with the terms of a collective bargaining agreement). Force Majeure shall not be based on (i) the loss of DEF's markets; (ii) DEF's economic inability to use or resell the Capacity and Energy purchased hereunder; or (iii) RF/QF's ability to sell the Capacity or Energy at a price greater than the price herein. Equipment breakdown or inability to use equipment caused by its design, construction, operation, maintenance or inability to meet regulatory standards, or otherwise caused by an event originating in the control of a Party, or a Party's failure to obtain on a timely basis and maintain a necessary permit or other regulatory approval, shall not be considered an event of Force Majeure, unless such Party can reasonably demonstrate, to the reasonable satisfaction of the non-claiming Party, that the event was not reasonably foreseeable, was beyond the Party's reasonable control and was not caused by the negligence or lack of due diligence of the Party claiming Force Majeure or its agents, contractors or suppliers and adversely affects the performance by that Party of its obligations under or pursuant to this Contract.

18.2 Except as otherwise provided in this Contract, each Party shall be excused from performance when its nonperformance was caused, directly or indirectly by an event of Force Majeure.

18.3 In the event of any delay or nonperformance resulting from an event of Force Majeure, the Party claiming Force Majeure shall notify the other Party in writing within five (5) Business Days of the occurrence of the event of Force Majeure, of the nature cause, date of commencement thereof and the anticipated extent of such delay, and shall indicate whether any deadlines or date(s), imposed hereunder may be affected thereby. The suspension of performance shall be of no greater scope and of no greater duration than the cure for the Force Majeure requires. A Party claiming Force Majeure shall not be entitled to any relief therefore unless and until conforming notice is provided. The Party claiming Force Majeure shall notify the other Party of the cessation of the event of Force Majeure or of the conclusion of the affected Party's cure for the event of Force Majeure in either case within two (2) Business Days thereof.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 10, 2014



SECTION No. IX
SECOND-THIRD REVISED SHEET NO. 9.432
CANCELS FIRST-SECOND REVISED SHEET NO.
9.432

- 18.4** The Party claiming Force Majeure shall use its best efforts to cure the cause(s) preventing its performance of this Contract; provided, however, the settlement of strikes, lockouts and other labor disputes shall be entirely within the discretion of the affected Party and such Party shall not be required to settle such strikes, lockouts or other labor disputes by acceding to demands which such Party deems to be unfavorable.
- 18.5** If the RF/QF suffers an occurrence of an event of Force Majeure that reduces the generating capability of the Facility below the Committed Capacity, the RF/QF may, upon notice to DEF temporarily adjust the Committed Capacity as provided in Sections 18.6 and 18.7. Such adjustment shall be effective the first calendar day immediately following DEF's receipt of the notice or such later date as may be specified by the RF/QF. Furthermore, such adjustment shall be the minimum amount necessitated by the event of Force Majeure.
- 18.6** If the Facility is rendered completely inoperative as a result of Force Majeure, the RF/QF shall temporarily set the Committed Capacity equal to 0 kW until such time as the Facility can partially or fully operate at the Committed Capacity that existed prior to the Force Majeure. If the Committed Capacity is 0 kW, DEF shall have no obligation to make Capacity Payments hereunder.
- 18.7** If, at any time during the occurrence of an event of Force Majeure or during its cure, the Facility can partially or fully operate, then the RF/QF shall temporarily set the Committed Capacity at the maximum capability that the Facility can reasonably be expected to operate.
- 18.8** Upon the cessation of the event of Force Majeure or the conclusion of the cure for the event of Force Majeure, the Committed Capacity shall be restored to the Committed Capacity that existed immediately prior to the Force Majeure. Notwithstanding any other provisions of this Contract, upon such cessation or cure, DEF shall have right to require a Committed Capacity Test to demonstrate the Facility's compliance with the requirements of this Section 18.8. Any such Committed Capacity Test required by DEF shall be additional to any Committed Capacity Test under Section 7.34.
- 18.9** During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section 18.5 all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix A.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 10, 2014



SECTION No. IX
SECOND REVISED SHEET NO. 9.433
CANCELS FIRST REVISED SHEET NO. 9.433

18.10 The RF/QF agrees to be responsible for and pay the costs necessary to reactivate the Facility and/or the interconnection with DEF's system if the same is (are) rendered inoperable due to actions of the RF/QF, its agents, or Force Majeure events affecting the RF/QF, the Facility or the interconnection with DEF. DEF agrees to reactivate, at its own cost, the interconnection with the Facility in circumstances where any interruptions to such interconnections are caused by DEF or its agents.

19. Representations, Warranties, and Covenants of RF/QF

Each Party hereto represents and warrants that as of the Effective Date:

19.1 Organization, Standing and Qualification

DEF is a corporation duly organized and validly existing in good standing under the laws of Florida and has all necessary power and authority to carry on its business as presently conducted to own or hold under lease its properties and to enter into and perform its obligations under this Contract and all other related documents and agreements to which it is or shall be a Party. The RF/QF is a _____ (corporation, partnership, or other, as applicable) duly organized and validly existing in good standing under the laws of _____ and has all necessary power and authority to carry on its business as presently conducted to own or hold under lease its properties and to enter into and perform its obligations under this Contract and all other related documents and agreements to which it is or shall be a Party. Each Party is duly qualified or licensed to do business in the State of Florida and in all other jurisdictions wherein the nature of its business and operations or the character of the properties owned or leased by it makes such qualification or licensing necessary and where the failure to be so qualified or licensed would impair its ability to perform its obligations under this Contract or would result in a material liability to or would have a material adverse effect on the other Party.

19.2 Due Authorization, No Approvals, No Defaults

Each of the execution, delivery and performance by each Party of this Contract has been duly authorized by all necessary action on the part of such Party, does not require any approval, except as has been heretofore obtained, of the shareholders DEF or of the _____ (shareholders, partners, or others, as applicable) of the RF/QF or any consent of or approval from any trustee, lessor or holder of any indebtedness or other obligation of such Party, except for such as have been duly obtained, and does not contravene or constitute a default under any law, the articles of incorporation of DEF or the _____ (articles of incorporation, bylaws, or other as applicable) of such Party, or any agreement, judgment, injunction, order, decree or other instrument binding upon such Party, or subject the Facility or any component part thereof to any lien other than as contemplated or permitted by this Contract.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION No. IX
SECOND REVISED SHEET NO. 9.434
CANCELS FIRST REVISED SHEET NO. 9.434

19.3 Compliance with Laws

Each party has knowledge of all laws and business practices that must be followed in performing its obligations under this Contract. Each party also is in compliance with all laws, except to the extent that failure to comply therewith would not, in the aggregate, have a material adverse effect on the other Party.

19.4 Governmental Approvals

Except as expressly contemplated herein, neither the execution and delivery by each Party of this Contract, nor the consummation by each Party of any of the transaction contemplated thereby, requires the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action with respect to governmental authority, except with respect to permits (a) which have already been obtained and are in full force and effect or (b) are not yet required (and with respect to which the RF/QF has no reason to believe that the same will not be readily obtainable in the ordinary course of business upon due application therefore).

19.5 No Suits, Proceedings

There are no actions, suits, proceedings or investigations pending or, to the knowledge of each Party, threatened against it at law or in equity before any court or tribunal of the United States or any other jurisdiction which individually or in the aggregate could result in any materially adverse effect on each Party's business, properties, or assets or its condition, financial or otherwise, or in any impairment of its ability to perform its obligations under this Contract. Each Party has no knowledge of a violation or default with respect to any law which could result in any such materially adverse effect or impairment.

19.6 Environmental Matters

To the best of its knowledge after diligent inquiry, each Party knows of no (a) existing violations of any environmental laws at the Facility, including those governing hazardous materials or (b) pending, ongoing, or unresolved administrative or enforcement investigations, compliance orders, claims, demands, actions, or other litigation brought by governmental authorities or other third parties alleging violations of any environmental law or permit which would materially and adversely affect the operation of the Facility as contemplated by this Contract.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION No. IX
THIRD-FOURTH REVISED SHEET NO. 9.435
CANCELS SECOND-THIRD REVISED SHEET NO.
9.435

20. General Provisions

20.1 Project Viability

To assist DEF in assessing the RF/QF's financial and technical viability, the RF/QF shall provide the information and documents requested in Appendix C or substantially similar documents, to the extent the documents apply to the type of Facility covered by this Contract and to the extent the documents are available. All documents to be considered by DEF must be submitted at the time this Contract is presented to DEF. Failure to provide the following such documents may result in a determination of non-viability by DEF.

20.2 Permits

The RF/QF hereby agrees to obtain and maintain any and all permits, certifications, licenses, consents or approvals of any governmental authority which the RF/QF is required to obtain as a prerequisite to engaging in the activities specified in this Contract.

20.3 Project Management

If requested by DEF, the RF/QF shall submit to DEF its integrated project schedule for DEF's review within sixty (60) calendar days from the execution of this Contract, and a start-up and test schedule for the Facility at least sixty (60) calendar days prior to start-up and testing of the Facility. These schedules shall identify key licensing, permitting, construction and operating milestone dates and activities. ~~If requested by DEF, the RF/QF shall submit~~ monthly progress reports in a form satisfactory to DEF within fifteen (15) calendar days after the close of each month from the first month following the Effective Date until the Capacity Delivery Date. The RF/QF every calendar month until the Capacity Delivery Date and shall notify DEF of any changes in such schedules within ten (10) calendar days after such changes are determined. If for any reason, DEF has reason to believe that RF/QF may fail to achieve the Capacity Delivery Date, then, upon DEF's request, RF/QF shall submit to DEF, within ten (10) business days of such request, a remedial action plan ("Remedial Action Plan") that sets forth a detailed description of RF/QF's proposed course of action to promptly achieve the Capacity Delivery Date. Delivery of a Remedial Action Plan does not relieve RF/QF of its obligation to the Capacity Delivery Date. DEF shall have the right to monitor the construction, start-up and testing of the Facility, either on-site or off-site. DEF's technical review and inspections of the Facility and resulting requests, if any, shall not be construed as endorsing the design thereof or as any warranty as to the safety, durability or reliability of the Facility.

~~The RF/QF shall provide DEF with the final designer's/manufacturer's generator capability curves, protective relay types, proposed protective relay settings, main one-line diagrams, protective relay functional diagrams, and alternating current~~

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION No. IX
~~THIRD-FOURTH REVISED SHEET NO. 9.435~~
~~CANCELS SECOND-THIRD REVISED SHEET NO.~~
9.435

~~and direct elementary diagrams for review and inspection at DEF no later than one hundred eighty (180) calendar days prior to the initial synchronization date.~~

20.4—Assignment

~~Either Party may not assign this Contract, without the other Party's prior written approval, which approval may not be unreasonably withheld or delayed.~~

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION No. IX
SECOND-THIRD REVISED SHEET NO. 9.436
CANCELS FIRST-SECOND REVISED SHEET NO.
9.436

The RF/QF shall provide DEF with the final designer's/manufacture's generator capability curves, protective relay types, proposed protective relay settings, main one-line diagrams, protective relay functional diagrams, and alternating current and direct elementary diagrams for review and inspection at DEF no later than one hundred eighty (180) calendar days prior to the initial synchronization date.

20.4 Assignment

Either Party may not assign this Contract, without the other Party's prior written approval, which approval may not be unreasonably withheld or delayed.

The RF/QF shall be responsible for DEF's reasonable costs and expenses associated with the review, negotiation, execution and delivery of any such documents or information pursuant to such collateral assignment, including reasonable attorney's fees.

20.5 Disclaimer

In executing this Contract, DEF does not, nor should it be construed, to extend its credit or financial support for benefit of any third parties lending money to or having other transactions with the RF/QF or any assigns of this Contract.

20.6 Notification

All formal notices relating to this Contract shall be deemed duly given when delivered in person, or sent by registered or certified mail, or sent by fax if followed immediately with a copy sent by registered or certified mail, to the individuals designated below. The Parties designate the following individuals to be notified or to whom payment shall be sent until such time as either Party furnishes the other Party written instructions to contact another individual:

For the RF/QF:

For DEF:

Duke Energy Florida
Cogeneration Manager DEF 155
299 First Avenue North
St. Petersburg, FL 33701

~~Contracts and related documents may be mailed to the address below or delivered during normal business hours (8:00 a.m. to 4:45 p.m.) to the visitors' entrance at the address below:~~

~~_____
Florida Power Corporation
d/b/a Duke Energy Florida, Inc.
299 First Avenue North
St. Petersburg, FL 33701~~

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION No. IX
SECOND-THIRD REVISED SHEET NO. 9.436
CANCELS FIRST-SECOND REVISED SHEET NO.
9.436

~~Attention: Cogeneration Manager - DEF 155~~

~~20.7 Applicable Law~~

~~This Contract shall be construed in accordance with and governed by the laws of the State of Florida, and the rights of the parties shall be construed in accordance with the laws of the State of Florida.~~

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 20, 2013



SECTION No. IX
FIRST SECOND REVISED SHEET NO. 9.437
CANCELS ORIGINAL FIRST REVISED SHEET NO.
9.437

Contracts and related documents may be mailed to the address below or delivered during normal business hours (8:00 a.m. to 4:45 p.m.) to the visitors' entrance at the address below:

Florida Power Corporation Duke Energy Florida, LLC
d/b/a Duke Energy Florida, Inc.
299 First Avenue North
St. Petersburg, FL 33701

Attention: Cogeneration Manager DEF 155

20.7 Applicable Law

This Contract shall be construed in accordance with and governed by the laws of the State of Florida, and the rights of the parties shall be construed in accordance with the laws of the State of Florida.

20.8 Taxation

~~In the event that DEF becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Service determination, through audit, ruling or other authority, that DEF's payments to the RF/QF for Capacity under Options B, C, or D of the Appendix D are not fully deductible when paid (additional tax liability), DEF may bill the RF/QF monthly for the costs, including carrying charges, interest and/or penalties, associated with the fact that all or a portion of those Capacity Payments are not currently deductible for federal and/or state income tax purposes. DEF, at its option, may offset or recoup these costs against amounts due the RF/QF hereunder. These costs would be calculated so as to place DEF in the same economic position in which it would have been if the entire Capacity Payments had been deductible in the period in which the payments were made. If DEF decides to appeal the Internal Revenue Service's determination, the decision as to whether the appeal should be made through the administrative or judicial process or both, and all subsequent decisions pertaining to the appeal (both substantive and procedural), shall rest exclusively with DEF.~~

The RF/QF shall hold DEF and its general body of ratepayers harmless from the effects of any additional taxes, assessments or other impositions that arise as a result of the purchase of energy and capacity from the RF/QF in lieu of other energy and capacity. Any savings in regards to taxes or assessments shall be included in the avoided cost payments made to the RF/QF to the extent permitted by law. In the event DEF becomes liable for additional taxes, assessments or impositions arising out of its transactions with the RF/QF under this tariff schedule or any related interconnection agreement or due to changes in laws affecting DEF's purchases of energy and capacity from the RF/QF occurring after the execution of an agreement under this tariff schedule and for which DEF would not have been liable if it had produced the energy and/or constructed facilities sufficient to provide the capacity contemplated under such agreement itself, DEF may bill the RF/QF monthly for such additional expenses or may offset them

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION No. IX
FIRST SECOND REVISED SHEET NO. 9.437
CANCELS ORIGINAL FIRST REVISED SHEET NO.
9.437

against amounts due to the RF/QF from DEF. Any savings in taxes, assessments or impositions that accrue to DEF as a result of its purchase of energy and capacity under this tariff schedule that are not already reflected in the avoided energy or avoided capacity payments made to the RF/QF hereunder, shall be passed on to the RF/QF to the extent permitted by law without consequential penalty or loss of such benefit to DEF.

~~20.9—Resolution of Disputes~~

~~20.9.1—Notice of Dispute~~

~~In the event that any dispute, controversy or claim arising out of or relating to this Contract or the breach, termination or validity thereof should arise between the Parties (a "Dispute"), the Party may declare a Dispute by delivering to the other Party a written notice identifying the disputed issue.~~

~~20.9.2—Resolution by Parties~~

~~Upon receipt of a written notice claiming a Dispute, executives of both Parties shall meet at a mutually agreeable time and place within ten (10) Business Days after delivery of such notice and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the Dispute. In such meetings and exchanges, a Party shall have the right to designate as confidential any information that such Party offers. No confidential information exchanged in such meetings for the purpose of resolving a Dispute may be used by a Party in litigation against the other Party. If the matter has not been resolved within thirty (30) Days of the disputing Party's notice having been issued, or if the Parties fail to meet within ten (10) Business Days as required above, either Party may initiate binding arbitration in St. Petersburg, Florida, conducted in accordance with the then-current American Arbitration Association's ("AAA") Large, Complex Commercial Rules or other mutually agreed-upon procedures.~~

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 20, 2013



SECTION No. IX
SECOND-THIRD REVISED SHEET NO. 9.438
CANCELS FIRST-SECOND REVISED SHEET NO.
9.438

20.9 Resolution of Disputes

20.9.1 Notice of Dispute

In the event that any dispute, controversy or claim arising out of or relating to this Contract or the breach, termination or validity thereof should arise between the Parties (a "Dispute"), the Party may declare a Dispute by delivering to the other Party a written notice identifying the disputed issue.

20.9.2 Resolution by Parties

Upon receipt of a written notice claiming a Dispute, executives of both Parties shall meet at a mutually agreeable time and place within ten (10) bBusiness Ddays after delivery of such notice and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the Dispute. In such meetings and exchanges, a Party shall have the right to designate as confidential any information that such Party offers. No confidential information exchanged in such meetings for the purpose of resolving a Dispute may be used by a Party in litigation against the other Party. If the matter has not been resolved within thirty (30) calendar dDays of the disputing Party's notice having been issued, or if the Parties fail to meet within ten (10) bBusiness dDays as required above, either Party may initiate binding arbitration in St. Petersburg, Florida, conducted in accordance with the then current American Arbitration Association's ("AAA") Large, Complex Commercial Rules or other mutually agreed upon procedures.

20.10 Limitation of Liability

IN NO EVENT SHALL DEF, ITS PARENT CORPORATION, OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL, EXEMPLARY, PUNITIVE, OR MULTIPLE DAMAGES RESULTING FROM ANY CLAIM OR CAUSE OF ACTION, WHETHER BROUGHT IN CONTRACT, TORT (INCLUDING, BUT NOT LIMITED TO, NEGLIGENCE OR STRICT LIABILITY), OR ANY OTHER LEGAL THEORY.

20.11 Severability

If any part of this Contract, for any reason, is declared invalid or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect the validity of the remainder of the Contract, which remainder shall remain in

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION No. IX
SECOND-THIRD REVISED SHEET NO. 9.438
CANCELS FIRST-SECOND REVISED SHEET NO.
9.438

~~force and effect as if this Contract had been executed without the invalid or unenforceable portion.~~

~~**20.12 Complete Agreement and Amendments**~~

~~All previous communications or agreements between the Parties, whether verbal or written, with reference to the subject matter of this Contract are hereby abrogated. No amendment or modification to this Contract shall be binding unless it shall be set forth in writing and duly executed by both Parties. This Contract constitutes the entire agreement between the Parties.~~

~~**20.13 Survival of Contract**~~

~~Subject to the requirements of Section 20.4, this Contract, as it may be amended from time to time, shall be binding upon, and inure to the benefit of, the Parties' respective successors in interest and legal representatives.~~

~~**20.14 Record Retention**~~

~~Each Party shall maintain for a period of five (5) years from the date of termination hereof all records relating to the performance of its obligations hereunder.~~

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION No. IX
SECOND-THIRD REVISED SHEET NO. 9.439
CANCELS FIRST-SECOND REVISED SHEET NO.
9.439

20.11 Severability

If any part of this Contract, for any reason, is declared invalid or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect the validity of the remainder of the Contract, which remainder shall remain in force and effect as if this Contract had been executed without the invalid or unenforceable portion.

20.12 Complete Agreement and Amendments

All previous communications or agreements between the Parties, whether verbal or written, with reference to the subject matter of this Contract are hereby abrogated. No amendment or modification to this Contract shall be binding unless it shall be set forth in writing and duly executed by both Parties. This Contract constitutes the entire agreement between the Parties.

20.13 Survival of Contract

Subject to the requirements of Section 20.4, this Contract, as it may be amended from time to time, shall be binding upon, and inure to the benefit of, the Parties' respective successors-in-interest and legal representatives.

20.14 Record Retention

Each Party shall maintain for a period of five (5) years from the date of termination hereof all records relating to the performance of its obligations hereunder.

20.15 No Waiver

No waiver of any of the terms and conditions of this Contract shall be effective unless in writing and signed by the Party against whom such waiver is sought to be enforced. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given. The failure of a Party to insist, in any instance, on the strict performance of any of the terms and conditions hereof shall not be construed as a waiver of such Party's right in the future to insist on such strict performance.

20.16 Set-Off

DEF may at any time, but shall be under no obligation to, set off or recoup any and all sums due from the RF/QF against sums due to the RF/QF hereunder without undergoing any legal process.

20.17 ~~Change in Environmental Law or Other Regulatory Requirements~~

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 10, 2014



SECTION No. IX
SECOND-THIRD REVISED SHEET NO. 9.439
CANCELS FIRST SECOND REVISED SHEET NO.
9.439

- ~~(a) As used herein, "Change(e) in Environmental Law or Other Regulatory Requirements" means the enactment, adoption, promulgation, implementation, or issuance of, or a new or changed interpretation of, any statute, rule, regulation, permit, license, judgment, order or approval by a governmental entity that specifically addresses environmental or regulatory issues and that takes effect after the Effective Date.~~
- ~~(b) The Parties acknowledge that Change(e) in Environmental Law or Other Regulatory Requirements could significantly affect the cost of the Avoided Unit ("Avoided Unit Cost Changes") and agree that, if any such change(e) should affect the cost of the Avoided Unit more than the Threshold defined in Section 20.17(c) below, the Party affected by such change(e) may avail itself of the remedy set forth in Section 20.17(d) below as its sole and exclusive remedy.~~
- ~~(c) The Parties recognize and agree that certain Change(e) in Environmental Law or Other Regulatory Requirements may occur that do not rise to a level that the Parties desire to impact this Contract. Accordingly, the Parties agree that for the purposes of this Contract, such change(e) will not be deemed to have occurred unless the change in Avoided Cost resulting from such change(e) exceed a mutually agreed upon amount. This mutually agreed upon amount is attached to this Contract in Appendix E.~~

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 10, 2014



SECTION No. IX
FOURTH-FIFTH REVISED SHEET NO. 9.440
CANCELS THIRD-FOURTH REVISED SHEET NO.
9.440

20.17 Change in Environmental Law or Other Regulatory Requirements

- (a) As used herein, "Change(s) in Environmental Law or Other Regulatory Requirements" means the enactment, adoption, promulgation, implementation, or issuance of, or a new or changed interpretation of, any statute, rule, regulation, permit, license, judgment, order or approval by a governmental entity that specifically addresses environmental or regulatory issues and that takes effect after the Effective Date.
- (b) The Parties acknowledge that Change(s) in Environmental Law or Other Regulatory Requirements could significantly affect the cost of the Avoided Unit ("Avoided Unit Cost Changes") and agree that, if any such change(s) should affect the cost of the Avoided Unit more than the Threshold defined in Section 20.17(c) below, the Party affected by such change(s) may avail itself of the remedy set forth in Section 20.17(d) below as its sole and exclusive remedy.
- (c) The Parties recognize and agree that certain Change(s) in Environmental Law or Other Regulatory Requirements may occur that do not rise to a level that the Parties desire to impact this Contract. Accordingly, the Parties agree that for the purposes of this Contract, such change(s) will not be deemed to have occurred unless the change in Avoided Cost resulting from such change(s) exceed a mutually agreed upon amount. This mutually agreed upon amount is attached to this Contract in Appendix E.
- (d) If an Avoided Unit Cost Change meets the threshold set forth in Section 20.17(c) above, the affected Party may request the avoided cost payments under this Contract be recalculated and that the avoided cost payments for the remaining term of the Contract be adjusted based on the recalculation, subject to the approval of the FPSC. Any dispute regarding the application of this Section 20.17 shall be resolved in accordance with Section 20.9.

20.18 Provision of Information.

Within a reasonable period of time after receiving a written request therefore from the requesting Party, the other Party hereto shall provide the requesting Party with information that is reasonable and related to the non-requesting Party and/or the facilities or operations of the non-requesting Party that the requesting Party reasonably requires in order to comply with a Requirement of Law or any requirement of Generally Accepted Accounting Principles promulgated by the Financial Accounting Standards Board (or any successor thereto), (including, but not limited to, FIN 46-R) applicable to the requesting Party. In the event that a party requires information or reports that are not within its possession to meet financial reporting requirements, the parties will work in good faith to enable the requesting party to meet its financial reporting requirements.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: July 21, 2016



SECTION No. IX
SECOND ~~THIRD~~ REVISED SHEET NO. 9.441
CANCELS FIRST ~~SECOND~~ REVISED SHEET NO.
9.441

IN WITNESS WHEREOF, the RF/QF has executed this Contract on the date set forth below.

RF/QF

Signature

Print Name

Title

Date

IN WITNESS WHEREOF, DEF has acknowledged receipt of this executed Contract.

| DUKE ENERGY FLORIDA, INC LLC.

Signature

Print Name

Title

Date

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
| EFFECTIVE: July 10, 2014



SECTION No. IX
SEVENTH REVISED SHEET NO. 9.442
CANCELS SIXTH REVISED SHEET NO. 9.442

APPENDIX A
TO
DUKE ENERGY FLORIDA
RENEWABLE OR QUALIFYING FACILITY LESS THAN 100 KW
STANDARD OFFER CONTRACT

MONTHLY CAPACITY PAYMENT CALCULATION

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer or a Qualifying Facility less than 100 kW.

- A. In the event that the ACBF is less than or equal to 75%, then no Monthly Capacity Payment shall be due. That is:

$$MCP = 0$$

- B. In the event that the ACBF is greater than 75% but less than 95%, then the Monthly Capacity Payment shall be calculated by using the following formula:

$$MCP = BCP \times [1 - [5 \times (.95 - ACBF)] \times CC$$

- C. In the event that the ACBF is equal to or greater than 95%, then the Monthly Capacity Payment shall be calculated by using the following formula:

$$MCP = BCP \times CC$$

Where:

- MCP = Monthly Capacity Payment in dollars.
BCP = Base Capacity Payment in \$/kW/Month as specified in Appendix D or E.
CC = Committed Capacity in kW.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: June 9, 2016



SECTION No. IX
SECOND REVISED SHEET NO. 9.443
CANCELS FIRST REVISED SHEET NO. 9.443

- ACBF** = **Annual Capacity Billing Factor.** The ACBF shall be the electric energy actually received by DEF for the 12 consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the 12 consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the 12 consecutive months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. During the first 12 consecutive Monthly Billing Periods commencing with the first Monthly Billing Period in which Capacity Payments are to be made, the calculation of 12-month rolling average ACBF shall be performed as follows (a) during the first Monthly Billing Period, the ACBF shall be equal to the Monthly Availability Factor; (b) thereafter, the calculation of the ACBF shall be computed by summing the electric energy actually received by DEF for the number of full consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the number of full consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. This calculation shall be performed at the end of each Monthly Billing Period until enough Monthly Billing Periods have elapsed to calculate a true 12-month rolling average ACBF.
- MAF** = **Monthly Availability Factor.** The total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.
- Monthly Billing Period** = The period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION No. IX
THIRD REVISED SHEET 9.444
CANCELS SECOND REVISED SHEET NO. 9.444

**APPENDIX B
TO
DUKE ENERGY FLORIDA
RENEWABLE OR QUALIFYING FACILITY LESS THAN 100 KW
STANDARD OFFER CONTRACT**

TERMINATION FEE

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer or a Qualifying Facility less than 100 kW.

The "Termination Fee" shall be the sum of the values for each month beginning with the month in which the Capacity Delivery Date occurs through the month of the Termination Date (or month of calculation, as the case may be) computed according to the following formula:

$$\sum_{i=1}^n (MCP_i - MCPC_i) \cdot (1+r)^{(n-i)}$$

with: MCPC = 0 for all periods prior to the in-service date of the Avoided Unit:

where

- i** = number of Monthly Billing Periods commencing with the Capacity Delivery Date (i.e., the month in which Capacity Delivery Date occurs = 1; the month following this month in which Capacity Delivery Date occurs = 2 etc.)
- n** = the number of Monthly Billing Periods which have elapsed from the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be)
- r** = DEF's incremental after-tax avoided cost of capital (defined as r in Appendix D).
- MCP_i** = Monthly Capacity Payment paid to RF/QFQF corresponding to the Monthly Billing Period i, calculated in accordance with Appendix A.
- MCPC_i** = Monthly Capacity Payment for Option A corresponding to the Monthly Billing Period i, calculated in accordance with this Contract.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION No. IX
SIXTH REVISED SHEET NO. 9.445
CANCELS FIFTH REVISED SHEET NO. 9.445

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value less than zero, the amount of the Termination Fee shall be decreased by the amount of such value expressed as a positive number (the "Initial Reduction Value"); provided, however, that such Initial Reduction Value shall be subject to the following adjustments (the Initial Reduction Value, as adjusted, the "Reduction Value"):

- a. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A is less than or equal to 75%, then the Initial Reduction Value shall be adjusted to equal zero (Reduction Value = 0), and the Termination Fee shall not be reduced for the applicable Monthly Billing Period.
- b. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A, is greater than 75% but less than 95%, then the Reduction Value shall be determined as follows:

$$\text{Reduction Value} = \text{Initial Reduction Value} \times [5 \times (\text{ACBF} - .95)]$$

For the applicable Monthly Billing period, the Termination Fee shall be reduced by the amount of such Reduction Value.

- c. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A, is equal to or greater than 95%, then the Initial Reduction Value shall not be adjusted (Reduction Value = Initial Reduction Value), and the Termination Fee shall be reduced for the applicable Monthly Billing period by the amount of the Initial Reduction Value.

In no event shall DEF be liable to the RF/QF at any time for any amount by which the Termination Fee, adjusted in accordance with the foregoing, is less than zero (0).

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: June 9, 2016



SECTION No. IX
FIRST REVISED SHEET NO. 9.446
CANCELS ORIGINAL SHEET NO. 9.446

**APPENDIX C
TO
DUKE ENERGY FLORIDA
RENEWABLE OR QUALIFYING FACILITY LESS THAN 100 KW
STANDARD OFFER CONTRACT**

DETAILED PROJECT INFORMATION

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer or a Qualifying Facility less than 100 kW.

Each eligible Contract received by DEF will be evaluated to determine if the underlying RF/QF project is financially and technically viable. The RF/QF shall, to the extent available, provide DEF with a detailed project proposal which addresses the information requested below:

I. FACILITY DESCRIPTION

- Project Name
- Project Location
- * Street Address
- * Size Plot Plan
- * Legal Description of Site

- Generating Technology
- Primary Fuel
- Alternate Fuel (if applicable)
- Committed Capacity
- Expected In-Service Date

- Contact Person

- * Individual's Name and Title
- * Company Name
- * Address
- * Telephone Number
- * Fax Number

II. PROJECT PARTICIPANTS

- Indicate the entities responsible for the following project management activities and provide a detailed description of the experience and capabilities of the entities:

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION No. IX
FIRST REVISED SHEET NO. 9.447
CANCELS ORIGINAL SHEET NO. 9.447

- * Project Development
- * Siting and Licensing the Facility
- * Designing the Facility
- * Constructing the Facility
- * Securing the Fuel Supply
- * Operating the Facility

- Provide details on all electrical facilities which are currently under construction or operational which were developed by the RF/QF.
- Describe the financing structure for the projects identified above, including the type of financing used, the permanent financing term, the major lenders and the percentage of equity invested at Financial Closing.

III. FUEL SUPPLY

- Describe all fuels to be used to generate electricity at the Facility. Indicate the specific physical and chemical characteristics of each fuel type (e.g. Btu content, sulfur content, ash content, etc.). Identify special considerations regarding fuel supply origin, source and handling, storage and processing requirements.
- Provide AFR necessary to support planned levels of generation and list the assumptions used to determine these quantities.
- Provide a summary of the status of the fuel supply arrangements in place to meet the AFR, in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFR.

<u>Category</u>	<u>Description of Fuel Supply Arrangement</u>
owned =	fuel is from a fully developed source owned by one or more of the project participants
contract =	fully executed firm fuel contract exists between the developer(s) and fuel supplier(s)
LOI =	a letter of intent for fuel supply exists between developer(s) and fuel supplier(s)
SPP =	small power production facility will burn biomass, waste, or another renewable resource
spot =	fuel supply will be purchased on the spot market
none =	no firm fuel supply arrangement currently in place
other =	fuel supply arrangement which does not fit any of the above categories (please describe)

- Indicate the percentage of the Facility's AFR which is covered by the above fuel supply arrangement(s) for each proposed operating year. The percent of AFR covered for each operating year must total 100%. For fuel supply arrangements identified as owned, contract, or LOI, provide documentation to support this category and explain the fuel price mechanism of the arrangement. In addition, indicate whether or not the fuel price includes delivery and, if so, to what location.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION No. IX
FIRST REVISED SHEET NO. 9.448
CANCELS ORIGINAL SHEET NO. 9.448

- Describe fuel transportation networks available for delivering all primary and secondary fuel to the Facility site. Indicate the mode, route and distance of each segment of the journey, from fuel source to the Facility site. Discuss the current status and pertinent factors impacting future availability of the transportation network.
- Provide AFTR necessary to support planned levels of generation and list the assumptions used to determine these quantities.
- Provide a summary of the status of the fuel transportation arrangements in place to meet the AFTR in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFTR.
 - owned = fuel transport via a fully developed system owned by one or more of the project participants
 - contract = fully executed firm transportation contract exists between the developer(s) and fuel transporter(s)
 - LOI = a letter of intent for fuel transport exists between developer(s) and fuel transporter(s)
 - spot = fuel transportation will be purchased on the spot market
 - none = no firm fuel transportation arrangement currently in place
 - other = fuel transportation arrangement which does not fit any of the above categories (please describe)
- Provide the maximum, minimum and average fuel inventory levels to be maintained for primary and secondary fuels at the Facility site. List the assumptions used in determining the inventory levels.
- Provide information regarding RF/QF's plans to maintain sufficient on site fuel to deliver capacity and energy for an uninterrupted seventy-two (72) hour period.

IV. PLANT DISPATCHABILITY/CONTROLLABILITY

- Provide the following operating characteristics and a detailed explanation supporting the performance capabilities indicated:
 - * Ramp Rate (MW/minute)
 - * Peak Capability (% above Committed Capacity)
 - * Minimum power level (% of Committed Capacity)
 - * Facility Turnaround Time, Hot to Hot (hours)
 - * Start-up Time from Cold Shutdown (hours)
 - * Unit Cycling (# cycles/yr.)
 - * MW and MVAR Control (ACC, Manual, Other (please explain))

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



SECTION No. IX
FIRST REVISED SHEET NO. 9.449
CANCELS ORIGINAL SHEET NO. 9.449

V. SITING AND LICENSING

- Provide a licensing/permitting milestone schedule, which lists all permits, licenses and variances, required to site the Facility. The milestone schedule shall also identify key milestone dates for baseline monitoring, application preparation, agency review, certification and licensing/siting board approval, and agency permit issuance.
- Provide a licensing/permitting plan that addresses the issues of air emission, water use, wastewater discharge, wetlands, endangered species, protected properties, surrounding land use, zoning for the Facility, associated linear facilities and support of and opposition to the Facility.
- List the emission/effluent discharge limits the Facility will meet and describe in detail the pollution control equipment to be used to meet these limits.

VI. FACILITY DEVELOPMENT AND PERFORMANCE

- Submit a detailed engineering, procurement, construction, startup and commercial operation schedule. The schedule shall include milestones for site acquisition, engineering phases, selection of the major equipment vendors, architect engineer, and Facility operator, steam host integration and delivery of major equipment. A discussion of the current status of each milestone should also be included where applicable.
- Attach a diagram of the power block arrangement. Provide a list of the major equipment vendors and the name and model number of the major equipment to be installed.
- Provide a detailed description of the proposed environmental control technology for the Facility and describe the capabilities of the proposed technology.
- Attach preliminary flow diagrams for the steam system, water system, and fuel system, and a main electrical one line diagram for the Facility.
- State the expected heat rate (HHV) at 75 degrees Fahrenheit for loads of 100%, 75% and 50%. In addition, attach a preliminary heat balance for the Facility.

VII. FINANCIAL

- Provide DEF with assurances that the proposed RF/QF project is financially viable in accordance with FPSC Rule 25-17.0832(4)(c) by attaching a detailed pro-forma cash flow analysis. The pro-forma must include, at a minimum, the following assumptions for each year of the project.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013



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- Annual Project Revenues

- * Capacity Payments (\$ and \$/kW/Mo.)
- * Variable O&M (\$ and \$/MWh)
- * Energy (\$ and \$/MWh)
- * Tipping Fees (\$ and \$/ton)
- * Interest Income
- * Other Revenues
- * Variable O&M Escalation (%/yr.)
- * Energy Escalation (%/yr.)
- * Tipping Fee Escalation (%/yr.)

- Annual Project Expense

- * Fixed O&M (\$ and \$/kW/Mo.)
- * Variable O&M (\$ and \$/MWh)
- * Energy (\$ and \$/MWh)
- * Property Taxes (\$)
- * Insurance (\$)
- * Emission Compliance (\$ and \$/MWh)
- * Depreciation (\$ and %/yr.)
- * Other Expenses (\$)
- * Fixed O&M Escalation (%/yr.)
- * Variable O&M Escalation (%/yr.)
- * Energy Escalation (%/yr.)

- Other Project Information

- * Installed Cost of the Facility (\$ and \$/kW)
- * Committed Capacity (kW)
- * Average Heat Rate - HHV (MBTU/kWh)
- * Federal Income Tax Rate (%)
- * Facility Capacity Factor (%)
- * Energy Sold to DEF (MWh)

- Permanent Financing

- * Permanent Financing Term (yr.)
- * Project Capital Structure (percentage of long-term debt, subordinated debt, tax exempt debt and equity)
- * Financing Costs (cost of long-term debt, subordinated debt, tax exempt debt and equity)
- * Annual Interest Expense
- * Annual Debt Service (\$)
- * Amortization Schedule (beginning balance, interest expense, principal reduction, ending balance)

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SECTION No. IX
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CANCELS ORIGINAL SHEET NO. 9.451

- Provide details of the financing plan for the project and indicate whether the project will be non-recourse project financed. If it will not be project financed please explain the alternative financing arrangement.
- Submit financial statements for the last two years on the principals of the project, and provide an illustration of the project ownership structure.

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APPENDIX D
TO
DUKE ENERGY FLORIDA
RENEWABLE OR QUALIFYING FACILITY LESS THAN 100 KW
STANDARD OFFER CONTRACT
RATE SCHEDULE COG-2

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer or a Qualifying Facility less than 100 kW.

SCHEDULE

COG-2, Firm Capacity and Energy from a Renewable Facility ("RF/QF") or a Qualifying Facility less than 100 kW ("QF")

AVAILABLE

DEF will, under the provisions of this schedule and the Contract to which this Appendix is attached and incorporated into by reference, purchase firm capacity and energy offered by a RF/QF as defined in the contract. DEF's obligation to contract to purchase firm capacity from such RF/QF by means of this schedule and the Contract will continue no later than the Expiration Date.

APPLICABLE

To RF/QFs as defined in the Contract producing capacity and energy for sale to DEF on a firm basis pursuant to the terms and conditions of this schedule and the Contract. "Firm Capacity and Energy" are described by FPSC Rule 25-17.0832, F.A.C., and are capacity and energy produced and sold by a RF/QF pursuant to the Contract provisions addressing (among other things) quantity, time and reliability of delivery.

CHARACTER OF SERVICE

Purchases within the territory served by DEF shall be, at the option of DEF, single or three phase, 60-hertz alternating current at any available standard DEF voltage. Purchases from outside the territory served by DEF shall be three phase, 60-hertz alternating current at the voltage level available at the interchange point between DEF and the entry delivering the Firm Capacity and Energy from the RF/QF.

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LIMITATION

Purchases under this schedule are subject to FPSC Rules 25-17.080 through 25-17.310, F.A.C., and are limited to those RF/QFs which:

- A. Are defined in the Contract;
- B. Execute a Contract;

RATES FOR PURCHASES BY DEF

Firm Capacity and Energy are purchased at unit cost, in dollars per kilowatt per month and cents per kilowatt-hour, respectively, based on the value of deferring additional capacity required by DEF. For the purpose of this schedule, an Avoided Unit has been designated by DEF. DEF's next Avoided Unit has been identified in Section 4 of the Contract. Schedule 1 to this Appendix describes the methodology used to calculate payment schedules, general terms, and conditions applicable to the Contract filed and approved pursuant to FPSC Rules 25-17.080 through 25-17.310, F.A.C.

A. **Firm Capacity Rates**

Four options, A through D, as set forth below, are available for payments of firm capacity that is produced by a RF/QF and delivered to DEF. Once selected, an option shall remain in effect for the term of the Contract. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of firm Capacity which the RF/QF has contractually committed to deliver to DEF and are based on a contract term which extends through the Termination Date in Section 4 of the Contract. Payment schedules for other contract terms will be made available to any RF/QF upon request and may be calculated based on the methodologies described in Schedule 1. The currently approved parameters used to calculate the following schedule of payments are found in Schedule 2 to this Appendix.

Option A - Fixed Value of Deferral Payments - Normal Capacity

Payment schedules under this option are based on the value of a year-by-year deferral of DEF's Avoided Unit with an in-service date as of the Avoided Unit In-Service Date in Section 4 of the Contract, calculated in accordance with FPSC Rule 25-17.0832, F.A.C., as described in Schedule 1. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the Contract. The payment schedule for this option follows in Table 3.

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Option B - Fixed Value of Deferral Payments - Early Capacity

Payment schedules under this option are based upon the early capital cost component of the value of a year-by-year deferral of the Avoided Unit. The term "early" with respect to Option B means that these payments can start prior to the anticipated in-service date of the Avoided Unit; provided, however, that under no circumstances may payments begin before this RF/QF is delivering Firm Capacity and Energy to DEF pursuant to the terms of the Contract. When this option is selected, the Capacity Payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the RF/QF and calculated as shown on Schedule 1. Capacity Payments under Option B do not result in a prepayment or create a future benefit.

The RF/QF shall select the month and year in which the deliveries of firm capacity and energy to DEF are to commence and Capacity Payments are to start. DEF will provide the RF/QF with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Contract. The exemplary payment schedule in Table 3 is based on a contract term that begins on the Exemplary Early Capacity Payment Date in Section 4 of the Contract.

Option C - Fixed Value of Deferral Payment - Levelized Capacity

Payment schedules under this option are based upon the levelized capital cost component of the value of a year-by-year deferral of the Avoided Unit. The capital portion of Capacity Payments under this option shall consist of equal monthly payments over the term of the Contract, calculated as shown on Schedule 1. The fixed operation and maintenance portion of Capacity Payments shall be equal to the value of the year-by-year deferral of fixed operation and maintenance expense associated with the Avoided Unit. These calculations are shown in Schedule 1. The payment schedule for this option is contained in Table 3. Capacity Payments under Option C do not result in a prepayment or create a future benefit.

Option D - Fixed Value of Deferral Payment - Early Levelized Capacity

Payment schedules under this option are based upon the early levelized capital cost component of the value of a year-by-year deferral of the Avoided Unit. The capital portion of Capacity Payments under this option shall consist of equal monthly payments over the term of the Contract, calculated as shown on Schedule 1. The fixed operation and maintenance expense shall be calculated as shown in Schedule 1.

The RF/QF shall select the month and year in which the deliveries of firm capacity and energy to DEF are to commence and Capacity Payments are to start. DEF will provide the RF/QF with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Contract. The exemplary payment schedule in Table 3 is based on a contract term that begins on the Exemplary Early Capacity Payment Date in Section 4 of the Contract.

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SECTION No. IX
~~TENTH-ELEVENTH REVISED SHEET NO. 9.455~~
 CANCELS ~~NINTH-TENTH REVISED SHEET NO.~~
 9.455

TABLE 3
EXAMPLE MONTHLY CAPACITY PAYMENT IN \$/kW/MONTH
DEF'S June 1, 2024 Undesignated CT
Renewable or Qualifying Facility Standard Offer Contract Avoided Capacity Payments
 (\$/kW/MONTH)

Contract Year	Option A	Option B	Option C	Option D
	Normal Capacity Payment Starting on the Avoided Unit In-Service Date	Early Capacity Payment Starting on the Exemplary Capacity Payment Date	Levelized Capacity Payment Starting on the Avoided Unit In-Service Date	Early Levelized Capacity Payment Starting on the Exemplary Capacity Payment Date
2021				
2022		<u>3,713.36</u>		<u>4,193.80</u>
2023		<u>3,803.45</u>		<u>4,203.80</u>
2024	<u>4,824.37</u>	<u>3,903.53</u>	<u>5,354.84</u>	<u>4,203.81</u>
2025	<u>4,944.48</u>	<u>4,003.62</u>	<u>5,364.85</u>	<u>4,213.82</u>
2026	<u>5,074.59</u>	<u>4,103.71</u>	<u>5,364.86</u>	<u>4,223.82</u>
2027	<u>5,194.70</u>	<u>4,203.81</u>	<u>5,374.87</u>	<u>4,223.83</u>
2028	<u>5,324.82</u>	<u>4,303.90</u>	<u>5,384.87</u>	<u>4,233.83</u>
2029	<u>5,464.94</u>	<u>4,414.00</u>	<u>5,394.88</u>	<u>4,243.84</u>
2030	<u>5,595.07</u>	<u>4,524.10</u>	<u>5,404.89</u>	<u>4,243.85</u>
2031	<u>5,735.19</u>	<u>4,634.20</u>	<u>5,414.90</u>	<u>4,253.86</u>
2032	<u>5,885.32</u>	<u>4,754.31</u>	<u>5,424.91</u>	<u>4,263.86</u>
2033	<u>6,025.46</u>	<u>4,874.41</u>	<u>5,434.92</u>	<u>4,273.87</u>
2034	<u>6,175.59</u>	<u>4,994.52</u>	<u>5,444.93</u>	<u>4,283.88</u>

- The Capacity Payment schedules contained in this Contract assume a term of ten years from the Avoided Unit In-Service Date. In the event the RF/QF requests a term greater than ten years but less than the Avoided Unit Life then DEF shall prepare a schedule of Capacity Payments for the requested term. Such Capacity Payment rates shall be calculated utilizing the value-of-deferral methodology described in FPSC Rule 25-17.0832(6).

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 EFFECTIVE: June 9, 2016



SECTION No. IX
FIRST-SECOND REVISED SHEET NO. 9.456
CANCELS ORIGINAL-FIRST REVISED SHEET NO.
9.456

2. The RF/QF may also request an alternative Capacity Payment rate stream from DEF as authorized by Rule 25-17.250(4). Regardless of the Capacity Payment rate stream requested by the RF/QF, the cumulative present value of the capital cost payments made to the RF/QF over the term of the Contract shall not exceed the cumulative present value of the capital cost payments had such payments been made pursuant to FPSC Rule 25-17.0832(4)(g)(i). Fixed operation and maintenance expense shall be calculated to conform with FPSC Rule 25-17.0832(6)(b). Such an alternative Capacity Payment rate shall be subject to the Termination Fee in Appendix B.

In the event that alternative Capacity Payment rates are agreed upon, such Capacity Payment rate schedule shall be attached to the Contract in Appendix E.

B. Energy Rates

Payments Prior to the Avoided Unit In-Service Date

1. The energy rate, in cents per kilowatt-hour ($\$/kWh$), shall be based on DEF's actual hourly avoided energy costs which are calculated by DEF in accordance with FPSC Rule 25-17.0825, F.A.C.

The calculation of payments to the RF/QF shall be based on the sum over all hours of the billing period, of the product of each hour's avoided energy cost times the amount of energy (kWh) delivered to DEF from the Facility for that hour. All purchases shall be adjusted for losses from the point of metering to the point of interconnection.

2. Upon request of the RF/QF, DEF shall provide the RF/QF the option of receiving energy payments based on DEF's year-by-year projection of system incremental costs prior to hourly economy energy sales to other utilities, based on normal weather and fuel conditions plus a mutually agreed upon market volatility risk premium. ~~If this option is chosen, such payments will be calculated on an annual basis and the first year's estimated payment schedule shall be attached to this Contract in Appendix E.~~

Payments Starting on Avoided Unit In-Service Date

The calculation of payments to the RF/QF for energy delivered to DEF on and after the Avoided Unit In-Service Date shall be the sum, over all hours of the Monthly Billing Period, of the product of (a) each hour's Firm Energy Rate ($\$/kWh$); and (b) the amount of energy (kWh) delivered to DEF from the Facility during that hour.

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SECTION No. IX
~~TENTH-ELEVENTH REVISED SHEET NO. 8.457~~
~~CANCELS NINTH-TENTH REVISED SHEET NO.~~
 8.457

For any period during which energy is delivered by the RF/QF to DEF, the Firm Energy Rate in cents per kilowatt hour ($\$/kWh$) shall be the following on an hour-by-hour basis: the lesser of (a) the As-Available Energy Rate and (b) the Avoided Unit Energy Cost. The Avoided Unit Energy Cost, in cents per kilowatt - hour ($\$/kWh$) shall be defined as the product of (a) the Avoided Unit Fuel Cost and (b) the Avoided Unit Heat Rate; plus (c) the Avoided Unit Variable O&M.

For the purposes of this agreement, the Avoided Unit Fuel Cost shall be determined from gas price published in Platts Inside FERC, Gas Market Report, first of the month posting for Florida Gas Transmission ("FGT") Zone 3, plus other charges, surcharges and percentages that are in effect from time to time.

The Parties may mutually agree to fix a minority portion of the base firm energy payments associated with the Avoided Unit and amortize that fixed portion, on a present value basis, over the term of the Contract. Such fixed firm energy payments may, at the option of the RF/QF, start as early as the Avoided Unit In-Service Date. For purposes of this paragraph, "base firm energy payments associated with the Avoided Unit" means the energy costs of the Avoided Unit to the extent that the Avoided Unit would have been operated. If this option is mutually agreed upon, it will be attached to this Contract in Appendix E.

ESTIMATED AS-AVAILABLE ENERGY COST

~~For informational purposes only, the estimated incremental avoided energy costs for the next five years are as follows. The following estimates include variable operation and maintenance expenses:~~

<u>Applicable Period</u>	<u>Average \$/KWH</u>	<u>On-Peak \$/KWH</u>	<u>Off Peak \$/KWH</u>
2016	3.5	3.5	3.4
2017	3.6	3.7	3.5
2018	3.7	3.8	3.6
2019	3.7	3.8	3.6
2020	3.9	4.0	3.8

As required in Section 25-17.0825, F.A.C., information relating to as-available energy cost projections will be provided within 30 days of a written request for such projections by any interested person.

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 EFFECTIVE: June 9, 2018



SECTION No. IX
~~TENTH-ELEVENTH REVISED SHEET NO. 9.458~~
~~CANCELS NINTH-TENTH REVISED SHEET NO.~~
 9.458

ESTIMATED UNIT FUEL COST

~~The estimated unit fuel costs listed below are associated with the Avoided Unit and are based on current estimates of the price of natural gas.~~

\$/MMBTU

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>3.41</u>	<u>3.49</u>	<u>3.84</u>	<u>4.64</u>	<u>5.34</u>	<u>5.96</u>	<u>6.19</u>	<u>6.43</u>	<u>6.67</u>

As required in Section 25-17.0832, F.A.C., the estimated fuel costs associated with DEF's Avoided Unit are based on current estimates of the price of natural gas and will be provided within 30 days of a written request for such projections by any interested person.

DELIVERY VOLTAGE ADJUSTMENT

DEF's average system line losses are analyzed annually for the prior calendar year, and delivery efficiencies are developed for the transmission, distribution primary, and distribution secondary voltage levels. This analysis is provided in the DEF's Procedures For Changing The Real Power Loss Factor (currently Attachment Q) in its Open Access Transmission Tariff and DEF's fuel cost recovery filing with the FPSC. An adjustment factor, calculated as the reciprocal of the appropriate delivery efficiency factor, is applicable to the above determined energy costs if the RF/QF is within DEF's service territory to reflect the delivery voltage level at which RF/QF energy is received by the DEF.

The current delivery voltage adjustment factors are:

<u>Delivery Voltage</u>	<u>Adjustment Factor</u>
Transmission Voltage Delivery	1.01368
Primary Voltage Delivery	1.02368
Secondary Voltage Delivery	1.0629533

PERFORMANCE CRITERIA

Payments for firm Capacity are conditioned on the RF/QF's ability to maintain the following performance criteria:

A. Capacity Delivery Date

The Capacity Delivery Date shall be no later than the Required Capacity Delivery Date.

B. Availability and Capacity Factor

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 EFFECTIVE: June 9, 2016



SECTION No. IX
~~TENTH-ELEVENTH REVISED SHEET NO. 9.458~~
~~CANCELS NINTH-TENTH REVISED SHEET NO.~~
9.458

The Facility's availability and capacity factor are used in the determination of firm Capacity Payments through a performance based calculation as detailed in Appendix A to the Contract.

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EFFECTIVE: June 9, 2016



SECTION No. IX
SECOND-THIRD REVISED SHEET NO. 9.459
CANCELS FIRST-SECOND REVISED SHEET NO.
9.459

METERING REQUIREMENTS

The RF/QFs within the territory served by DEF shall be required to purchase from DEF hourly recording meters to measure their energy deliveries to DEF. Energy purchases from the RF/QFs outside the territory of DEF shall be measured as the quantities scheduled for interchange to DEF by the entity delivering Firm Capacity and Energy to DEF.

~~For the purpose of this Contract, the on-peak hours shall be those hours occurring April 1 through October 31, from 11:00 a.m. to 10:00 p.m., and November 1 through March 31, from 6:00 a.m. to 12:00 noon and 5:00 p.m. to 10:00 p.m. prevailing Eastern time. DEF shall have the right to change such on-peak Hours by providing the RF/QF a minimum of thirty calendar days' advance written notice.~~

BILLING OPTIONS

A RF/QF, upon entering into this Contract for the sale of firm capacity and energy or prior to delivery of as-available energy, may elect to make either simultaneous purchases from and sales to DEF, or net sales to DEF; provided, however, that no such arrangement shall cause the RF/QF to sell more than the Facility's net output. A decision on billing methods may only be changed: 1) when a RF/QF selling as-available energy enters into this Contract for the sale of firm capacity and energy; 2) when a Contract expires or is lawfully terminated by either the RF/QF or DEF; 3) when the RF/QF is selling as-available energy and has not changed billing methods within the last twelve months; 4) when the election to change billing methods will not contravene the provisions of FPSC Rule 25-17.0832 or a contract between the RF/QF and DEF.

If a RF/QF elects to change billing methods, such changes shall be subject to the following: 1) upon at least thirty days advance written note to DEF; 2) the installation by DEF of any additional metering equipment reasonably required to effect the change in billing and upon payment by the RF/QF for such metering equipment and its installation; and 3) upon completion and approval by DEF of any alteration(s) to the interconnection reasonably required to effect the change in billing and upon payment by the RF/QF for such alteration(s).

Payments due a RF/QF will be made monthly and normally by the twentieth business day following the end of the billing period. The kilowatt-hours sold by the RF/QF and the applicable avoided energy rates at which payment are being made shall accompany the payment to the RF/QF.

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SECTION No. IX
FOURTH REVISED SHEET NO. 9.460
CANCELS THIRD REVISED SHEET NO. 9.460

CHARGES TO RENEWABLE ENERGY PROVIDER

The RF/QF shall be responsible for all applicable charges as currently approved or as they may be approved by the Florida Public Service Commission, including, but not limited to:

A. Retail Service Charges

The RF/QF shall be responsible for all FPSC approved charges for any retail service that may be provided by DEF. The RF/QF shall be billed at the customer charge rate stated in DEF's applicable standby tariff monthly for the costs of meter reading, billing, and other administrative costs.

B. Interconnection Charges

Applicable Interconnection Charges are included in the transmission arrangements entered into with the Transmission Provider. Notwithstanding the above, Interconnection Charges must be in accordance with the provisions of FPSC Rule 25-17.087.

C. Transmission Charges

Applicable Transmission Charges are included in the transmission arrangements entered into with the Transmission Provider. Notwithstanding the above, Transmission Charges must be in accordance with the provisions of FPSC Rule 25-17.087.

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CANCELS ORIGINAL SHEET NO. 9.461

TERMS OF SERVICE

- A. It shall be the RF/QF's responsibility to inform DEF of any change in its electric generation capability.
- B. Any electric service delivered by DEF to a RF/QF located in DEF's service area shall be subject to the following terms and conditions:
- (1) A RF/QF shall be metered separately and billed under the applicable retail rate schedule(s), whose terms and conditions shall pertain.
 - (2) A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C., and the following:
 - (i) In the first year of operation, the security deposit should be based upon the singular month in which the RF/QF's projected purchases from DEF exceed, by the greatest amount, DEF's estimated purchases from the RF/QF. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit is required upon interconnection.
 - (ii) For each year thereafter, a review of the actual sales and purchases between the RF/QF and DEF will be conducted to determine the actual month of maximum difference. The security deposit should be adjusted to equal twice the greatest amount by which the actual monthly purchases by the RF/QF exceed the actual sales in DEF in that month.
 - (3) DEF shall specify the point of interconnection and voltage level.
 - (4) The RF/QF must enter into an interconnection to DEF's system. Specific features of the RF/QF and its interconnection to DEF's facilities will be considered by DEF in preparing the interconnection agreement. Notwithstanding the above, interconnection with, and delivery into, the Company's system must be accomplished in accordance with the provisions of FPSC Rule 25-17.087.
- C. Service under this rate schedule is subject to the rules and regulations of the FPSC.

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SECTION No. IX
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CANCELS ORIGINAL SHEET NO. 9.462

**SCHEDULE 1
TO RATE SCHEDULE COG-2**

CALCULATION OF VALUE OF DEFERRAL PAYMENTS

APPLICABILITY

This Schedule 1 provides a detailed description of the methodology used by DEF to calculate the monthly values of deferring or avoiding the Avoided Unit identified in the Contract. When used in conjunction with the current FPSC-approved cost parameters associated with the Avoided Unit contained in Schedule 2, a RF/QF may determine the applicable value of deferral capacity payment rate associated with the timing and operation of its particular facility should the RF/QF enter into a Contract with DEF.

Also contained in this Schedule 1 is the discussion of the types and forms of surety bond requirements or equivalent assurance for payment of the Termination Fee acceptable to DEF in the event of contractual default by a RF/QF.

CALCULATION OF VALUE OF DEFERRAL OPTION A

FPSC Rule 25-17.0832(5) specifies that avoided capacity costs, in dollars per kilowatt per month, associated with capacity sold to a utility by a RF/QF pursuant to Contract shall be defined as the year-by-year value of deferral of the Avoided Unit. The year-by-year value of deferral shall be the difference in revenue requirements associated with deferring the Avoided Unit one year, and shall be calculated as follows:

$$VAC_m = 1/12 [KI_n (1 - R) / (1 - R^L) + O_n]$$

Where, for a one year deferral:

- VAC_m = utility's monthly value of avoided capacity, in dollars per kilowatt per month, for each month of year n;
- K = present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;
- R = $(1 + i_p) / (1 + r)$;
- I_n = total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of the Avoided Unit with an in-service date of year n, including all identifiable and quantifiable costs relating to the construction for the Avoided Unit which would have been paid had the Avoided Unit been constructed;

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- O_n = total fixed operation and maintenance expense for the year n , in mid-year dollars per kilowatt per year, of the Avoided Unit;
- i_p = annual escalation rate associated with the plant cost of the Avoided Unit;
- i_o = annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;
- r = annual discount rate, defined as the utility's incremental after-tax cost of capital;
- L = expected life of the Avoided Unit; and
- n = year for which the Avoided Unit is deferred starting with the Avoided Unit In-Service Date and ending with the Termination Date.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - EARLY CAPACITY-OPTION B

Under the fixed value of deferral Option A, payments for firm capacity shall not commence until the in-service date of the Avoided unit(s). At the option of the RF/QF, however, DEF may begin making payments for capacity consisting of the capital cost component of the value of a year-by-year deferral of the Avoided Unit prior to the anticipated in-service date of the Avoided Unit. When such payments for capacity are elected, the avoided capital cost component of Capacity Payments shall be paid monthly commencing no earlier than the Capacity Delivery Date of the RF/QF, and shall be calculated as follows:

$$A_M = [A_o (1 + i_p)^{(m-1)} + A_o (1 + i_o)^{(m-1)}] / 12 \quad \text{for } m = 1 \text{ to } t$$

Where:

- A_M = monthly payments to be made to the RF/QF for each month of the contract year n , in dollars per kilowatt per month in which RF/QF delivers capacity pursuant to the early capacity option;
- i_p = annual escalation rate associated with the plant cost of the Avoided Unit;
- i_o = annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;

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EFFECTIVE: April 29, 2013



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m = year for which the fixed value of deferral payments under the early capacity option are made to a RF/QF, starting in year one and ending in the year t ;

t = the Term, in years, of the Contract;

A_c = $F [(1 - R) / (1 - R^t)]$

Where:

F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of Capacity Payments which would have been made had Capacity Payments commenced with the Avoided Unit In-Service Date;

R = $(1 + i_p) / (1 + r)$

r = annual discount rate, defined as DEF's incremental after-tax cost of capital; and

A_o = $G [(1 - R) / (1 - R^t)]$

Where:

G = The cumulative present value, in the year that the contractual payments will begin, of the avoided fixed operation and maintenance expense component of Capacity Payments which would have been made had Capacity Payments commenced with the Avoided Unit In-Service Date.

R = $(1 + i_o) / (1 + r)$

The currently approved parameters applicable to the formulas above are found in Schedule 2.

**CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS -
LEVELIZED AND EARLY LEVELIZED CAPACITY - OPTION C & OPTION D,
RESPECTIVELY**

Monthly fixed value of deferral payments for levelized and early levelized capacity shall be calculated as follows:

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$$P_L = (F / 12) \cdot [r / 1 - (1 + r)^4] + O$$

Where:

- P_L = the monthly levelized capacity payment, starting on or prior to the in-service date of DEF's Avoided Unit(s);
- F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of the Capacity Payments which would have been made had the Capacity Payments not been levelized;
- r = the annual discount rate, defined as DEF's incremental after-tax cost of capital;
- t = the Term, in years of the Contract
- O = the monthly fixed operation and maintenance component of the Capacity Payments, calculated in accordance with calculation of the fixed value of deferral payments for the levelized capacity or the early levelized capacity options.

RISK-RELATED GUARANTEES

With the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091, FPSC Rule 25-17.0832 (4)(e)10 requires that, when fixed value of deferral payments - early capacity, levelized capacity, or early levelized capacity are elected, the RF/QF must provide a surety bond or equivalent assurance of securing the payment of a Termination Fee in the event the RF/QF is unable to meet the terms and conditions of its Contract. Depending on the nature of the RF/QF's operation, financial health and solvency, and its ability to meet the terms and conditions of the Contract, one of the following may constitute an equivalent assurance of payment:

- (1) Bond;
- (2) Cash deposit(s) with DEF;
- (3) Unconditional, irrevocable, direct pay Letter of Credit;
- (4) Unsecured promise by a municipal, county or state government to repay payments for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from such government allowing the utility to levy a surcharge on either the electric bills of the government's electricity consuming facilities or the constituent electric customers of such government to assure that payments for early or levelized capacity are repaid;
- (5) Unsecured promise by a privately-owned RF/QF to repay payments for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from the owner(s) of the RF/QF, parent company, and/or subsidiary companies located in Florida to assure that payments for early, levelized or early levelized capacity are repaid; or
- (6) Other guarantees acceptable to DEF.

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DEF will cooperate with each RF/QF applying for fixed value of deferral payments under the early, levelized or early levelized capacity options to determine the exact form of an "equivalent assurance" for payment of the Termination Fee to be required based on the particular aspects of the RF/QF. DEF will endeavor to accommodate an equivalent assurance of repayment which is in the best interests of both the RF/QF and DEF's ratepayers.

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SECTION No. IX
TENTH-ELEVENTH REVISED SHEET NO. 9.467
CANCELS NINTH-TENTH REVISED SHEET NO.
9.467

**SCHEDULE 2
TO RATE SCHEDULE COG-2CAPACITY OPTION PARAMETERS**

**FIXED VALUE OF DEFERRAL PAYMENTS -
NORMAL CAPACITY OPTION PARAMETERS**

Where, for one year deferral:

		<u>Value</u>
VAC_m	= DEF's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	4.8237
K	= present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;	1.31709
I_0	= total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of the Avoided Unit with an in-service date of year n;	770.85697.2 7
O_n	= total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of the Avoided Unit;	3.873.67
i_p	= annual escalation rate associated with the plant cost of the Avoided Unit;	2.50%
i_o	= annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;	2.50%
r	= annual discount rate, defined as DEF's incremental after-tax cost of capital;	6.8592%
L	= expected life of the Avoided Unit;	35
n	= year for which the Avoided Unit is deferred starting with the Avoided Unit In-Service Date and ending with the Termination Date.	2024

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EFFECTIVE: June 9, 2016



SECTION No. IX
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 9.468

**FIXED VALUE OF DEFERRAL PAYMENTS -
 EARLY CAPACITY OPTION PARAMETERS**

A_m	= monthly avoided capital cost component of Capacity Payments to be made to the RF/QF starting as early as two years prior to the Avoided Unit In-Service Date, in dollars per kilowatt per month;	3.1351
i_p	= annual escalation rate associated with the plant cost of the Avoided Unit;	2.50%
n	= year for which early Capacity Payments to a RF/QF are to begin;	2022
F	= the cumulative present value of the avoided capital cost component of Capacity Payments which would have been made had Capacity Payments commenced with the anticipated in-service date of the Avoided Unit and continued for a period of 10 years;	304,222.76. 38
r	= annual discount rate, defined as DEF's incremental after-tax cost of capital;	6.8592%
t	= the Term, in years, of the Contract for the purchase of firm capacity commencing prior to the in-service date of the Avoided Unit;	1413
G	= the cumulative present value of the avoided fixed operation and maintenance expense component of Capacity Payments which would have been made had Capacity Payments commenced with the anticipated in-service date of the Avoided Unit and continued until the Termination Date.	201.80

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SECTION No. IX
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CANCELS ORIGINAL SHEET NO. 9.470

APPENDIX E

TO

DUKE ENERGY FLORIDA

RENEWABLE OR QUALIFYING FACILITY LESS THAN 100 KW

STANDARD OFFER CONTRACT

AGREED UPON PAYMENT SCHEDULES

AND OTHER MUTUAL AGREEMENTS

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
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SECTION No. IX
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CANCELS ORIGINAL SHEET NO, 9.475

**APPENDIX F
FPSC RULES 25-17.080 THROUGH 25-17.310
ARE PROVIDED IN SECTION VIII
ON THIS TARIFF BOOK**

ISSUED BY: Javier Portuendo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: April 29, 2013

EXHIBIT E

**AMENDED INTERCONNECTION AGREEMENT
(Legislative copy)**

Tariff Sheets:
9.700 through 9.717

DUKE ENERGY FLORIDA



SECTION No. IX
FIRST ~~SECOND~~ REVISED SHEET No. 9.700
CANCELS ~~FIRST~~ REVISED SHEET No. 9.700

INTERCONNECTION AGREEMENT

INTERCONNECTION ARRANGEMENTS AND COST RESPONSIBILITY

1.0 1-0 Purpose

1.1. This Interconnection Agreement ("Agreement") sets forth the terms and conditions pursuant to which _____ ("QF") has agreed to comply with and pay Duke Energy Florida, LLC ("Company") to interconnect with Company's electrical system. -This Agreement provides the procedures for the scheduling of construction for the Company's Interconnection Facilities as well as the cost responsibility of a QF Facility for the payment of Interconnection Costs. This Agreement also provides for operating, testing, and inspection procedures for the safe parallel operation of the Facility with the Company's electrical system. This Agreement applies to QF's directly interconnected with the Company's system and providing all net electrical output for sale to the Company. All requirements contained herein shall apply in addition to and not in lieu of the provisions of the Power Purchase Agreement.

2.0 2-0 Definitions

2.1. 2-1 — "Agreement" means this Interconnection Agreement.

2.2. 2-1 — "Company" means Duke Energy Florida, LLC.

2.3. 2-2 — "Company's Interconnection Facilities" means all equipment located on the Company's side of the Point of Delivery, including without limitation, equipment for connection, switching, transmission, distribution, protective relaying and safety

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provisions which in the Company's sole discretion are required to be installed for the delivery into the Company's system, measurement of electric energy injected into the Company's system, and upgrades to the Company's electrical system required for the Company to receive, use, and deliver the energy to Company's load, including all metering and telemetering equipment installed for the measurement of such energy delivered by the Facility, regardless of the Facility's location in relation to the Point of Delivery.

2.4. 2.3—“Default” means the failure of a breaching Party to cure its breach under this Agreement.

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2.5. 2.4—“Emergency Condition” means (a) any urgent, abnormal, operationally unstable, dangerous, and/or public safety condition that is existing on the Company’s system; (b) any urgent, abnormal, operationally unstable, dangerous, and/or public safety condition that is likely to result in any of the following: (i) loss or damage to the Facility and/or the Company’s system, (ii) disruption of generation by the Facility, (iii) disruption of service or stability on the Company’s system, and/or (iv) endangerment to human life or public safety; and/or, (c) any circumstance that requires action by the Company’s System Operator to comply with standing NERC regulations or standards, including without limitation actions to respond to, prevent, limit, or manage loss or damage to the Facility, loss or damage to the Company’s system, disruption of generation by the Facility, disruption of service on the Company’s system, an abnormal condition on the Company’s system, and/or endangerment to human life or safety. An Emergency Condition will be an excuse to QF’s performance only if such condition is not due to QF’s negligence, willful misconduct, and/or failure to perform as required under this Agreement.

2.6. 2.5—“Execution Date” means the date on which the ~~Company Parties~~ executes this Agreement.

2.7. 2.6—“Facility” means all equipment used to produce electrical output and, for a cogeneration facility, used to produce useful thermal energy through the sequential use of energy.

2.8. 2.7—“Facilities Study” means a written cost estimate of all the required materials and labor to complete the interconnection of the Facility with the Company’s electrical system, and an estimate of the date by which construction of the interconnection will be completed.

2.9. 2.8—“Feasibility Study” means a review of the alternatives and operational requirements reasonably available to interconnect the Facility to the Company’s electric system and identification of a feasible interconnection alternative.

2.10. 2.9—“Indemnified Party” has the meaning assigned to it in Section 12.1.

2.11. 2.10—“Indemnifying Party” has the meaning assigned to it in Section 12.2.

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2.12.2.11—“Interconnection Costs” means the actual costs incurred by the Company under this Agreement and for the Company’s Interconnection Facilities, including, without limitation, the cost of equipment, engineering, communication, labor, and operations, maintenance, and administrative activities.

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2.13.2-12—“Interconnection Costs Offset” means the estimated costs included in the Interconnection Costs that the Company would have incurred if it were not purchasing electric energy from the Facility but instead would have provided electrical service to the Facility as if it were a non-generating customers.

2.14.2-13—“Interconnection Request Application” means a form used to provide the Company with the information required to study an interconnection request.

2.15.2-14—“Part(y)(ies)” means the Company or/and the QF.

2.16.2-15—“Point of Delivery” means the point(s) on the Company’s side of the electrical system where electric energy generated exclusively by the Facility is delivered into the Company system pursuant to this Agreement.

2.17.2-16—“Point of Metering” means the point(s) where electric energy made available for delivery to the Company, subject to adjustment for losses to the Point of Delivery that are the sole responsibility of the QF, is measured.

2.18.2-17—“Power Purchase Agreement” means either the (i) Agreement for Purchase of As-Available Energy, (ii) the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer or a Qualifying Facility less than 100 kW or (iii) a negotiated contract based upon (i) or (ii).

2.19.2-18—“Qualifying Facility” or “QF” means a facility that meets the requirements defined in FPSC Rule 25-17.080. For the purposes of this Agreement only, a Distributed Resource as defined in the Institute of Electrical and Electronics Engineers (“IEEE”) Standard 1547 for Interconnecting Distributed Resources with Electric Power Systems, as they may be amended from time to time, will be deemed to be a QF, consistent with the Stipulation approved by the Florida Public Service Commission in Order No. PSC-06-0707-PAA-EI, issued August 18, 2006 in Docket No. 060410-EI.

2.20.2-19—“QF Insurance” has the meaning assigned to it in Section 13.1.

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~~CANCELS FIRST REVISED SHEET No. 9.702~~

2.21.2.20—“System Impact Study” means a preliminary written cost estimate of all the Company’s Interconnection Facilities, including without limitation, required materials and labor to complete the interconnection and a preliminary estimate of the date by which construction of the interconnection will be completed.

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SECOND-THIRD REVISED SHEET No. 9.703
CANCELS SECOND REVISED SHEET No. 9.703

3.0 3-0—Submission of Plans and Development of Interconnection Schedules and Cost Estimates

3.1. 3-1—No later than sixty (60) days after the Execution Date, the QF shall specify the date it desires the Company's Interconnection Facilities to be available for receipt of the electric energy and shall complete and submit, along with a deposit to cover Company's costs to perform interconnection studies, an Interconnection Request Application, to the Company. At such time, the QF shall deliver to the Company the Facility's preliminary design, engineering, and operational specifications for purposes of interconnecting with Company's system. Based upon the information provided, the Company shall consider the reasonable alternatives available to interconnect the QF in a Feasibility Study within sixty (60) days after all information requested by the Company is provided by the QF.

3.2. The QF shall, within thirty (30) days from receipt of the Feasibility Study, send written notification to the Company as to whether or not it will continue the Facility to the next study phase. The Company will consider no response as QF's withdrawal of the Facility from further consideration. No more than thirty (30) days following receipt of such notice, the Company and the QF shall meet and discuss interconnection alternatives and the QF's reasonable preference for interconnecting the Facility to the Company's electrical system. Once the QF has communicated a reasonable interconnection preference, the Company shall develop in a System Impact Study preliminary written Interconnection Costs and scheduling estimates for the Company's Interconnection Facilities within sixty (60) days after all information requested by the Company is provided by the QF. The schedule developed hereunder will indicate when the QF's final electrical plans must be submitted to the Company pursuant to section ~~Section 3.2-3~~ hereof.

3.3. 3-—The QF shall, within thirty (30) days from receipt of the System Impact Study, send written notification to the Company as to whether or not it will continue the Facility to the next study phase. The Company will consider no response as QF's withdrawal of the Facility from further consideration. ~~The~~ Along with such notification, the QF shall submit the Facility's final design, engineering, and operational specifications and all revisions to the information previously submitted under ~~section Section 3.1~~ hereof to the Company no later than the date specified pursuant to the last sentence of Section 3.1 hereof, unless such date is modified in the Company's sole discretion. Based upon the information provided and within sixty (60) days after the information is provided, the Company shall update its written Interconnection Costs and schedule estimates, provide the estimated time period required for construction of the Company's Interconnection Facilities, and specify the date by which the Company must receive notice from the QF

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to initiate construction, which date shall, to the extent practical, be consistent with the QF's schedule for delivery of energy into the Company's system in a Facilities Study.

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SECTION No. IX
SECOND-THIRD REVISED SHEET No. 9.703704
CANCELS FIRST-SECOND REVISED SHEET

The OF shall, within one hundred eighty (180) days from receipt of the Facilities Study, send written notification to the Company as to whether or not it will initiate construction of the Facility. The Company will consider no response as OF's withdrawal of the Facility from further consideration. The final electrical plans shall include the following information, unless all or a portion of such information is waived by the Company in its discretion:

- a. ~~a.~~—Physical layout drawings, including dimensions;

- b. ~~b.~~—All associated equipment specifications and characteristics including technical parameters, ratings, basic impulse levels, electrical main one-line diagrams, schematic diagrams, system protections, frequency, voltage, current and interconnection distance;

- c. ~~c.~~—Functional and logic diagrams, control and meter diagrams, conductor sizes and length, and any other relevant data which might be necessary to understand the Facility's proposed system and to be able to make a coordinated system;

- d. ~~d.~~—Power requirements in watts and vars;

- e. ~~e.~~—Expected radio-noise, harmonic generation and telephone interference factor;

- f. ~~f.~~—Synchronizing methods;

- g. ~~g.~~—Facility operating/instruction manuals; and

- h. ~~h.~~—The maximum amount of energy anticipated to be delivered to the Company.

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CANCELS ~~FIRST-SECOND REVISED SHEET~~

The final design specification documents delivered by the QF shall be labeled as "FINAL", and shall be signed, sealed, and dated by a licensed Florida Professional Engineer for purposes of establishing the final design submitted by the QF based on which Company will determine impacts to its system and construct interconnection facilities for the QF to interconnect with the system.

3.4. 3.3—Any subsequent change in the final electrical plans shall be submitted to the Company and the QF understands and agrees that any such changes could affect the Company's schedules and Interconnection Costs as previously estimated. The QF understands that any changes in system design after the "FINAL" design is submitted shall be deemed as material or significant design changes by the QF and may result in Company terminating this Agreement and re-starting the interconnection process, as may be determined by the Company in its sole discretion. The QF shall be responsible for all costs incurred by Company as a result of any modifications to the "FINAL" design.

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CANCELS ~~FIRST-SECOND REVISED SHEET~~

3.5. ~~3.4~~—Without limiting the QF's responsibility to pay for all costs under this Agreement, the QF understands and agrees that the QF shall pay the actual costs incurred by the Company to develop all estimates pursuant to ~~section Sections 3.1 and through 3.2-3~~ hereof and to evaluate any changes proposed by the QF as a result of the final design specifications. ~~At the Company's option, advance payment for these cost estimates may be required, in which event the~~The Company will issue an adjusted bill reflecting actual costs following completion of the cost estimates.

3.6. ~~3.5~~—The Parties agree that any cost or scheduling estimates provided by the Company hereunder shall be prepared in good faith but shall not be binding. The Company may modify such schedules as necessary to accommodate contingencies that affect the Company's ability to initiate or complete the Company's Interconnection Facilities and actual costs will be used as the basis for all final charges hereunder.

3.7. ~~3.6~~—All studies required for interconnection and the construction of any interconnection facilities required shall be placed in the queue in a non-discriminatory and non-preferential manner relative to any other interconnection requests so that Company can process all interconnection requests to the Company's system in accordance with the Company's current practices and operational procedures.

3.8. ~~The Company reserves the right to perform static and dynamic tests, incorporating the Facility in the Company's models, that may limit/reduce the amount of physical capacity that QF can interconnect at Facility. In such case, the Company will report the limitation to the QF who may then decide to adjust its capacity level for the next level of study.~~

3.9. ~~The Company will consider failure by the QF to meet any of the schedule deadlines herein as a withdrawal of the Facility from further consideration.~~

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SECTION No. IX
SECOND-THIRD REVISED SHEET No. 9.705706
CANCELS FIRST-SECOND REVISED SHEET

4.0 ~~4.0~~ Payment Obligations for Interconnection Costs:

4.1. 4.1—The Company shall have no obligation to initiate construction of the Company's Interconnection Facilities prior to a written notice from the QF agreeing to the Company's interconnection design requirements and notifying the Company to initiate its activities to construct the Company's Interconnection Facilities; provided, however, that such notice shall be received not later than the date specified by the Company under Section 3.2 hereof. The QF shall be liable for and agrees to pay all Interconnection Costs incurred by the Company.

4.2. 4.2—The QF agrees to pay all of the Company's actual Interconnection Costs as such costs are incurred and billed in accordance with the Power Purchase Agreement, if applicable.— Such amounts shall be billed pursuant to ~~section-Section~~ 4.2.1 if the QF elects the payment option permitted by FPSC Rule 25-17.087(3). Otherwise the QF shall be billed pursuant to ~~section-Section~~ 4.2.2. If the QF does not have a Power Purchase Agreement for the Facility, then the QF agrees to pay the amounts billed by Company within thirty (30) days after Company notifies the QF that such interconnection work has been completed.

4.2.1. 4.2.1—Upon a showing of credit worthiness, the QF shall have the option of making monthly installment payments for Interconnection Costs over a period no longer than ~~thirty-six (36)~~ months. The period selected is _____ months. Principal payments will be based on the estimated Interconnection Costs less the Interconnection Costs Offset, divided by the repayment period in months to determine the monthly principal payment. Payments will be invoiced in the first month following first incurrence of Interconnection Costs by the Company. Invoices to the QF will include principal payments plus interest on the unpaid balance, if any, calculated at a rate equal to the thirty (30) day highest grade commercial paper rate as published in the Wall Street Journal on the first business day of each month. The final payment or payments will be adjusted to cause the sum of principal payments to equal the actual Interconnection Costs.

4.2.2. 4.2.2—When Interconnection Costs are incurred by the Company, such costs will be billed to the QF to the extent that they exceed the Interconnection Costs Offset. The QF agrees to provide, at least fifteen (15) calendar days before the initiation of interconnection field work, cash or a letter of credit as adequate assurances, in a form acceptable to Company in its sole discretion, to cover the estimated Interconnection Costs.

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No. 9.706

SECTION No. IX
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~~CANCELS FIRST-SECOND REVISED SHEET~~

~~4.3.~~ ~~4.3~~—If the QF notifies the Company in writing to interrupt or cease interconnection work at any time and for any reason, the QF shall nonetheless be obligated to pay the Company for all costs incurred in connection with the Company's Interconnection Facilities through the date of such notification and for all additional costs for which the Company is responsible pursuant to binding contracts with third parties.

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SECTION No. IX
~~SECOND-THIRD REVISED SHEET~~ No. 9.706Z
CANCELS ~~FIRST-SECOND REVISED SHEET~~

5.0 ~~5.0~~—Payment Obligation for Operation, Maintenance and Repair of the Company's Interconnection Facilities-

5.1. The QF shall be billed monthly for the costs associated with the operation, maintenance, and repair of the interconnection. These include (a) the Company's inspections of the interconnection and (b) maintenance of any equipment beyond that which would be required to provide normal electric service to the Qualifying Facility if no sales to the Company were involved.

5.2. The QF shall pay a monthly charge equal to 0.50% of the Interconnection Costs less the Interconnection Costs Offset.

6.0 ~~6.0~~—Schematic Diagram

6.1. Exhibit B-1, attached hereto and made a part hereof, is a schematic diagram showing the major circuit components connecting the Facility and ~~with~~ the Company's ~~substation~~ electrical system and showing the Point of Delivery and the Point of Metering and/or Point of Ownership, if different. All switch number designations initially left blank on Exhibit B-1 will be inserted by the Company on or before the date on which the Facility first operates in parallel with the Company's system.

7.0 ~~7.0~~—Operating Standards

7.1. ~~7.1~~—The QF and the Company will independently provide for the safe operation of their respective facilities, including periods during which the other Party's facilities are unexpectedly energized or de-energized.

7.2. ~~7.2~~—The QF shall reduce, curtail, or interrupt electrical generation or take other appropriate action for so long as it is reasonably necessary, which in the judgment of the QF or the Company may be necessary to operate and maintain a part of either Party's system, to address, if applicable, an Emergency Condition on either Party's system. The QF shall also reduce, curtail, or interrupt electrical generation during the situations defined in Rule 25-17.086, F.A.C.

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SECTION No. IX
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7.3. 7.3—The operation and net energy deliveries to the Company from the QF shall not exceed the amount studied and approved by the Company's pursuant to the studies performed under this Agreement.

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EFFECTIVE: ~~October-14, 2016~~



No. 9.70g

SECTION No. IX
SECOND-THIRD REVISED SHEET No. 9.707g
CANCELS FIRST-SECOND REVISED SHEET

7.4. ~~7.4~~—The QF shall not operate the Facility's electric generation equipment in parallel with the Company's system without prior written consent of the Company. Such consent shall not be given until the QF has satisfied all criteria under the Power Purchase Agreement, if applicable and has:

- (i) ~~(i)~~—submitted to and received consent from the Company of its as-built electrical specifications;
- (ii) ~~(ii)~~—demonstrated to the Company's satisfaction that the Facility is in compliance with the insurance requirements of the Power Purchase Agreement, if applicable; and
- (iii) ~~(iii)~~—demonstrated to the Company's satisfaction that the Facility is in compliance with all regulations, rules, orders, or decisions of any governmental or regulatory authority having jurisdiction over the Facility's generating equipment or the operation of such equipment.

7.5. ~~7.5~~—Any proposed modifications to the electrical equipment of the Facility will be submitted to the Company for approval. It is further understood that the scope of some modifications may require new interconnection studies that will result in additional interconnections costs along with other costs detailed in Section 5 of the Agreement, and such costs shall be the sole responsibility of the QF. After any approved Facility modifications are completed, the QF shall not resume parallel operation with the Company's system until the QF has demonstrated that it is in compliance with all the requirements of ~~section~~ Section 8.2 hereof.

7.6. ~~7.6~~—The QF shall be responsible for coordination and synchronization of the Facility's equipment with the Company's electrical system, and assumes all responsibility for damage that may occur from improper coordination or synchronization of the generator with the utility's system.

7.7. ~~7.7~~—The Company shall have the right to open and lock, with a Company padlock, manual disconnect switch numbers(s) _____ and isolate the Facility's generation system without prior notice to the QF. To the extent practicable, however, prior notice shall be given. Any of the following conditions shall be cause for disconnection:

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 11, 2016



SECTION No. IX
~~SECOND-THIRD REVISED SHEET~~ No. 9.7078
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1. ~~1.~~ ~~Emergency Conditions~~ and/or maintenance repair and construction requirements;
2. ~~2.~~ ~~hazardous conditions existing on the Facility's generating or protective equipment as determined by the Company;~~
3. ~~3.~~ ~~adverse effects of the Facility's generation to the Company's other electric consumers and/or system as determined by the Company;~~
4. ~~4.~~ ~~failure of the QF to maintain any required insurance; or~~

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 14, 2018



SECTION No. IX
SECOND-THIRD REVISED SHEET No. 9.7089
CANCELS FIRST-SECOND REVISED SHEET

~~5.~~ ~~5.~~—failure of the QF to comply with any existing or future regulations, rules, orders or decisions of any governmental or regulatory authority having jurisdiction over the Facility's electric generating equipment or the operation of such equipment.

~~7.8.~~ ~~7.8~~—The Facility's electric generation equipment shall not be operated in parallel with the Company's system when auxiliary power is being provided from a source other than the Facility's electric generation equipment.

~~7.9.~~ ~~7.9~~—Neither Party shall operate switching devices owned by the other Party, except that the Company may open the manual disconnect switch number(s) _____ owned by the QF pursuant to ~~section~~ Section 7.7 hereof.

~~7.10.~~ ~~7.10~~—Should one Party desire to change the operating position of a switching device owned by the other Party, the following procedures shall be followed:

(i) ~~(i)~~—The Party requesting the switching change shall orally agree with an authorized representative of the other Party regarding which switch or switches are to be operated, the requested position of each switching device, and when each switch is to be operated.

(ii) ~~(ii)~~—The Party performing the requested switching shall notify the requesting Party when the requested switching change has been completed.

(iii) ~~(iii)~~—Neither Party shall rely solely on the other party's switching device to provide electrical isolation necessary for personnel safety. Each Party will perform work on its side of the Point of Ownership as if its facilities are energized or test for voltage and install grounds prior to beginning work.

(iv) ~~(iv)~~—Each Party shall be responsible for returning its facilities to approved operating conditions, including removal of grounds, prior to the Company authorizing the restoration of parallel operation.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 44, 2016



SECTION No. IX
~~SECOND-THIRD REVISED SHEET~~ No. 9.7089
CANCELS ~~FIRST-SECOND REVISED SHEET~~

(v) ~~(v)~~—The Company shall install one or more red tags on all open switches. Only Company personnel on the Company's switching and tagging list shall remove and/or close any switch bearing a Company red tag under any circumstances.

7.11.7.11 ~~7.11~~—Should any essential protective equipment fail or be removed from service for maintenance or construction requirements, the Facility's electric generation equipment shall be disconnected from the Company's system. To accomplish this disconnection, the QF shall either (i) open the generator breaker number(s) _____; or (ii) open the manual disconnect switch number(s) _____.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October-14, 2018



No. 9.710

SECTION No. IX
SECOND-THIRD REVISED SHEET No. 9.709710
CANCELS FIRST-SECOND REVISED SHEET

~~7.11.1.~~ ~~7.11.1.~~ If the QF elects option (i), the breaker assembly shall be opened and drawn out by QF personnel. As promptly as practicable, Company personnel shall install a Company padlock and a red tag on the breaker enclosure door.

~~7.11.2.~~ ~~7.11.2.~~ If the QF elects option (ii), the switch shall be opened by QF personnel or by Company personnel and, as promptly as practicable, Company personnel will install a Company padlock and a red tag.

8.0 ~~8.0~~—Inspection and Testing

8.1. ~~8.1~~—The inspection and testing of all electrical relays governing the operation of the generator's circuit breaker shall be performed in accordance with manufacturer's recommendations, but in no case less than once every 12 months. This inspection and testing shall include, but not be limited to, the following:

(i) ~~(i)~~—electrical checks on all relays and verification of settings electrically;

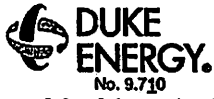
(ii) ~~(ii)~~—cleaning of all contacts;

(iii) ~~(iii)~~—complete testing of tripping mechanisms for correct operating sequence and proper time intervals; and

(iv) ~~(iv)~~—visual inspection of the general condition of the relays.

8.2. ~~8.2~~—In the event that any essential relay or protective equipment is found to be inoperative or in need of repair, the QF shall notify the Company of the problem and cease parallel operation of the generator until repairs or replacements have been made. The QF shall be responsible for maintaining records of all inspections and repairs and shall make said records available to the Company upon request.

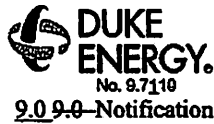
ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October-14, 2016



SECTION No. IX
~~SECOND-THIRD REVISED SHEET~~ No. 9.709710
CANCELS ~~FIRST-SECOND REVISED SHEET~~

~~8.3.~~ ~~8.3~~—The Company shall have the right to operate and test any of the Facility's protective equipment to assure accuracy and proper operation. This testing shall not relieve the QF of the responsibility to assure proper operation of its equipment and to perform routine maintenance and testing.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 14, 2016



SECTION No. 1X
FIRST SECOND REVISED SHEET No. 9.7110
CANCELS ORIGINAL FIRST REVISED SHEET

9.1. 9.1—Communications made for emergency or operational reasons may be made to the following persons and shall thereafter be confirmed promptly in writing:

To The Company: System Dispatcher on Duty
Title: System Dispatcher
Telephone: (727) 384-7211
Facsimile: (727) 384-7865

To The QF: _____
Title: _____
Telephone: _____
Facsimile: _____

To The Company: ~~System Dispatcher on Duty~~ _____
Title: ~~System Dispatcher~~
Telephone: ~~(727)384-7211~~
Telecopier: ~~(727)384-7865~~ The QF: Name: _____
Title: _____
Telephone: _____
Telecopier: _____

9.2. 9.2—Each Party shall provide as much notification as practicable to the other Party regarding planned outages of equipment that may affect the other Party's operation.

9.3. Communication for contract administrative purposes may be made to the following persons:

To The Company:
Title: Wholesale/Renewable Manager
Address: 299 First Avenue North
Mail Code FL-155
St Petersburg, FL 33701

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 14, 2016



SECTION No. IX
~~FIRST-SECOND REVISED SHEET No. 9.7110~~
~~CANCELS ORIGINAL-FIRST REVISED SHEET~~

Telephone: (727) 820-4597
Facsimile: (727) 820-4598

To The OF:
Title: _____
Address: _____

Telephone: _____
Facsimile: _____

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EFFECTIVE: October 14, 2016



SECTION No. IX
~~FIRST SECOND REVISED SHEET No. 9.749712~~
~~CANCELS ORIGINAL FIRST REVISED SHEET~~

10.0 ~~10.0~~—Standards

10.1 ~~10.1~~ Interconnection with, and delivery into, the Company's system must be accomplished in accordance with the provisions of FPSC Rule 25-17.087. Additionally, as provided in FPSC Order No. PSC-06-0707-PAA-EI, issued August 18, 2006, in Docket No. 060410-EI, for a QF that is a Distributed Resource, the QF's interconnection with the Company's system must be accomplished in accordance with the provisions of the IEEE Standard 1547 for Interconnecting Distributed Resources with Electric Power Systems that is in effect at the time of construction.

10.2 ~~10.1~~—The following minimum guidelines shall also be met:

- a. ~~a.~~—The governor control on the prime mover shall be capable of maintaining the generator output frequency within limits for loads from no-load up to rated output. The limits for frequency shall be 60 hertz (cycles per second), plus or minus an instantaneous variation of less than 1%.

- b. ~~b.~~—The regulator control shall be capable of maintaining the generator output voltage within limits from no-load up to rated output. The limits for voltage shall be the nominal operating voltage, plus or minus 5%.

- c. ~~c.~~—The output sine wave distortion shall be deemed acceptable when it does not have a higher content (root mean squared) of harmonics than the Company's normal harmonic content at the interconnection point.

- d. ~~d.~~—The QF's generating equipment shall be designed, operated, and controlled to provide reactive power requirements from 0.95 lagging to 0.95 leading power factor at the point of interconnection with the Company. Induction generators shall have static capacitors that provide at least 95% of the magnetizing current requirements of the induction generator field. Capacitors shall not be so large as to permit self-excitation of the QF's generator field.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 11, 2016



No. 9.740712

SECTION No. IX
~~FIRST-SECOND REVISED SHEET~~ No. 9.740712
~~CANCELS ORIGINAL-FIRST REVISED SHEET~~

e. e.—Direct current (DC) generators may be operated in parallel with the Company's system through a synchronous inverter. The inverter must meet all the criteria in this Agreement.

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EFFECTIVE: October 11, 2016



SECTION No. IX
ORIGINAL—FIRST REVISED SHEET No.
CANCELS ORIGINAL SHEET No. 9.713

11.0 ~~11.0~~—QF Standing and Qualification

11.1. The QF is a _____ (corporation, partnership, or other, as applicable) duly organized and validly existing in good standing under the laws of _____ and has all necessary power and authority to carry on its business as presently conducted to own or hold under lease its properties and to enter into and perform its obligations under this Agreement and all other related documents and agreements to which it is or shall be a Party. QF is duly qualified or licensed to do business in the State of Florida and in all other jurisdictions wherein the nature of its business and operations or the character of the properties owned or leased by it makes such qualification or licensing necessary and where the failure to be so qualified or licensed would impair its ability to perform its obligations under this Agreement or would result in a liability to Company or would have any adverse effect on Company.

12.0 ~~12.~~—Insurance

12.1. ~~12.1~~—The QF shall procure or cause to be procured and shall maintain throughout the entire Term of this Agreement, a policy or policies of liability insurance issued by an insurer acceptable in the state of Florida on a standard “Insurance Services Office” commercial general liability and/or excess liability form or equivalent and Workers’ Compensation in accordance with the statutory requirements of the state of Florida (such policy or policies, collectively, the “QF Insurance”). A certificate of insurance shall be delivered to the Company at least fifteen (15) calendar days prior to the start of any interconnection work. At a minimum, the QF Insurance shall contain (a) an endorsement providing coverage, including products liability/completed operations coverage for the term of this Agreement, and (b) premises and operations liability, (c) a broad form contractual liability endorsement covering liabilities (i) which might arise under, or in the performance or nonperformance of, this Agreement or (ii) caused by operation of the Facility or any of the QF’s equipment Without limiting the foregoing, the QF Insurance must be reasonably acceptable to the Company. Any premium assessment or deductible shall be for the account of the QF and not the Company.

12.2. ~~12.2~~—The QF Insurance for liability shall have a minimum limit of one million dollars (\$1,000,000.00) per occurrence for bodily injury (including death) or property damage. This liability limit can be met by any combination of commercial general and excess liability insurance policies.

12.3. ~~12.3~~—To the extent that the QF Insurance is on a “claims made” basis, the retroactive date of the policy(ies) shall be the Effective Date of this Agreement or an earlier date. Furthermore, to the extent the QF Insurance is on a “claims made” basis, the QF’s duty

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 11, 2016



SECTION No. IX
ORIGINAL—FIRST REVISED SHEET No.

CANCELS ORIGINAL SHEET No. 9.713

to provide insurance coverage shall survive the termination of this Agreement until the expiration of the maximum statutory period of limitations in the State of Florida for actions based in contract or in tort. To the extent the QF Insurance is on an "occurrence" basis, such insurance shall be maintained in effect at all times by the QF during the term of this Agreement.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 11, 2016



SECTION No. IX
FIRST REVISED SHEET No. 9.714
CANCELS ORIGINAL SHEET No. 9.714a

~~12.4.~~ ~~12.4~~—The QF shall provide the Company with a copy of any material communication or notice related to the QF Insurance within ten (10) Business Days of the QF's receipt or issuance thereof.

~~12.5.~~ ~~12.5~~—The Company shall be designated as an additional named insured under the QF Insurance (except Workers' Compensation). The QF Insurance shall be primary to any coverage maintained by the Company and provide, where permitted by law, waiver of any rights of subrogation against the Company. Any deductibles or retentions shall be the sole responsibility of QF. QF's compliance with these provisions and the limits of insurance specified herein shall not constitute a limitation of QF's liability or otherwise affect QF's indemnification obligations pursuant to this Agreement. Any failure to comply with all of these provisions shall not be deemed a waiver of any rights of the Company under this Agreement with respect to any insurance coverage required hereunder. The Company may request the QF to provide a copy of any or all of its required insurance policies, including endorsements in which the Company is included as an additional insured for any claims filed relative to this Agreement.

13.0 ~~13~~-Event of Default

~~13.1.~~ ~~13.1~~—Upon a Default, the non-defaulting Party shall give written notice of such Default to the defaulting Party. Except as provided in Section 13.2, the defaulting Party shall have five (5) Business Days from receipt of the Default notice within which to cure such Default.

~~13.2.~~ ~~13.2~~—If a Default is not cured as provided in this Section, the non-defaulting Party shall have the right to terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder and, whether or not that Party terminates this Agreement, to recover from the defaulting Party all amounts due hereunder, plus all other damages and remedies to which it is entitled at law or in equity. The provisions of this section ~~Section~~ will survive termination of this Agreement.

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 11, 2016



SECTION No. IX
FIRST REVISED SHEET NO. 9.715
CANCELS ORIGINAL SHEET No. 9.7153

14.0 ~~14.~~ Termination

14.1. — This Agreement shall terminate upon any of the following events:

- (a) at the time when the nature of the QF's service changes in such a way as to alter the manner in which the QF delivers power to the Company; or
- (b) pursuant to the procedure set forth in Section 13.2; or
- (c) as set forth in Section 3.3; or
- (d) termination of the Power Purchase Agreement; or
- (e) upon 30 days' notice by the QF to the Company.

15.0 ~~15.~~ Assignment

15.1. — Any assignment by QF of this Agreement and the rights and obligations hereunder shall be made only with the written consent of the Company, which consent shall not be unreasonably withheld and shall be subject to credit, payment, tax, and performance assurances.

16.0 ~~16.~~ Governing Law and Jurisdiction:

16.1. This Agreement and the rights and duties hereunder shall be governed by and construed, enforced and performed in accordance with the Laws of the State of Florida, without regard to principles of conflicts of law.

17.0 ~~17.~~ Mutual Representations

17.1. QF and Company each hereby represents and warrants to the other the following: (i) each has the capacity, authority, and power to execute, deliver, and perform under this

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 44, 2016



SECTION No. IX
FIRST REVISED SHEET NO. 9.715
CANCELS ORIGINAL SHEET No. 9.7153

Agreement; (ii) this Agreement constitutes legal, valid, and binding obligations enforceable against it; (iii) each person who executes this Agreement on behalf of each party has full and complete authority to execute and bind such party to this Agreement as an authorized representative of such party; (iv) each is acting on its own behalf and has made its own independent decision to bind itself under this Agreement; and, (v) each has completely read, fully understands, and voluntarily accepts every provision of this Agreement.

18.0 ~~18.~~ Entire Agreement

18.1. This Agreement constitutes the entire agreement and arrangement between the QF and Company relating to the subject matter herein. This Agreement shall not be binding and effective unless duly executed by an authorized officer of QF and delivered by QF to Company, and upon receipt of such duly executed document is executed by Company and delivered by Company to QF.

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EFFECTIVE: October 11, 2016



SECTION No. IX
FIRST REVISED SHEET No. 9.718
CANCELS ORIGINAL SHEET No. 9.7184

EXHIBIT B-1

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 11, 2016



SECTION No. IX
FIRST REVISED SHEET No. 9.716
CANCELS ORIGINAL SHEET No. 9.7164

**Exhibit B-1 will be unique for each Facility
and must be complete prior to parallel
operation with the Company**

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 11, 2016



SECTION No. IX
FIRST REVISED SHEET No. 9.717
CANCELS ORIGINAL SHEET No. 9.7175

IN WITNESS WHEREOF, the QF has executed this Agreement on the date set forth below.

QF

Signature

Print Name

Title

Date

IN WITNESS WHEREOF, the Company has acknowledged receipt of this executed Agreement.


DUKE ENERGY FLORIDA, LLC.

Signature

Print Name

Title

ISSUED BY: Javier Portuendo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 11, 2016

	<p>SECTION No. IX FIRST REVISED SHEET No. 9.717 CANCELS ORIGINAL SHEET No. 9.7175</p>
<p>_____</p> <p style="text-align: center;"><u>Date</u></p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	
<p>ISSUED BY: Javier Portuendo, Director, Rates & Regulatory Strategy - FL EFFECTIVE: October 11, 2016</p>	

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: July 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Draper, Guffey) *EAD*
Office of the General Counsel (Brownless) *SKG GS*
mmj

RE: Docket No. 20170148-EI – Petition for determination under Rule 25-6.115, F.A.C., and approval of associated revised tariff sheet 6.300, by Florida Power & Light Company.

AGENDA: 08/03/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 08/23/17 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
2017 JUL 21 AM 10:06
COMMISSION
CLERK

Case Background

On June 23, 2017, Florida Power & Light Company (FPL) filed a petition for approval for a determination under Rule 25-6.115(12), Florida Administrative Code (F.A.C.), that FPL may, under defined circumstances, exclude the applicants' underground conversion contribution in aid of construction (CIAC) amount as specified in Rule 25-6.115(8)(b), F.A.C.

Rule 25-6.115, F.A.C., and FPL's tariff provide the terms under which applicants are to pay a CIAC for the conversion of existing overhead distribution facilities to underground. FPL tariff sheet 6.300 provides the formula for the calculation of the CIAC. One component of the CIAC calculation is specified in paragraph (8)(b) of the rule and requires FPL to recover the value of the existing facilities (net book value of facilities minus their estimated salvage value) from the applicant. Paragraph (12) of the rule allows a utility to waive all or any portion of the cost for providing underground facilities. If the utility waives any charge, the utility is required to reduce

Docket No. 20170148-EI

Date: July 21, 2017

net plant in service unless the Commission determines that there is a quantifiable benefit to the general body of ratepayers commensurate with the waived charge.

FPL requests that the Commission determine that there are quantifiable benefits to the general body of ratepayers from the exclusion of the existing non-storm hardened facilities cost from the CIAC calculation for underground conversions and seeks approval of its revised tariff sheet 6.300. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should FPL's proposed revisions to Tariff Sheet No. 6.300 be suspended?

Recommendation: Yes. Staff recommends that the proposed revisions to Tariff Sheet No. 6.300 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 proposed tariff revisions. (Draper, Guffey)

Staff Analysis: Staff recommends that the proposed revisions to Tariff Sheet No. 6.300 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 proposed tariff revisions.

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

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open pending the Commission's decision on the proposed revisions to Tariff Sheet No. 6.300. (Brownless)

Staff Analysis: This docket should remain open pending the Commission's decision on the proposed revisions to Tariff Sheet No. 6.300.