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Commission Conference Agenda
December 12, 2017

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Commission Conference Agenda
December 12, 2017

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: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Office of Industry Development and Market Analysis (D. Flores) DF AFC
Office of the General Counsel (S. Cuello) SHC

RE: Application for Certificate of Authority to Provide Telecommunications Service

AGENDA: 12/12/2017 - Consent Agenda - Proposed Agency Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

Please place the following Application for Certificate of Authority to Provide Telecommunications Service on the consent agenda for approval.

DOCKET NO.	COMPANY NAME	CERT. NO.
20170211-TX	Citadel Design & Construction, LLC	8912

The Commission is vested with jurisdiction in this matter pursuant to Section 364.335, Florida Statutes. Pursuant to Section 364.336, Florida Statutes, certificate holders must pay a minimum annual Regulatory Assessment Fee if the certificate is active during any portion of the calendar year. A Regulatory Assessment Fee Return Notice will be mailed each December to the entity listed above for payment by January 30.

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: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (L. Smith II, D. Buys)
Office of the General Counsel (Taylor)

RE: Docket No. 20170241-GU – Application for authority to issue debt security during calendar year 2018, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida City Gas.

AGENDA: 12/12/17 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Please place the following debt security application on the consent agenda for approval.

Docket No. 20170241-GU – Application for authority to issue debt security during calendar year 2018, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida City Gas.

Florida City Gas (Company) seeks authority to finance its on-going cash requirements through its participation and borrowings from, and investments in, Southern Gas Company's (formerly AGL Resources Inc.'s) Utility Money Pool during 2018. Florida City Gas is a division of Pivotal Utility Holdings, Inc., which is a wholly-owned subsidiary of Southern Gas Company. The maximum aggregate short-term borrowings by Pivotal Utility Holdings, Inc.'s three utilities (Elizabethtown Gas, Elkton Gas, and Florida City Gas) from the Utility Money Pool during 2018 will not exceed $800 million. Florida City Gas states that its share of these borrowings will not exceed $250 million.

In connection with this application, Florida City Gas confirms that the capital raised pursuant to this application will be used in connection with the regulated natural gas operations of Florida City Gas and not the unregulated activities of the Company or its affiliates.

Staff has reviewed the Company's projected capital expenditures. The amount requested by the Company exceeds its expected capital expenditures. The additional amount requested exceeding the projected capital expenditures allows for financial flexibility for the purposes enumerated in the Company's petition as well as unexpected events such as hurricanes, financial market disruptions, and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends the Company's petition to issue securities be approved.

For monitoring purposes, this docket should remain open until April 26, 2019, to allow the Company time to file the required Consummation Report.

State of Florida

Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Sibley, Hudson)
Office of General Counsel (Crawford)

RE: Docket No. 20170237-WU – Application of Section 367.0816, Florida Statutes, recovery of rate case expense, to Peoples Water Service Company of Florida, Inc. in Escambia County.

AGENDA: 12/12/2017 – Consent Agenda – Final Action – Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

Please place the following four year rate reduction on the consent agenda for approval.

Docket No. 20170237-WU - Application of Section 367.0816, Florida Statutes, recovery of rate case expense, to Peoples Water Service Company of Florida, Inc. in Escambia County.

Pursuant to Order No. PSC-13-0647-PAA-WU, issued December 5, 2013, Peoples Water Service Company of Florida, Inc. (Peoples) was allowed to recover rate case expense of $46,005 amortized over four years at $11,501 per year. Section 367.0816, F.S., required that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The four-year amortization period expires on December 31, 2017. Inadvertently, the rate reduction to the respective base facility and gallonage charges was not reflected in the order. Attached is a schedule reflecting the rate reductions that should have been reflected in the order. Peoples agrees with the rate reductions.

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.

Schedule 1

Residential and General Service	**Four Year Rate Reduction**
Base Facility Charges by Meter Size	
5/8" x 3/4"	$0.03
1"	$0.08
1 1/4"	$0.12
1 1/2"	$0.15
2"	$0.24
3"	$0.48
4"	$0.75
6"	$1.50
8"	$2.40
10"	$4.35
Charge per 1,000 gallons- Residential	
0 - 3,000 Gallons	$0.01
3,001-6,000 Gallons	$0.02
6,001-12,000 Gallons	$0.02
Over 12,000 Gallons	$0.03
Charge per 1,000 gallons- General Service	$0.01
Multi-Family - per unit	
Base Facility Charge - All Meter Sizes	$0.03
Charge Per 1,000 gallons	$0.01
Private Fire Protection	
2"	$0.02
3"	$0.04
4"	$0.06
6"	$0.13
8"	$0.20
10"	$0.36

Item 2

State of Florida

Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Office of the General Counsel (Cowdery) S.M.C.
Office of Consumer Assistance and Outreach (Hicks) RH
Division of Economics (Guffey) EJT
Division of Engineering (Graves, King) TG

RE: Docket No. 20170222-WS – Proposed amendment of Rules 25-30.130, Record of Complaints, and 25-30.355, Complaints, F.A.C.

AGENDA: 12/12/17 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

RULE STATUS: Proposal May Be Deferred

SPECIAL INSTRUCTIONS: None

Case Background

Rule 25-30.130, Record of Complaints, Florida Administrative Code (F.A.C.), requires each water and wastewater utility to keep a record of each signed, written customer complaint, and identifies the information that must be kept in the record. Rule 25-30.355, Complaints, F.A.C., requires a utility to make a full and prompt acknowledgement and investigation of all customer complaints, and defines the word "complaint." Staff initiated this rulemaking to update language, delete obsolete requirements, edit to improve readability, and clarify the rules.

The Commission also has a rule addressing customer complaints that applies to all of the Commission's regulated utilities, Rule 25-22.032, F.A.C., Customer Complaints. Under this rule, if a customer complaint is not resolved informally between a customer and the utility, the customer may file a complaint with the Commission. Staff is not recommending any

amendments to this rule because the process set out in the rule works well. However, staff examined Rules 25-30.130 and 25-30.355, F.A.C., in light of the process described in Rule 25-22.032, F.A.C., to determine whether there was any duplication between the rules.

The notice of rule development for Rules 25-30.130 and 25-30.355, F.A.C., appeared in the February 8, 2017, edition of the Florida Administrative Register, volume 43, number 26. Staff rule development workshops were held on February 28, 2017, and on June 27, 2017. Although no water or wastewater utility representatives attended the workshops, Mr. Mike Smallridge provided comments that were considered in this rulemaking. The Office of Public Counsel participated in both workshops and provided comments that have been incorporated into the recommended rule amendments.

This recommendation addresses whether the Commission should propose the amendment of Rules 25-30.130 and 25-30.355, F.A.C. The Commission has jurisdiction pursuant to Sections 120.54, 350.127(2), 367.0812, 367.111, and 367.121(1), Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the Commission propose the amendment of Rules 25-30.130, Record of Complaints, and 25-30.355, Complaints, F.A.C.?

Recommendation: Yes, the Commission should propose the amendment of Rules 25-30.130 and 25-30.355, F.A.C., as set forth in Attachment A. Staff recommends that the Commission certify proposed amended Rules 25-30.130 and 25-30.355, F.A.C., as minor violation rules. (Cowdery, King, Graves, Hicks, Guffey)

Staff Analysis:
Staff recommends that the Commission propose the amendment of Rules 25-30.130 and 25-30.355, F.A.C., as set forth in Attachment A. Staff's analysis of how each rule should be amended is discussed in more detail below.

Rule 25-30.130, F.A.C., Record of Complaints

Requirement to maintain a record of all complaints

Under subsection (1) of Rule 25-30.130, F.A.C., water and wastewater utilities must maintain a record of all signed, written complaints. The requirement for a signed, written complaint pre-dates electronic communication and is technically obsolete. For this reason, staff recommends that the Commission propose the amendment of subsection (1) of Rule 25-30.130, F.A.C., to require water and wastewater utilities to maintain a record of all complaints.

Staff is further recommending that Rule 25-30.130(1), F.A.C., be amended to state that the word "complaint" is defined in Rule 25-30.355(1), F.A.C., as discussed below. Staff believes that this will assure that water and wastewater utilities are made aware of what customer contacts constitute complaints that are subject to the record keeping requirements of Rule 25-30.130, F.A.C.

Requirement to maintain a record of each complaint for five years

Staff is recommending that Rule 25-30.130, F.A.C., be amended to require water and wastewater utilities to keep a record of all customer complaints for five years. Currently, water and wastewater utilities are required to keep records and reports of customers' service complaints for three years pursuant to Rule 25-30.110(1)(a), F.A.C., Records and Reports. However, staff believes that this three year retention period is obsolete because of recent changes to Section 367.0812(1)(c), F.S. These statutory changes require the Commission, in considering quality of service in rate cases, to consider complaints regarding applicable secondary water quality standards filed by customers with the Commission during the past five years.[1] Because the Commission reviews five years of customer complaints concerning secondary water treatment standards, staff believes it is reasonable to require water and wastewater utilities to keep a record of all customer complaints for five years.

[1] Because of these changes to Section 367.0812(1)(c), F.S., the Commission amended Rules 25-30.440 (11) and 25-30.037(1)(r)4, F.A.C., to require water and wastewater utilities' rate case applications and applications for authority to transfer an existing water utility to include a copy of all customer complaints that the utility has received regarding DEP secondary water quality standards during the past five years. Order No. PSC-15-0567-FOF-WS, issued December 16, 2015, in Docket No. 150198-WS, *In re: Proposed Adoption of Rules*; Order No. PSC-15-0055-FOF-WS, issued January 21, 2015, in Docket No. 140205-WS, *In re: Proposed Adoption of Rule.*

As mentioned in the Case Background, the Commission has a rule applicable to all industries with a procedure to resolve customer complaints that are not resolved informally between a customer and the utility, Rule 25-22.032, F.A.C., Customer Complaints. This Customer Complaints rule requires a utility to keep copies of documentation relating to each Commission complaint for two years after the date the complaint was closed by the Commission. This is a different recordkeeping requirement than the requirement that water and wastewater utilities retain a record of each complaint received by the utility for five years under Rule 25-30.130, F.A.C., addressed in this docket. Staff recommends that for clarity, the Commission should add language to Rule 25-30.130, F.A.C., specifying that documentation relating to customer complaints processed under the Commission's Customer Complaints rule, Rule 25-22.032, F.A.C., shall be retained for the two year time period as required by Rule 25-22.032(10)(a), F.A.C.

Requirement for utilities to provide records of complaints to Commission staff upon request

Staff is recommending that Rule 25-30.130, F.A.C., be amended to include a requirement in subsection (2) that utilities provide records of complaints to Commission staff upon request. Staff believes that this is the intent of Rule 25-30.130, F.A.C. Water and wastewater utilities are required by Rule 25-30.110(1)(b), F.A.C., to maintain their records at their offices in Florida, unless otherwise authorized by the Commission, and they must keep those records open for inspection by Commission staff during business hours. However, there is no specific Commission rule requiring utilities to provide records of complaints to the Commission upon Commission staff's request. Amending Rule 25-30.130, F.S., to specifically include this requirement will give clarity to assure that utilities keep their records of complaints in such a format or manner that the records are readily available to Commission staff when requested.[2]

Rule 25-30.355, F.A.C., Complaints

Responding to customer complaints

Subsection (1) of Rule 25-30.355, F.A.C., requires water and wastewater utilities to make a full and prompt acknowledgement and investigation of all customer complaints. Staff recommends that this language should be amended to require a utility to investigate a customer complaint and give the customer a verbal or written response within 15 working days of the utility's receipt of the complaint. A 15-day response requirement would give specificity and clarity as to what is considered an appropriate response time.

Subsection (1) of Rule 25-30.355, F.A.C., also requires water and wastewater utilities to "respond fully and promptly to all customer requests." Staff is recommending that this requirement be deleted from Rule 25-30.355, F.A.C., because it is duplicative of other rule requirements that better explain the utilities' responsibilities to promptly address customer service requests. In this regard, Rule 25-30.310(2), F.A.C., requires water and wastewater utilities to initiate service to a customer "without unreasonable delay"; Rule 25-30.250(1),

[2] The Commission has rules that specifically require utilities to provide other types of records upon staff's request. For example, Rule 25-30.245(2), F.A.C., requires each water and wastewater utility to furnish its accident reports to the Commission upon request of Commission staff. Rule 25-22.032(6)(e), F.A.C., addressing unresolved customer complaints filed with Commission, states that Commission staff may request and the utility is required to provide copies of information necessary to resolve a dispute between the utility and the customer.

F.A.C., requires water and wastewater utilities to re-establish service with the shortest possible delay consistent with the safety of its consumers and the general public; and Rule 25-30.320, F.A.C., addressing refusal or discontinuance of service, contains customer notification requirements. Additionally, Rule 25-30.266, F.A.C., contains provisions that apply when a customer requests the utility to test for meter error. Further, the requirement that customer service requests be promptly addressed is appropriately addressed in the rules described above instead of in the customer complaint rule because customer service requests are not complaints.[3]

Definition of complaint

Rule 25-30.355, F.A.C., defines complaint, in part, as an objection made to the utility by the customer as to the utility's charges, facilities, or service that requires action on the part of the utility. Staff believes that the rule should be amended to make clear that the customer may inform the utility of its complaint by telephone call, e-mail, letter, or utility's web-site form. This specificity will mean that all such customer complaints will be recorded and retained as required in Rule 25-30.130, F.A.C., and will be responded to within 15 working days as required by subsection (2) of Rule 25-30.355, F.A.C.

Deletion of response to staff inquiry requirement

Subsection (3) of Rule 25-30.355, F.A.C., requires water and wastewater utilities to reply in writing to Commission staff inquiries within 15 days from the date of the inquiry. Staff recommends that this requirement should be deleted because this same requirement is already properly included in Commission Rule 25-22.032, F.A.C., Customer Complaints, and does not belong in Rule 25-30.355, F.A.C. The focus of Rule 25-30.355, F.A.C., Complaints, is on the utility's responsibility to promptly investigate and respond to customer complaints and attempt to resolve those complaints without Commission staff's involvement. If Commission staff has become involved and is requesting information from the utility, it means the complaint was not resolved by the utility and customer, and the customer has filed a complaint with the Office of Consumer Assistance and Outreach for resolution under Rule 25-22.032, F.A.C.

Utility response to emergency conditions

Staff recommends that subsection (3) of Rule 25-30.355, F.A.C., be amended to require each water and wastewater utility to have a procedure for receiving and promptly responding to emergency calls 24 hours a day. Staff believes this amendment is necessary because although another Commission rule, Rule 25-30.330(1), F.A.C., Information to Customers, requires water and wastewater utilities to provide their customers, at least annually, their telephone numbers for regular and after hours, the rule does not address emergency calls.[4]

Staff also recommends that subsection (3) be amended to define emergencies as reports of water or wastewater main breaks or conditions caused by utility-owned facilities wherein property damage or personal injury is reasonably foreseeable. This language is similar to the electric utility definition of emergency in subsection (4) of Rule 25-6.094, F.A.C.

[3] If a customer believes that its service request has not been addressed promptly as required by the Commission rules discussed above for service requests, the customer may make a complaint to the utility.

[4] Commission rules require electric and gas public utility to have a procedure for receiving and promptly responding to emergency calls 24 hours a day. Rules 25-6.094, 25-7.080(2), 25-12.041 and 25-12.042, F.A.C.

Statement of Estimated Regulatory Costs

Pursuant to Section 120.54(3)(b)1., F.S., agencies are encouraged to prepare a statement of estimated regulatory costs (SERC) before the adoption, amendment, or repeal of any rule. A SERC was prepared for this rulemaking and is appended as Attachment B. As required by Section 120.541(2)(a)1., F.S., the SERC analysis includes whether the rule amendments are likely to have an adverse impact on economic growth, private sector job creation or employment, or private sector investment in excess of $1 million in the aggregate within 5 years after implementation. Section 120.541(2)(a)1., F.S. None of the impact/cost criteria will be exceeded as a result of the recommended revisions.

The SERC concludes that the rule amendments will likely not directly or indirectly increase regulatory costs in excess of $200,000 in the aggregate in Florida within 1 year after implementation. Further, the SERC concludes that the rule amendments will not likely increase regulatory costs, including any transactional costs or have an adverse impact on business competitiveness, productivity, or innovation in excess of $1 million in the aggregate within 5 years of implementation. Thus, the rule amendments do not require legislative ratification, pursuant to Section 120.541(3), F.S. In addition, the SERC states that the rule amendments would not have an adverse impact on small businesses, would have no implementation or enforcement cost on the Commission or any other state and local government entity, and would have no impact on small cities or small counties. The SERC states that transactional costs on small businesses, if there are any, are expected to be minimal.

Minor Violation Rules Certification

Pursuant to Section 120.695, F.S., beginning July 1, 2017, for each rule filed for adoption, the Commission is required to certify whether any part of the rule is designated as a rule the violation of which would be a minor violation. A list of the Commission rules designated as minor violation rules is published on the Commission's website, as required by Section 120.695(2), F.S. Currently, Rules 25-30.130 and 25-30.355, F.A.C., are on the Commission's list of rules designated as minor violations. If the Commission proposes the amendment of Rules 25-30.130 and 25-30.355, F.A.C., the rules would continue to be considered minor violation rules. Therefore, for purposes of filing the amended rules for adoption with the Department of State, staff recommends that the Commission certify proposed amended Rules 25-30.130 and 25-30.355, F.A.C., as minor violation rules.

Conclusion

For the reasons described above, staff recommends that the Commission should propose the amendment of Rules 25-30.130 and 25-30.355, F.A.C., as set forth in Attachment A. Staff recommends that the Commission certify the proposed amended Rules 25-30.130 and 25-30.355, F.A.C., as minor violation rules.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no requests for hearing or comments are filed, the rules should be filed with the Department of State, and the docket should be closed. (Cowdery)

Staff Analysis: If no requests for hearing or comments are filed, the rules should be filed with the Department of State, and the docket should be closed.

25-30.130 Record of Complaints.

(1) Each utility shall maintain a record of all complaints ~~each signed, written complaint~~ received ~~by the utility from any of that utility's customers~~.

~~(2)~~ Each ~~The~~ record shall show ~~include~~ the name and address of the complainant~~,~~; the nature of the complaint~~,~~; the date received~~,~~; the result of any ~~the~~ investigation~~,~~; the disposition of the complaint; and the date of ~~the~~ disposition ~~of the complaint~~. The word "complaint" as used in this rule is defined in subsection 25-30.355(1), F.A.C.

(2) Notwithstanding the requirements of paragraph 25-30.110(1)(a), F.A.C., utilities shall maintain a record of each complaint for a minimum of five years from the date of receipt and shall provide a copy of records of complaints to the Commission upon Commission staff's request. Documentation relating to customer complaints processed under Rule 25-22.032, F.A.C., shall be retained as set forth in paragraph 25-22.032(10)(a), F.A.C.

Rulemaking Authority 350.127(2), 367.0812(5), 367.121(1) FS. Law Implemented 367.0812(1), 367.111, 367.121(1) FS. History–New 9-12-74, Formerly 25-10.30, 25-10.030, Amended 11-10-86, _____.

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

25-30.355 Complaints.

~~(1) A utility shall make a full and prompt acknowledgement and investigation of all customer complaints and shall respond fully and promptly to all customer requests.~~

(1)~~(2) For the purpose of this rule~~ T~~t~~he word "complaint" as used in this rule means ~~shall mean~~ an objection made to the utility by a ~~the~~ customer by telephone call, e-mail, letter, or the utility's website form as to the utility's charges, facilities, or service~~,~~ that ~~where the disposal of the complaint~~ requires action by ~~on the part of~~ the utility.

(2) Within 15 working days of a utility's receipt of a complaint, the utility shall investigate the complaint and give the customer a verbal or written response.

(3) ~~Replies to inquiries by the Commission's staff shall be furnished within fifteen (15) days from the date of the inquiry and shall be in writing, if requested.~~ Each utility shall have a procedure for receiving and promptly responding to emergency calls 24 hours a day. Reports of water or wastewater main breaks or conditions caused by utility-owned facilities where property damage or personal injury is reasonably foreseeable shall be considered an emergency.

Rulemaking Authority 350.127(2), 367.0812(5), 367.121(1) FS. Law Implemented 367.0812(1), 367.111, 367.121(1) FS. History–New 9-12-74, Formerly 25-10.70, 25-10.070, Amended 11-10-86, _____.

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

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Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: October 11, 2017

TO: Kathryn Gale Winter Cowdery, Senior Attorney, Office of the General Counsel

FROM: Sevini K. Guffey, Public Utility Analyst I, Division of Economics S.K.G.

RE: Statement of Estimated Regulatory Costs (SERC) for Proposed Revisions to Rules 25-30.130 and 25-30.355, Florida Administrative Code (F.A.C.)

The purpose of this rulemaking initiative is to update, clarify, and streamline certain Commission rules pertaining to records of complaints and the definition of the term "complaints" related to water and wastewater utilities. Specifically, staff is proposing to amend Rule 25-30.130, F.A.C. to require water and wastewater utilities to maintain a record of all complaints as defined in Rule 25-30.355(1), F.A.C., for five years. The current requirement to maintain records of complaints is three years. Rule 25-30.130, F.A.C., is also amended to state that utilities must provide a copy of records of complaints upon request of Commission staff. Staff's proposed amendment to Rule 25-30.355, F.A.C., requires the utility to investigate the complaint and provide the customer a verbal or written response within 15 working days of the utility's receipt of a complaint and revises the definition of complaint to mean an objection made by a customer to the utility by telephone call, e-mail, letter, or the utility's website form as to the utility's charges, facilities, or service that requires action by the utility.

The attached SERC addresses the considerations required pursuant to Section 120.541, Florida Statutes (F.S.). Workshops to solicit input on the proposed rule revisions were conducted by Commission staff on February 28, 2017, and June 27, 2017. Comments that either were received during the workshops or were filed subsequently were incorporated into the draft rules to provide additional clarification. Staff issued a data request to water and wastewater utilities on August 24, 2017, with a response due date of September 14, 2017. As of October 3, 2017, staff received responses from 33 water and wastewater utilities who stated that proposed rule revisions will have minimal to no economic impact on the utilities as a result of proposed revisions. No regulatory alternatives were submitted pursuant to Section 120.541(1) (a), F.S. None of the impact/cost criteria established in Section 120.541(2) (a), F.S. will be exceeded as a result of the proposed revisions.

Cc: Draper, Daniel, Shafer, King, SERC file

FLORIDA PUBLIC SERVICE COMMISSION
STATEMENT OF ESTIMATED REGULATORY COSTS
Rules 25-30.130 and 25.30.355, F.A.C.

1. Will the proposed rule have an adverse impact on small business? [120.541(1)(b), F.S.] (See Section E., below, for definition of small business.)

Yes ☐ No ☒

If the answer to Question 1 is "yes", see comments in Section E.

2. Is the proposed rule likely to directly or indirectly increase regulatory costs in excess of $200,000 in the aggregate in this state within 1 year after implementation of the rule? [120.541(1)(b), F.S.]

Yes ☐ No ☒

If the answer to either question above is "yes", a Statement of Estimated Regulatory Costs (SERC) must be prepared. The SERC shall include an economic analysis showing:

A. Whether the rule directly or indirectly:

(1) Is likely to have an adverse impact on any of the following in excess of $1 million in the aggregate within 5 years after implementation of the rule? [120.541(2)(a)1, F.S.]

Economic growth	Yes ☐ No ☒
Private-sector job creation or employment	Yes ☐ No ☒
Private-sector investment	Yes ☐ No ☒

(2) Is likely to have an adverse impact on any of the following in excess of $1 million in the aggregate within 5 years after implementation of the rule? [120.541(2)(a)2, F.S.]

Business competitiveness (including the ability of persons doing business in the state to compete with persons doing business in other states or domestic markets)	Yes ☐ No ☒
Productivity	Yes ☐ No ☒
Innovation	Yes ☐ No ☒

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(3) Is likely to increase regulatory costs, including any transactional costs, in excess of $1 million in the aggregate within 5 years after the implementation of the rule? [120.541(2)(a)3, F.S.]

Yes ☐ No ☒

Economic Analysis: A summary of the recommended rule revisions is included in the attached memorandum to Counsel. Specific elements of the associated economic analysis are discussed below in Sections B through F of this SERC. Staff believes that none of the impact/cost criteria established in Section 120.541(2)(a), F.S., will be exceeded as a result of the proposed rule revisions.

B. A good faith estimate of: [120.541(2)(b), F.S.]

(1) The number of individuals and entities likely to be required to comply with the rule.

Potentially affected entities include 131 investor-owned water and wastewater utilities that serve approximately 180,000 Florida customers. Water and wastewater utilities which come under the jurisdiction of the Commission in the future also would be required to comply.

(2) A general description of the types of individuals likely to be affected by the rule.

The 131 investor-owned water and wastewater utilities that are located in 37 counties.

C. A good faith estimate of: [120.541(2)(c), F.S.]

(1) The cost to the Commission to implement and enforce the rule.

☒ None. To be done with the current workload and existing staff.

☐ Minimal. Provide a brief explanation.

☐ Other. Provide an explanation for estimate and methodology used.

(2) The cost to any other state and local government entity to implement and enforce the rule.

☒ None. The rule will only affect the Commission.

☐ Minimal. Provide a brief explanation.

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☐ Other. Provide an explanation for estimate and methodology used.

(3) Any anticipated effect on state or local revenues.

☒ None.

☐ Minimal. Provide a brief explanation.

☐ Other. Provide an explanation for estimate and methodology used.

D. A good faith estimate of the transactional costs likely to be incurred by individuals and entities (including local government entities) required to comply with the requirements of the rule. "Transactional costs" include filing fees, the cost of obtaining a license, the cost of equipment required to be installed or used, procedures required to be employed in complying with the rule, additional operating costs incurred, the cost of monitoring or reporting, and any other costs necessary to comply with the rule. [120.541(2)(d), F.S.]

☐ None. The rule will only affect the Commission.

☒ Minimal. Provide a brief explanation. The 33 water and wastewater utilities that responded to staff's data request stated that the proposed rule changes will have minimal to no economic impact on how the utilities address customer complaints, how complaints are recorded and maintained and no additional costs to respond to emergency calls 24 hours per day; the utilities are currently implementing the proposed requirements.

☐ Other. Provide an explanation for estimate and methodology used.

E. An analysis of the impact on small businesses, and small counties and small cities: [120.541(2)(e), F.S.]

(1) "Small business" is defined by Section 288.703, F.S., as an independently owned and operated business concern that employs 200 or fewer permanent full-time employees and that, together with its affiliates, has a net worth of not more than $5

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million or any firm based in this state which has a Small Business Administration 8(a) certification. As to sole proprietorships, the $5 million net worth requirement shall include both personal and business investments.

☒ No adverse impact on small business.

☐ Minimal. Provide a brief explanation.

☐ Other. Provide an explanation for estimate and methodology used.

While it is difficult to estimate the number of affected entities that would meet the definition of "Small Business" as defined in Section 288.703, F.S., it is reasonable to assume that many of the affected entities would meet the statutory definition and, therefore, potentially could incur some additional transactional costs. However, a majority of the water and wastewater utilities that responded to staff's data request stated that they would not incur any additional costs if the proposed rules are implemented. A few water and wastewater utilities stated the economic impact would be minimal.

(2) A "Small City" is defined by Section 120.52, F.S., as any municipality that has an unincarcerated population of 10,000 or less according to the most recent decennial census. A "small county" is defined by Section 120.52, F.S., as any county that has an unincarcerated population of 75,000 or less according to the most recent decennial census.

☒ No impact on small cities or small counties.

☐ Minimal. Provide a brief explanation.

☐ Other. Provide an explanation for estimate and methodology used.

F. Any additional information that the Commission determines may be useful. [120.541(2)(f), F.S.]

☒ None.

Additional Information: Workshops to solicit input on the recommended rules was conducted by Commission staff on February 28, 2017, and June 27, 2017. Comments that either were received during the workshop or were filed subsequently were incorporated into the draft rules to provide additional clarification.

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G. A description of any regulatory alternatives submitted and a statement adopting the alternative or a statement of the reasons for rejecting the alternative in favor of the proposed rule. [120.541(2)(g), F.S.]

☒ No regulatory alternatives were submitted.

☐ A regulatory alternative was received from

☐ Adopted in its entirety.

☐ Rejected. Describe what alternative was rejected and provide a statement of the reason for rejecting that alternative.

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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: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Office of the General Counsel (Page) PHP S.M.C
Office of Consumer Assistance and Outreach (Hicks, Plescow) RM
Division of Economics (Ollila) A.O. PD CS

RE: Docket No. 20170098-EI – Complaint by Richard Ralph Malcolm against Florida Power & Light Company.

AGENDA: 12/12/17 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Section 366.03, Florida Statutes (F.S.), states that each public utility shall furnish to each person applying for service, reasonably sufficient, adequate, and efficient service. The Commission has jurisdiction as set forth in Section 366.04, F.S., to regulate and supervise each public utility with respect to its rates and service.

Rule 25-22.032, Florida Administrative Code (F.A.C.), implements Chapter 366, F.S., and establishes informal customer complaint procedures that are designed to address disputes, subject to the Commission's jurisdiction, that occur between regulated companies and individual customers. Pursuant to this rule, any customer of a Commission-regulated company may file a complaint with the Commission's Office of Consumer Assistance and Outreach whenever the customer has an unresolved dispute with the company regarding electric, gas, water, or wastewater service.

On May 1, 2017, Mr. Malcolm filed a petition for initiation of formal proceedings. In the formal complaint, Mr. Malcolm claimed that FPL has been "unjustly" awarded for allegedly "stolen" electric services. Mr. Malcolm also stated that he is not responsible for the services because he has never opened an account with FPL or conducted business with FPL on his own behalf.

On October 13, 2017, the Commission issued PAA Order No. PSC-2017-0389-PAA-EI, Notice of Proposed Agency Action Order Denying Complaint by Richard Malcolm Against Florida Power & Light Company (PAA Order), that established November 3, 2017, as the date by which any protest to the PAA Order must be made. On October 13, 2017, Commission staff electronically provided Mr. Malcom a copy of Rule 28-106.201, F.A.C., Initiation of Formal Proceedings, to clarify the requirements for filing a protest of the Commission's PAA Order.

Mr. Malcolm filed a protest of the PAA Order on October 13, 2017. In his "Protest Against Agency Ruling," Mr. Malcolm restates the arguments that he made in his petition for initiation of formal proceedings. He seeks "equitable relief" from FPL's unjust award of alleged stolen revenue. He states that FPL's bill is unreasonable, the Commission has failed in its duty to regulate FPL's charges, and FPL abused its monopoly power by refusing to open an account in his name.

This recommendation addresses the appropriate disposition of Mr. Malcolm's petition for formal hearing. The Commission has jurisdiction over this matter pursuant to Section 366.04, F.S.

Discussion of Issues

Issue 1: Should the Commission dismiss on its own motion Mr. Malcolm's petition for failure to comply with the pleading requirements of Rule 28-106.201, F.A.C.?

Recommendation: Yes, Mr. Malcolm's petition for formal hearing on his complaint against FPL should be dismissed for failure to comply with the pleading requirements of Rule 28-106.201, F.A.C., without prejudice to file a timely amended petition pursuant to Section 120.569(2)(c), F.S. Mr. Malcolm should be given 10 days after the issuance of the Commission order dismissing his petition to file an amended petition. (Page)

Staff Analysis: Rule 28-106.201(2), F.A.C., prescribes the criteria that must be included in a petition for an evidentiary proceeding:[1]

(a) The name and address of each agency affected and each agency's file or identification number, if known;
(b) The name, address, any e-mail address, any facsimile number, and telephone number of the petitioner;
(c) A statement of when and how the petitioner received notice of the agency decision;
(d) A statement of all disputed issues of material fact. If there are none, the petition must so indicate;
(e) A concise statement of the ultimate facts alleged, including the specific facts the petitioner contends warrant reversal or modification of the agency's proposed action;
(f) A statement of the specific rules or statutes the petitioner contends require reversal or modification of the agency's proposed action, including an explanation of how the alleged facts relate to the specific rules or statutes; and
(g) A statement of the relief sought by petitioner, stating precisely the action petitioner wishes the agency to take with respect to the agency's proposed action.

The Commission has previously held *pro se* litigants such as Mr. Malcolm to a relaxed pleading standard in order to prevent delay and promote resolution of parties' disputes.[2] However, FPL

[1] Commission Rule 25-22.029, F.A.C. also states that one whose substantial interests may or will be affected by the Commission's proposed action may file a petition for a Section 120.569 or 120.57, F.S., hearing in the form provided by Rule 28.106.201, F.A.C.

[2] *See, e.g., Complaint against AT&T d/b/a BellSouth for alleged violations of various sections of Florida Administrative Code, Florida Statutes, and AT&T regulations pertaining to billing of charges and collection of charges, fees, and taxes,* Order No. PSC-11-0117-FOF-PU, issued February 17, 2011, in Docket Nos. 100175-TL and 100312-EI; *In re: Complaint against Florida Power & Light Company for alleged violations of various sections of Florida Administrative Code, Florida Statutes, and FPL tariffs pertaining to billing of charges and collection of charges, fees, and taxes,* Order No. PSC-02-1344-FOF-TL, issued October 3, 2002, in Docket No. 020595-TL*; In re: Complaint of J. Christopher Robbins against BellSouth Telecommunications, Inc. for violation of Rule 25-4.073(1)(c), F.A.C., Answering Time,* Order No. PSC-02-1344-FOF-TL, issued October 3, 2002, in Docket No. 020595-TL; *In re: Initiation of formal proceedings of Complaint No. 1006767E of Edward McDonald against Tampa Electric Company, for alleged improper billing,* Order No. PSC-12-0252-FOF-EI, issued May 23, 2012, in

needs to be put on notice by Mr. Malcolm as to what tariff, rule or statute or Commission order it has allegedly violated. As discussed in more detail below, Mr. Malcolm's petition should be dismissed for failure to meet the pleading requirements of subparagraphs (d), (e), (f), and (g) of Rule 28-106.201(2), F.A.C.

Mr. Malcolm states that he is "seeking equitable relief from this unjust Awarding to FPL 3 years of alleged stolen revenue in the amount of $3,580.99." The Commission does not have jurisdiction to grant Mr. Malcolm's request for equitable relief. *See In re: Amended Complaint of Qwest Communications Company, LLC against MCImetro Access Transmission Services (d/b/a Verizon Access Transmission Services) et al.,* Order No. PSC-13-0185-FOF-TP, Docket No. 090538-TP, issued May 1, 2013. Because this request for relief is not within the Commission's jurisdiction, the petition for formal hearing does not comport with Rule 28-106.201(g), F.A.C.

He further states that he "has not opened an account with FPL or conducted business with FPL on his behalf." Mr. Malcolm states "the bill is unreasonable and that FPL had a legal duty to mitigate their loss." These allegations do not comply with the requirements of Rule 28-106.201 (d), (e), and (f), F.A.C., as they are not a statement of disputed issues of material fact or a concise statement of the ultimate facts alleged, including the specific facts the petitioner contends warrant reversal or modification of the agency's proposed action.

Mr. Malcolm's petition cites to the Florida Supreme Court's opinion in *Citizens of State of Florida v. Graham*, 191 So. 3rd 897 (Fla. 2016), which addressed the Commission's jurisdiction to consider FPL's Woodford Project. The opinion has no relevance to Mr. Malcolm's complaint against FPL. Although he does cite to certain sections of Chapter 366, F.S., these citations are not a statement of the specific rules or statutes he contends require reversal or modification of the PAA Order. This language fails to meet the requirements of Rule 28-106.201, F.A.C.

Nowhere in his petition does Mr. Malcolm make reference to the PAA Order that denied his complaint on the basis that FPL properly handled his account in accordance with Commission rules, statutes, and orders and FPL's tariffs. Mr. Malcolm makes no statement of the specific rules or statutes he contends require reversal or modification of the PAA Order. He does not explain how the alleged facts relate to the specific rules or statutes he contends require reversal or modification of the PAA Order. Because of these deficiencies, the petition does not comply with Rule 28-106.201(f), F.A.C.

Mr. Malcolm also states "the Public Service Commission has failed in their duty to regulate FPL charges that are patently unfair and unreasonable." Pursuant to Section 366.05(1)(a), F.S., the Commission has the power to prescribe "fair and reasonable rates and charges." However, the PAA Order regarding Mr. Malcolm's complaint in no way addresses the establishment of rates and charges for FPL. Thus, this allegation also fails to meet any requirement of Rule 28-106.201, F.A.C.

Docket No. PSC-11-0305-EI; and *In re: Complaint by James DiGirolamo vs. Florida Power & Light Company,* Order No. PSC-15-0522-PAA-EI, issued November 3, 2015, in Docket No. 150169-EI.

In concluding his petition for formal hearing, Mr. Malcolm states, "FPL abused its monopoly Power in demanding 3 years alleged revenue loss and demanding payment within 48 hours even after being advised that a complaint had been filed." He further alleges, "[i]n addition FPL abused its monopoly power by refusing to open an account in my name after by[sic] dad had died on 10/20/2017 at 6:15 am." The allegations of abuse of monopoly power are not within the Commission's jurisdiction pursuant to Chapter 366, F.S. Although the claim that FPL refused to open an account in Mr. Malcolm's name is within the Commission's jurisdiction, this allegation does not comply with any of the required elements of a petition for formal hearing pursuant to Rule 28-106.201, F.A.C.

Mr. Malcolm's petition for formal hearing does not meet the requirements of Rule 28-106.201, F.A.C. Section 120.569(2)(c), F.S., states that the dismissal of a petition that does not substantially comply with the requirements of Rule 28-106.201, F.A.C., shall, at least once, be without prejudice:

> Upon receipt of a petition or a request for hearing, the agency shall carefully review the petition to determine if it contains all of the required information. A petition shall be dismissed if it is not in substantial compliance with these requirements or it has been untimely filed. Dismissal of a petition shall, at least once, be without prejudice to a petitioner's filing a timely amended petition, unless it conclusively appears from the face of the petition that the defect cannot be cured.

Thus, Mr. Malcolm's petition should be dismissed with an opportunity to cure the defects in the petition.

Conclusion

Mr. Malcolm's petition for formal hearing on his complaint against FPL should be dismissed for failure to comply with the pleading requirements of Rule 28-106.201, F.A.C., without prejudice to file a timely amended petition pursuant to Section 120.569(2)(c), F.S. Mr. Malcolm should be given 10 days after the issuance of the Commission order dismissing his petition to file an amended petition.

Issue 2: Should this docket be closed?

Recommendation: Yes. This docket should be closed if Mr. Malcolm does not file an amended petition within 10 days of the issuance of the Commission's order dismissing his petition. (Page)

Staff Analysis: This docket should be closed if Mr. Malcolm does not file an amended petition within 10 days of the issuance of the Commission's order dismissing his petition.

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: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Office of the General Counsel (Page) PHP SML
Office of Consumer Assistance and Outreach (Hicks, Plescow) RA
Division of Economics (Ollila) S.O. PE

RE: Docket No. 20170138-EI – Petition for initiation of formal proceedings pursuant to Rule 25-22.036, F.A.C., by Devonson A. Walker.

AGENDA: 12/12/17 – Regular Agenda – Issue 2 is Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Section 366.03, Florida Statutes (F.S.), states that each public utility shall furnish to each person applying for service, reasonably sufficient, adequate, and efficient service. Rule 25-22.032, Florida Administrative Code (F.A.C.), implements Chapter 366, F.S., and establishes informal customer complaint procedures that are designed to address disputes, subject to the Commission's jurisdiction, that occur between regulated companies and individual customers. Pursuant to this rule, any customer of a Commission regulated company may file a complaint with the Commission's Office of Consumer Assistance and Outreach whenever the customer has an unresolved dispute with the company regarding electric, gas, water, or wastewater service.

On September 8, 2016, Devonson Walker filed an informal complaint with the Commission against Florida Power & Light Company (FPL). In his complaint, Mr. Walker stated that he

wanted FPL to return his deposit for electric service because his electric service was being provided by solar panels only since February 2016. Later, on September 13, 2016, Mr. Walker filed a second complaint stating that he was trying to establish service with FPL but the service was being denied because of an unpaid final balance. He states that FPL billed and overbilled him for "services not rendered." FPL backbilled him due to meter tampering at his premises and billed him for investigative costs related to FPL's investigation of the meter tampering.

On May 1, 2017, staff advised Mr. Walker that his informal complaint had been reviewed and that staff found that FPL had made a total credit adjustment of $322.61 to his account. Staff also informed Mr. Walker that he had an opportunity to file a petition for formal proceedings.

Mr. Walker filed a petition for initiation of formal proceedings on May 26, 2017. In the formal complaint, Mr. Walker claims that he notified FPL that electric service was no longer needed at his address. Mr. Walker further alleges that on three separate occasions FPL entered his property without provocation or probable cause and that FPL did not have a permit to enter his property in violation of the Fourth Amendment to the U.S. Constitution and Article I, Section 12 of the Florida Constitution. He also charges that FPL "billed and overbilled" for electric service not provided by FPL.

On June 16, 2017, FPL filed a Motion to Dismiss the Complaint. FPL asserts that the complaint does not comply with Rule 25-22.036, F.A.C., because it fails to state the rule, order, or statute that has allegedly been violated by FPL and does not state any cause of action for which relief could be granted by the Commission. Mr. Walker has not filed a response to the Motion to Dismiss the Complaint or provided any other information in support of his complaint.

This recommendation addresses whether FPL's Motion to Dismiss the Complaint should be granted and the appropriate disposition of Mr. Walker's complaint against FPL. The Commission has jurisdiction over this matter pursuant to Section 366.04, F.S.

Discussion of Issues

Issue 1: Should the Commission grant FPL's Motion to Dismiss the Complaint?

Recommendation: The Commission should grant in part and deny in part FPL's Motion to Dismiss the Complaint. (Page)

Staff Analysis: In its Motion to Dismiss the Complaint, FPL asserts that Mr. Walker's formal complaint should be dismissed because it fails to follow the pleading requirements of Rule 25-22.036, F.A.C. FPL states that the Complaint fails to contain the rule, order, or statute that FPL has violated, and does not state a cause of action for which relief could be granted by the Commission.

To sustain a motion to dismiss, the moving party must show that, accepting all allegations as true, the petition fails to state a cause of action for which relief may be granted. *Varnes v. Dawkins*, 624 So. 2d 349, 350 (Fla. 1st DCA 1993). The moving party must specify the grounds for the motion to dismiss, and all material allegations must be construed against the moving party in determining if the petitioner has stated the necessary allegations. *Matthews v. Matthews*, 122 So. 2d 571 (Fla. 2d DCA 1960). A sufficiency determination is confined to the petition and documents incorporated therein and the grounds asserted in the motion to dismiss. *Varnes* at 350. Thus, the trial court may not "look beyond the four corners of the complaint, consider any affirmative defenses raised by the defendant, nor consider any evidence likely to be produced by either side." *Id*. All allegations in the petition must be viewed as true and in the light most favorable to the petitioner in order to determine whether there is a cause of action upon which relief may be granted. *See, e.g., Ralph v. City of Daytona Beach*, 471 So. 2d 1173 (Fla. 4th DCA 2000); *Kest v. Nathanson*, 216 So. 2d 233, 235 (Fla. 4th DCA 1986); *Ocala Loan Co. v. Smith*, 155 So. 2d 711, 715 (Fla. 1st DCA 1963).

Section 120.569(2)(c), F.S., states that the Commission shall dismiss a petition for failure to substantially comply with the uniform rules. Section 120.569(2)(c), F.S., provides that the dismissal of a petition should, at least once, be without prejudice to the petitioner to allow the filing of a timely amended petition curing the defect, unless it conclusively appears from the face of the petition that the defect cannot be cured. However, the Commission has previously held *pro se* litigants such as Mr. Walker to a relaxed pleading standard in order to prevent delay and promote resolution of parties' disputes.[1]

[1] *See, e.g., Complaint against AT&T d/b/a BellSouth for alleged violations of various sections of Florida Administrative Code, Florida Statutes, and AT&T regulations pertaining to billing of charges and collection of charges, fees, and taxes,* Order No. PSC-11-0117-FOF-PU, issued February 17, 2011, in Docket Nos. 100175-TL and 100312-EI; *In re: Complaint against Florida Power & Light Company for alleged violations of various sections of Florida Administrative Code, Florida Statutes, and FPL tariffs pertaining to billing of charges and collection of charges, fees, and taxes,* Order No. PSC-02-1344-FOF-TL, issued October 3, 2002, in Docket No. 020595-TL*; In re: Complaint of J. Christopher Robbins against BellSouth Telecommunications, Inc. for violation of Rule 25-4.073(1)(c), F.A.C., Answering Time,* Order No. PSC-02-1344-FOF-TL, issued October 3, 2002, in Docket No. 020595-TL; *In re: Initiation of formal proceedings of Complaint No. 1006767E of Edward McDonald against Tampa Electric Company, for alleged improper billing,* Order No. PSC-12-0252-FOF-EI, issued May 23, 2012, in Docket No. PSC-11-0305-EI; and *In re: Complaint by James DiGirolamo vs. Florida Power & Light Company,* Order No. PSC-15-0522-PAA-EI, issued November 3, 2015, in Docket No. 150169-EI.

Rule 25-22.036, F.A.C., prescribes the criteria that must be addressed in a petition for initiation of formal proceedings:

1. The rule, order, or statute that has been violated;
2. The actions that constitute the violation;
3. The name and address of the person against whom the complaint is lodged; and
4. The specific relief requested, including any penalty sought.

In his petition for initiation of formal proceedings, Mr. Walker alleges that FPL has billed and overbilled him for services not rendered. He also states that he notified FPL that electric service was no longer required and requested that his meter be removed.

Staff believes that the petition states a cause of action within the Commission's jurisdiction as provided in subsection 366.04(1), F.S., and should not be dismissed. Mr. Walker's allegations concern FPL's billing and overbilling him for electric service not provided. As stated by FPL in its Motion to Dismiss the Complaint, the petition is about Mr. Walker's disagreement with FPL's billing of his account for services rendered. Staff believes that these allegations relate to FPL's rates and service for Mr. Walker's electric account.

Staff also believes the facts and law in this docket are sufficiently developed and a complaint in strict compliance with Rule 25-22.036, F.A.C., is not required for the Commission to make a determination on Mr. Walker's petition. The informal complaint files, Mr. Walker's formal complaint, FPL's Motion to Dismiss the Complaint, and the record correspondence between staff and Mr. Walker provide relevant information about Mr. Walker's arguments, factual assertions, and requested relief. Staff believes this information is sufficient to allow the Commission to make a decision on the substance of Mr. Walker's complaint and does not believe it would be an effective use of the parties' and the Commission's resources to require Mr. Walker to amend his complaint to comply with technical pleading rules.

In his formal complaint, Mr. Walker also alleges that his Fourth Amendment rights have been violated. Staff agrees with FPL's Motion to Dismiss the Complaint in this regard and recommends that this allegation be dismissed with prejudice because the Commission is without jurisdiction under Chapter 366, F.S., to adjudicate Fourth Amendment complaints.

Therefore, staff recommends that the Commission grant in part and deny in part FPL's Motion to Dismiss the Complaint as discussed above.

Issue 2: What is the appropriate disposition of Mr. Walker's complaint?

Recommendation: Mr. Walker's formal complaint should be denied. FPL properly handled Mr. Walker's account in compliance with Commission rules, statutes, and orders and FPL's tariffs. (Page)

Staff Analysis: Mr. Walker alleges that FPL backbilled and overbilled for services not rendered. As discussed in more detail below, staff believes that FPL backbilled Mr. Walker's account on the basis of a reasonable estimate for electric service provided for which he did not pay due to unauthorized conditions at the meter site.

Meter Tampering

On March 7, 2016, based upon a reduction in service usage, FPL's Revenue Protection Department initiated an investigation of meter tampering on Mr. Walker's premises. On April 4, 2016, an FPL service crew, accompanied by police, went to the service address and determined that at this time meter tampering had occurred. The FPL service crew observed that there was no meter in the meter can and unauthorized jumpers were providing unmetered electric service.

On April 22, 2016, FPL billed Mr. Walker's account $284.17 for current diversion investigative costs as provided in FPL's tariffs. The FPL service crew observed that the meter was missing and unauthorized jumpers were present at Mr. Walker's premises. However, FPL's current diversion investigation did not result in any photographs of the tampering. On October 10, 2016, staff notified FPL that because there were no photographs of the meter tampering, FPL should credit Mr. Walker's account balance for $284.17 in investigative costs. On October 17, 2016, FPL issued a credit adjustment to Mr. Walker's account in the amount of $284.17.

Backbilling

Staff believes the FPL service crew's observation of the state of the meter is sufficient to conclude that unauthorized use of energy occurred at Mr. Walker's premises. Pursuant to Rule 25-6.104, F.A.C., FPL backbilled Mr. Walker's account based on an estimate of the energy used and not paid for because of the unauthorized use. Staff reviewed the backbilling calculations and notified FPL of a mathematical error on the estimated calculation of kWh used from March 21, 2016, through April 4, 2016, when the unauthorized use was discovered by FPL. On November 4, 2016, FPL issued a credit adjustment on the account in the amount of $38.44 due to FPL's miscalculation of the estimated kWh used from March 21, 2016, through April 4, 2016. Staff believes that with the credit adjustment issued by FPL on November 4, 2016, FPL's backbilling of Mr. Walker's account comports with Rule 25-6.104, F.A.C.

Account Balance

Staff notes that Mr. Walker has a zero balance on his FPL account. On February 25, 2017, Mr. Walker requested that his account be closed and FPL closed the account. FPL's final bill for Mr. Walker's account was $102.67. On March 1, 2017, Mr. Walker's $450.00 deposit was applied to this final bill, which yielded a credit balance on the account in the amount of $347.33. On March 9, 2017, Mr. Walker cashed FPL's refund check for $347.33, bringing his account to a zero balance.

Conclusion

Mr. Walker alleges that FPL billed and overbilled him for services not rendered and he is due an additional refund or credit from FPL. Staff identified two areas of concern in the billing of Mr. Walker's account. As discussed above, when staff notified FPL regarding the current diversion investigative costs, FPL made a credit adjustment to Mr. Walker's account. FPL also issued a credit to Mr. Walker's account when advised by staff that a mathematical error had been made in FPL's calculation of backbilling for unauthorized use of energy. Staff believes that FPL has properly handled Mr. Walker's account in compliance with Commission rules, statutes and orders and FPL's tariffs and that no additional refunds to Mr. Walker are required. Therefore, Mr. Walker's formal complaint should be denied.

Issue 3: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action in Issue 2 files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (Page)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action in Issue 2 files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.

Item 5

State of Florida

Public Service Commission

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

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

DATE: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Barrett, Vogel)
Division of Economics (Draper, Guffey, Higgins, Stratis, Wu)
Division of Engineering (Ellis, Wooten)
Office of the General Counsel (Brownless, Janjic)

RE: Docket No. 20170001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

AGENDA: 12/12/17 – Regular Agenda – Post-Hearing Decision – Participation is Limited to Commissioners and Staff

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

As part of the continuing fuel and purchased power adjustment and generating performance incentive factor clause proceedings, an administrative hearing was held on October 25, 2017. At the hearing, stipulated issues 1B, 2B-2I, 2Q, 2R, 3A, 6-11, 13A, 16-22, 23A, 24A-24D and 27-36 were approved by bench decision. Issues 1A, 2A, 4A and 5A, hedging issues contested by the Florida Retail Federation (FRF), the Office of Public Counsel (OPC) and the Florida Industrial Users Group (FIPUG), were also approved by bench decision. As a result of the bench decisions on these issues, all issues associated with Tampa Electric Company (TECO), Florida Public Utilities Company (FPUC), Gulf Power Company (Gulf), and Duke Energy Florida, LLC (Duke) have been decided. Testimony was taken on the remaining Florida Power & Light Company (FPL) issues, Issues 2J-2P, which address FPL's solar generation (SoBRA) projects. FIPUG and

FPL filed briefs on the SoBRA issues on November 13, 2017. On November 16, 2017, FPL filed an Unopposed Motion for Leave to File Response to New Issue Raised in FIPUG's Post Hearing Brief with its response attached.

The Commission has jurisdiction over this subject matter pursuant to the provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05 and 366.06, F.S.

Discussion of Issues

Issue A: Should FPL's Unopposed Motion for Leave to File Response to New Issue Raised in FIPUG's Post Hearing Brief be granted?

Recommendation: Yes, the Commission should grant FPL's Unopposed Motion for Leave to File Response to New Issue Raised in FIPUG's Post Hearing Brief (Motion). (Brownless)

Staff Analysis: In its Brief, FIPUG argues that the Commission lacks jurisdiction to allow the recovery of the capital costs associated with FPL's solar energy projects through the fuel clause, citing the Florida Supreme Court decisions *Citizens v. Graham (Woodford)*, 191 So.3d 897 (Fla. 2016) and *Citizens v. Graham (FPUC)*, 213 So.3d 703 (Fla. 2017). FPL filed its Unopposed Motion for Leave to File Response to New Issue Raised in FIPUG's Post Hearing Brief on November 16, 2017, with its response to the jurisdictional issue attached. FIPUG does not object to granting this Motion. The other parties to this docket, having taken no position on the SoBRA issues, Issues 2J through 2P, did not file briefs or take a position on the Motion or the underlying jurisdictional issue.

FIPUG did not raise this issue on or before the Prehearing Conference as required by Order No. PSC-17-0053-PCO-EI, issued on February 20, 2017. However, Order No. PSC-17-0053-PCO-EI does not prohibit FIPUG from raising the jurisdictional issue for the first time in its Brief since lack of jurisdiction can be raised at any time. *Ruble v. Ruble*, 884 So. 2d 150 (Fla. 2d DCA 2004; *In re: D.N.H.W.*, 955 So. 2d 1236 (Fla. 1st DCA 2007). Notwithstanding that fact, due process requires that FPL be given reasonable notice and a fair opportunity to be heard on this issue before a decision is made. *Citizens v. Florida Public Service Commission*, 146 So. 3d 1143, 1154 (Fla. 2014). In this instance, due process requirements with regard to the jurisdictional issue are satisfied by granting FPL's Motion and staff recommends that the Commission do so.

Issue B: Does the Commission have jurisdiction to approve the SoBRA projects in this docket?

Recommendation: Yes. The Commission has the authority to approve the recovery of FPL's 2017 and 2018 solar projects through base rates in this docket. (Brownless)

Staff Analysis:

Parties' Arguments

FIPUG

FIPUG argues that the Commission lacks the jurisdiction to allow recovery in this docket of 2017 and 2018 solar base rate adjustment (SoBRA) charges. FIPUG cites the Florida Supreme Court decisions *Citizens v. Graham (Woodford)*, 191 So. 3d 897 (Fla. 2016) and *Citizens v. Graham (FPUC)*, 213 So. 3d 703 (Fla. 2017) as precedent supporting its conclusion. FIPUG characterizes the recovery of SoBRA charges as FPL's effort to again use the fuel clause to recover predictable capital costs contrary to the purpose of the fuel clause which is to address the volatility of fuel prices between base rate cases. (FIPUG BR 9) FIPUG points out that while the Legislature has created a clause for nuclear and environmental costs, it has not provided the Commission with express, or implied, authority for a solar energy capital cost recovery clause. (FIPUG BR 10) FIPUG acknowledges that the process for SoBRA cost recovery being followed here is included in FPL's 2016 Stipulation and Settlement (2016 Agreement), to which it did not object. However, FIPUG counters that jurisdiction cannot be conferred by agreement of the parties or by Commission approval of a rate case settlement agreement. (FIPUG BR 10)

FPL

FPL argues that FIPUG's reliance on the *Woodford* and *FPUC* decisions is misplaced for one simple reason: the capital and return on investment costs for the SoBRA projects are not being recovered through the 2017 and 2018 fuel cost recovery factors. These costs are instead being recovered through increases in FPL's base rate charge, beginning on the commercial operation date of each SoBRA project. (FPL Supp. BR 1-2) In fact, the fuel factors to be implemented from January 1 to March 1, 2018, have been stipulated to by the parties and approved by the Commission. These fuel factors cannot change no matter what the final Commission decision is on the SoBRA issues.

FPL notes that this cost recovery mechanism is similar to the generation rate base adjustment (GBRA) mechanism found in FPL's 2013 Settlement Agreement to which FIPUG was a signatory. The use of a GBRA mechanism for base rate adjustments in years beyond a test year was approved by the Florida Supreme Court in *Citizens v. Public Service Commission*, 146 So. 3d 1143, 1157 n.7 (Fla. 2014). Further, between 2013 and 2016, three separate generation projects (Cape Canaveral, Riviera Beach and Port Everglades) utilized the GBRA process in the fuel clause without objection by FIPUG.

FPL argues that filing for SoBRA recovery in the fuel docket is simply an administratively efficient process utilizing an existing docket with a known filing schedule to adjust its base rates for previously approved capital projects. (FPL Supp. BR 5-6) This eliminates finding and scheduling separate hearing dates each year as SoBRA projects come on line and synchronizes each SoBRA rate base increase with the associated reduction in fuel costs resulting from the

projects' commercial operation. Based on these facts, FPL concludes that no jurisdictional issue actually exists and that the Commission has the authority to approve SoBRA charges in this docket.

Analysis

There is one point on which the Commission staff and all parties agree: that the Commission derives its authority to act solely from the Legislature. *United Telephone Company of Florida v. Public Service Commission*, 496 So. 2d 116, 118 (Fla. 1986). In *Woodford*, FPL sought to recover through the fuel factor the capital, operation and maintenance, and return on investment costs for wells drilled in the Woodford Shale Gas Region in Oklahoma. The Court identified the Commission's authority as the ability to "regulate and supervise each public utility with respect to its rates and service and to prescribe a rate structure for all electric utilities." *Woodford*, 191 So. 3d at 900. An "electric utility" is defined as a municipal or investor-owned utility or a rural electric cooperative that "owns, maintains, or operates an electric generation, transmission, or distribution system within the state." Section 366.02(2), F.S.

Based on this definition, the Court found that the exploration, drilling and production of natural gas did "not constitute generating, transmitting, or distributing electricity in Florida as the meaning of those terms are plainly understood" and "falls outside the purview of an electric utility as defined by the Legislature." *Woodford*, 191 So. 3d at 901. Further, the Court found that the Woodford project was not a physical hedge of fuel costs which had previously been determined by the Court to be within the Commission's regulatory authority. Id. Having determined that the Woodford project was neither an electric utility activity contemplated by the Legislature nor a physical hedge, the Court found that the Commission had exceeded its authority in approving the project costs through the fuel clause. *Woodford*, 191 So. 3d at 902.

In *FPUC*, the Court found that the Commission exceeded its authority by allowing the recovery through the fuel factor of capital and return on capital investment costs associated with the construction of a transmission line connecting FPUC's electric system on Amelia Island with that of FPL. The Court focused on the historical purpose of the fuel clause as a means of "adjusting for volatile costs associated with fuel" finding that a transmission line failed to meet this test. *FPUC*, 213 So. 3d at 718. The Court also relied heavily upon the terms of FPUC's rate case stipulation and settlement agreement which specifically stated that FPUC could not seek recovery through the fuel clause of costs that had "traditionally and historically" been recovered through base rates and used "investment in and maintenance of transmission assets" as an example of such an expense. *FPUC*, 213 So. 3d at 708-10. Since no discussion of these settlement agreement terms was included in the Commission's final order, the Court found that the Commission had "failed to perform its duty to explain its reasoning" and reversed the Commission's decision. *FPUC*, 213 So. 3d at 710-11.

Both the *Woodford* and *FPUC* decisions discuss what types of costs are appropriately recovered through the fuel clause factor: fuel, purchased power and volatile fuel-related costs. The *FPUC* decision does not address the Commission's inherent authority to allow the recovery of the FPL transmission line. Further, if the reasoning in *Woodford* is applied to the *FPUC* facts, the Court would find the recovery of transmission lines through base rates appropriate since transmission is specifically listed as an activity engaged in by electric utilities. Section 366.02(2), F.S.

Likewise, applying the reasoning of *Woodford* to the facts here, there is no question that the Commission has the authority to allow recovery of the costs associated with solar generation projects. As with transmission, generation is listed specifically as an activity engaged in by electric utilities in Section 366.02(2), F.S. It is important to note that FIPUG is not arguing that FPL does not have the right to recover the solar project costs; it is arguing that solar project costs can't be recovered through fuel clause factors. Presumably, FIPUG would not object to FPL filing a separate docket seeking cost recovery for the 2017 and 2018 solar projects using an increase in base rates to do so. Indeed, FIPUG has agreed to such a mechanism to recover solar project capital costs as a signatory to Tampa Electric Company's 2017 Amended and Restated Stipulation and Settlement Agreement.[1]

Since FPL is not requesting recovery through the fuel adjustment clause factor, but is requesting recovery of costs for its solar projects through increases in base rates, FIPUG's complaint does not raise a jurisdictional question at all. Recovery of these costs through base rates is clearly appropriate under both the *Woodford* and *FPUC* decisions. Staff agrees with FPL that placement of this issue in the fuel clause docket was purely administrative. Staff also agrees with FPL that to the extent possible, an increase in base rates associated with the solar projects coming on line should be timed to coincide with any fuel savings which result from that solar generation. Litigating the cost effectiveness issues associated with the solar projects, Issues 2J-2P, in this docket cost-effectively accomplishes this goal.

When dissected and examined closely, FIPUG's issue boils down to insisting that rate base cost recovery for the solar projects be filed in a separate docket. FIPUG has not alleged that it did not have adequate notice of the solar project issues, or that it has been harmed in any way by the inclusion of those issues in this docket. Nor could it. FPL filed direct testimony of four witnesses on this point,[2] Commission staff conducted extensive discovery on this issue,[3] FIPUG cross examined FPL witnesses Enjamio and Brannen on this topic at hearing, and FIPUG filed a post hearing brief. Conducting these activities under a separate docket number does not change their nature or provide FIPUG any additional due process rights.

Conclusion

Based on the above, staff recommends that the Commission find that it has the authority to approve the recovery of FPL's 2017 and 2018 solar projects through base rates in this fuel clause docket.

[1] Document No. 07947-2017 at ¶ 6(f).
[2] Tiffany Cohen, Liz Fuentes, Juan Enjamio and William Brannen.
[3] EXH 84, 86, 87 and 89.

Issue 2J*:* Are the 2017 SoBRA projects proposed by FPL (Horizon, Wildflower, Indian River, and Coral Farms) cost effective?

Recommendation: Yes. Based on the evidence contained in the record, FPL's proposed solar projects are projected to produce savings under multiple scenarios. FPL also has met the terms of the 2016 Agreement in regards to keeping construction cost under the $1,750 per kW_{ac} cost cap. (Wooten, Higgins, Stratis, Wu)

Position of the Parties

FPL: Yes. The 2017 and 2018 SOBRA projects are cost effective and are projected to result in $106 million (CPVRR) of customer savings.

FIPUG: No.

Staff Analysis:

Parties' Arguments

FPL

FPL states that pursuant to the 2016 Stipulation and Settlement Agreement (2016 Agreement), FPL proposes to construct and operate 596 MW of solar generation by 2018. FPL further states that an economic analysis was performed to determine the technology with the greatest value for customers. (FPL BR 5) FPL claims that the choices made for equipment and technology lowered construction costs. (FPL BR 6)

FPL asserts that the costs for the 2017 and 2018 projects are reasonable and fall below the $1,750 per kW_{ac} cost cap. FPL states that to ensure reasonable capital costs a competitive bidding process was completed for equipment to be installed and work to be performed. (FPL BR 7) FPL further asserts that updated efficient designs and reduced interconnection costs lowered the anticipated costs for the 2017 and 2018 projects. (FPL BR 8)

FPL employs two resource plans for the proposed solar generation: No Solar Plan and 2017-2018 Solar Plan. FPL further contends that based on the assumptions made in each plan there was an estimated cumulative present value revenue requirement (CPVRR) savings of $38.6 million. (FPL BR 10) FPL asserts that updated tax law in August 2017 provided a reduction in costs, in the form of reduced property taxes, for three of the four 2018 solar project sites. FPL states that the efficient designs, reduced interconnection costs, and reduced property taxes updated the estimated CPVRR savings to $106 million. (FPL BR 11) FPL asserts that the 2016 Agreement provides that the 2017 and 2018 projects are cost effective if they lower the system CPVRR without them, which FPL claims the 2017 and 2018 projects do. (FPL BR 7)

FIPUG

FIPUG argues that the solar projects are not needed to meet the Commission's 15 percent reserve margin or FPL's 20 percent reserve margin. (FIPUG BR 4)

FIPUG contends that FPL's efforts to prove that the SoBRA projects are cost effective are only supported by hearsay evidence. FIPUG adds that FPL customers will lose $127.3 million if fuel

prices remain low and no carbon tax is imposed in the future. (FIPUG BR 5) FIPUG further asserts that the future cost of natural gas and the future cost of carbon resulting from a carbon tax is uncorroborated. (FIPUG BR 7)

Analysis

The SoBRA projects for 2017 and 2018 for which FPL is seeking approval and cost recovery are part of its 2016 Agreement approved by Order No. PSC-16-0560-AS-EI.[4] The 2016 Agreement allows FPL to construct up to 300 MW per calendar year of solar capacity during the period 2017-2021 and to recover through base rates the incremental annualized base revenue requirement for those facilities for the first 12 months of operation commencing when the facilities are placed into service.[5] There are several conditions that must be met for recovery in this case. First, FPL must request recovery for these projects during the term of the 2016 Agreement, or prior to December 31, 2020. Second, the cost of the components, engineering, and construction for any solar project is capped at $1,750 per kilowatt alternating current (kW_{ac}). Third, for projects less than 75 MW (as are all of the projects proposed in this case): 1) the request for base rate recovery must be filed in the Fuel Clause docket as part of its final true-up filing; and 2) the issues are "limited to the cost effectiveness of each such project (i.e., will the project lower the projected system CPVRR as compared to each CPVRR without the solar project) and the amount of revenue requirements and appropriate percentage in base rates needed to collect the estimated revenue requirements."[6] If the project meets these requirements, the terms of the 2016 Agreement have been met.

With this consideration in mind, staff asserts that FIPUG's consideration of a reliability need based on a reserve criterion is not relevant to this issue.

Project Description

FPL witnesses Brannen and Enjamio provided testimony and exhibits concerning FPL's proposed 2017 solar generation projects, including cost effectiveness and the ability to meet the $1,750 per kW_{ac} cost cap. As described in the testimony of witness Enjamio, FPL is proposing to construct and operate four PV centers with a total nameplate capacity of 298 MW_{ac} (74.5 MW_{ac} each) with an in-service date of December 31, 2017. (TR 426) Construction for the 2017 solar generation projects began on October 21, 2016. (EXH 42) The proposed solar generation projects are Fixed-Tilt Systems with an average projected first year net capacity factor of 26.6 percent. (EXH 41, EXH 28) There are no upgrades to existing transmission infrastructure required as part of the construction of the 2017 solar generation projects. (EXH 84, p. 122)

The four proposed sites for the 2017 solar project construction are Coral Farms, Horizon, Wildflower, and Indian River. The Wildflower site is already included in FPL's rate base; therefore, Wildflower land costs are not included in any analysis. All other parcels are new purchases. (EXH 87, pp. 185-186) Staff recognized that not all land was being used in construction for the seven newly purchased sites, and in response to a staff interrogatory was informed that unused areas could include both usable and unusable areas for future solar

[4]Order No. PSC-16-0560-AS-EI, issued on December 15, 2016, in Docket No. 20160021-EI, *In re: Petition for rate increase by Florida Power & Light Company.*

[5]2016 Agreement at ¶ 10(a).

[6]2016 Agreement at ¶ 10(c).

development. (EXH 84, p. 135) To develop a better understanding of the ratio of land that could be used for future development, staff requested a more detailed breakdown of each site. This breakdown included four categories: total acreage, acreage used by the projects (Site Acreage), non-usable land, and residual land. Residual land consists of property that could possibly be used in future solar developments on the site, and for sites with adequate amounts of residual land, FPL will consider leasing land to parties for farming or cattle grazing activities. (EXH 87, pp. 187-188) The range of acreages of each site is illustrated in Table 2J-1 below:

Table 2J-1
Land Usage

Site Name	Total Acreage (acres)	Site Acreage (acres)	Non-Usable Land (acres)	Residual Land (acres)
Coral Farms	587	541	0	46
Horizon	1316	552	178	587
Wildflower	721	466	12	244
Indian River	697	389	56	252

Source: EXHs 87-88

Cumulative Evaluation

The in-service date for the 2017 projects is December 31, 2017. The in-service date for the 2018 projects is March 1, 2018. Because of the minor timing difference between the in-service dates, staff recommends that it is appropriate to evaluate both 2017 and 2018 projects together. In addition, both the 2017 and 2018 solar generation projects were cumulatively evaluated in the initial filing of the docket.

FPL developed two resource plans to form the basis of the cost effectiveness analysis that it performed. These two resource plans are called the No Solar Plan and 2017-2018 Solar Plan. The No Solar Plan assumes that resource needs will be met by combined cycle units and short term purchase power agreements (PPAs) through the year 2030. The 2017-2018 Solar Plan takes into account the eight solar projects, which initially defers the 2025 combined cycle (cc) unit. (TR 426) The Okeechobee CC Unit is currently under construction. The resource plan filed in regards to FPL's initial filing is shown in Table 2J-2 below:

Table 2J-2
Initial Resource Plan

Year	No Solar Resource Plan	2017-2018 Solar Resource Plan
2017		298 MW Solar
2018		298 MW Solar
2019	Okeechobee 3x1 CC Unit	Okeechobee 3x1 CC Unit
2020		
2021		
2022		
2023		
2024	1-Year 33 MW PPA	
2025	1 Greenfield 3x1 CC Unit	1-Year 119 MW PPA
2026		1 Greenfield 3x1 CC Unit
2027		
2028	1-Year 20 MW PPA	
2029	1 Greenfield 3x1 CC Unit	1-Year 287 MW PPA
2030		1 Greenfield 3x1 CC Unit
2031	Turkey Point 6	Turkey Point 6
2032	Turkey Point 7	Turkey Point 7
2033	Equalizing 599 MW CC	Equalizing 291 MW CC

Source: EXH 84

In the process of staff's evaluation of the March 2017 initial filing, FPL filed the 2017 Ten Year Site Plan in April 2017, when staff was made aware of the planned Dania Beach Clean Energy Center. In August 2017, FPL filed revised testimony that updated the evaluation of the 2017 and 2018 solar projects. To reflect these new changes, staff requested a new resource plan that would incorporate both the revised filing and the Dania Beach Clean Energy Center. Table 2J-3 below reflects both of these revisions:

Table 2J-3
Revised Resource Plan

Year	No Solar Resource Plan	2017-2018 Solar Resource Plan
2017		298 MW Solar
2018	1-Year 958 MW PPA	298 MW Solar; 1-Year 636 MW PPA
2019	Okeechobee 3x1 CC Unit; 1-Year 155 MW PPA	Okeechobee 3x1 CC Unit
2020	1-Year 182 MW PPA	
2021	1-Year 263 MW PPA	
2022	Dania Beach CC	Dania Beach CC
2023		
2024	1-Year 44 MW PPA	
2025	1 Greenfield 3x1 CC Unit	1-Year 149 MW PPA
2026		1 Greenfield 3x1 CC Unit
2027		
2028	1-Year 93 MW PPA	
2029	1 Greenfield 3x1 CC Unit	1-Year 363 MW PPA
2030		1 Greenfield 3x1 CC Unit
2031	Turkey Point 6	Turkey Point 6
2032	Turkey Point 7	Turkey Point 7
2033	Equalizing 574 MW CC	Equalizing 266 MW CC

Source: EXH 87

The revised resource plan shows that the addition of the 2017 and 2018 solar projects should reduce FPL's need for purchased power agreements.

In completing the analysis, FPL considered multiple components to determine cost effectiveness: solar revenue requirements, avoided generation costs, and avoided system costs. For the proposed solar facilities, the revenue requirements included fixed operation and maintenance (O&M), equipment, installation, land cost, and transmission interconnection cost. The avoided generation cost component considered avoided generation capital, avoided fixed O&M, avoided transmission interconnection, avoided capital replacement, incremental gas transport, and short-term purchases. The avoided system cost component considers the factors of fuel savings, avoided variable O&M, and emission cost savings.

FPL stated that the emission cost savings consideration did not incorporate CO_2 pricing until 2028. (EXH 84, pp. 102-104) FPL witness Enjamio identified ICF's CO_2 emission's cost forecast as a major assumption in FPL's economic analysis of its proposed solar PV generation projects. (TR 427) The CO_2 cost projections used in FPL's cost-effectiveness analyses are based on ICF's CO_2 emission cost forecast dated December 2016. (TR 427) ICF is a consulting firm with extensive experience in forecasting the cost of air emissions and is recognized as one of the industry leaders in this field. FPL has used ICF's CO_2 emission cost forecasts in many of its filings in front of the Commission, including the recently approved 2017 Ten Year Site Plan. (TR 427, FPL BR 9) No intervenor offered testimony rebutting FPL's CO_2 emission cost

forecast or provided any alternative emission cost forecast. Staff believes that the CO_2 cost projections FPL used in this docket are appropriate. FPL's CPVRR analysis assumed that each project had an actual life of 33 years, with the analysis ending in 2050. (EXH 84, p. 124)

CPVRR Analysis - Initial Filing

Staff reviewed FPL's original CPVRR for the 2017 and 2018 solar generation projects that produced a savings of $38.6 million for the base fuel and environmental forecasts. (EXH 32) This calculation included the previously mentioned CO_2 pricing in 2028. FPL's CPVRR analysis in support of its 2017-2018 Solar Plan included assumptions related to future fuel prices. The Company employed its standard fuel forecasting methodology to produce its long-term fuel price forecast. (TR 427, EXH 85, EXH 89) No alternative base fuel forecast was provided to the Commission for the purposes of valuing the Company's 2017-2018 Solar Plan. Staff believes the forecasted fuel prices used in the Company's CPVRR analysis associated with its current proposal are reasonable. (EXH 89) In response to staff interrogatory EXH 84, FPL provided a CPVRR analysis with both fuel and environmental compliance sensitivities. In FPL's analysis, a Low, Medium, and High Fuel Forecast and ENV I, ENV II, and ENV III compliance costs were considered. ENV I assumes an annual $0/ton cost for CO_2 pricing and low environmental compliance costs, ENV II assumes a most likely cost, and ENV III assumes high environmental compliance costs. (EXH 84, p. 104) The range of savings is illustrated in Table 2J-4 below:

Table 2J-4
Initial CPVRR Filing

	Environmental Compliance Cost Forecast			
Fuel Cost Forecast		**ENV I**	**ENV II**	**ENV III**
	High	($63.5)	($136.4)	($291)
	Medium	$35	($38.6)	($195.8)
	Low	$127.3	$53.6	($103.1)

Source: EXH 84

CPVRR Analysis - Revised Filing

FPL witness Enjamio filed revised testimony August 2, 2017, that provided updated economic analysis to reflect a change in cost effectiveness and cost assumptions of the 2017-2018 solar projects. Specifically, changes in tax law effective as of July 1, 2017, that allowed an exemption from property taxes for qualifying solar installations which applied to three of the planned 2018 solar generation project sites, resulted in a $34 million CPVRR reduction. This revised testimony resulted in a revised $106 million CPVRR base case scenario. (TR 434)

The terms of the 2016 agreement also require FPL to adhere to a $1,750 per kW_{ac} cost cap for any solar project. This cost cap includes the cost of the components, engineering, and construction for each site. In the initial filing, the 2017 and 2018 solar generation projects had a total anticipated capital cost of $435 million and $457 million, respectively. The 2017 projects were projected to fall under the cost cap with an average cost of $1,461per kW_{ac} and a $1,534 per kW_{ac} average cost for the 2018 projects. (EXH 43) In the revised testimony on August 2, 2017, witness Brannen stated that the completion of design competitive solicitations for the construction of the interconnection facilities for the solar energy centers reduced the projected

construction cost by $16 Million for the 2017 solar construction projects. Witness Brannen stated that these same factors reduced the projected construction cost by $14 million for the 2018 solar construction projects. (TR 538) For the 2017 projects, the new construction cost was a $419 million total with a revised average $1,405 per kW_{ac} cost. The new cost per kW_{ac} is $56 per kW_{ac} less than the initially filed cost and $345 per kW_{ac} less than the $1,750 per kW_{ac} cost cap. For the 2018 projects, the new construction cost was a $443 million total with a revised average $1,485 per kW_{ac} cost. The new cost per kW_{ac} is $49 per kW_{ac} less than the initially filed cost and $265 per kW_{ac} less than the $1,750 per kW_{ac} cost cap. (EX 44) Staff has reviewed the cost cap assumptions discussed above and believes them to be reasonable.

FPL's revised testimony from August 2017 did not include the planned Dania Beach Clean Energy Center. As such, staff requested an updated CPVRR evaluation that included the planned Dania Beach Clean Energy Center and updated fuel and environmental compliance sensitivities evaluations. The result of this updated sensitivity analysis is illustrated in Table 2J-5 below:

Table 2J-5
Revised CPVRR Analysis

	Environmental Compliance Cost Forecast			
Fuel Cost Forecast		**ENV I**	**ENV II**	**ENV III**
	High	($119)	($195)	($348)
	Medium	($24)	($96)	($249)
	Low	$76	$6	($147)

Source: EXH 87

Table 2J-5 above shows that in seven of the nine scenarios, the 2017 and 2018 solar projects are cost effective. Notably the base fuel case (medium), ENV I scenario contains no cost for CO_2, but is also cost effective. When comparing the change in savings on a CPVRR basis between the initial filing and the revised analysis, there is a substantial increase in savings for all forecasted scenarios. While examining the forecasted scenarios, staff observed that in all scenarios avoided fuel costs was the major driving force in producing overall savings for the projects. This fact manifested in even the "worst" case scenario of Low Fuel Cost, ENV I, where there are projected fuel savings in every forecasted year. When investigating the overall cost effectiveness of the projects, staff observed that the first cumulative benefit occurred in 2025. This benefit seems to be driven by the avoided capital that would be required for the Greenfield 3x1 CC Unit. Staff has reviewed the CPVRR assumptions discussed and believes them to be reasonable.

FIPUG questions the validity of CO_2 emission cost forecasts. However, FPL performed CO_2 emission and natural gas price sensitivities analyses, including zero carbon tax scenarios, to support its petition. Results of such sensitivity analyses show that the 2017 and 2018 solar projects are cost-effective in seven out of nine fuel and CO_2 sensitivity scenarios, including scenarios that assume zero CO_2 cost. (EXH 86) The CPVRR and construction cost analyses were performed in a consistent manner and no party presented substantial evidence disputing either the input assumptions or the analyses.

Conclusion

Based on the evidence contained in the record, FPL's proposed solar projects are projected to produce savings under multiple scenarios. FPL also has met the terms of 2016 Agreement in regards to keeping construction cost under the $1,750 per kW_{ac} cost cap.

Issue 2K*:* What are the revenue requirements associated with the 2017 SoBRA projects?

Recommendation: The jurisdictional annualized revenue requirements associated with the 2017 SoBRA projects are $60.52 million. (Barrett, Vogel)

Position of the Parties

FPL: $60,523,000.

FIPUG: Less than $60.52 million.

Staff Analysis:

Parties' Arguments

FPL

According to FPL witness Fuentes, FPL is authorized to seek recovery of the 2017 SoBRA projects pursuant to the Stipulation and Settlement Agreement reached in FPL's most recent rate case proceeding. (TR 174) In its brief, FPL asserted the Rate Settlement Agreement authorized the construction of up to 300 MWs of new solar generation each year between 2017 and 2020, if 3 requirements are satisfied:

1. The total costs of the solar projects do not exceed $1,750/kW$_{ac}$;
2. The construction, engineering, and component costs are reasonable; and
3. The solar projects are cost-effective additions to FPL's system.

(FPL BR 2, citing Order No. PSC-16-0560-AS-EI)[7]

The witness testified that the annualized jurisdictional revenue requirements for the first 12 months of operations related to the 2017 SoBRA projects are $60,523,000. (TR 175; EXH 45, p. 1; FPL BR 17) Witness Fuentes further stated that the $60,523,000 revenue requirement was calculated by following the methodologies approved by the Commission for FPL's generation base rate adjustments (GBRA) for Turkey Point Unit 5 and West County Energy Center Units 1 and 2 in Order No. PSC-05-0902-S-EI,[8] West County Energy Center Unit 3 in Order No. PSC-11-0089-S-EI,[9] and the modernization projects at Canaveral, Riviera Beach, and Port Everglades in Order No. PSC-13-0023-S-EI.[10] Witness Fuentes also testified that the same methodology was also used with the recently approved 2019 Okeechobee Limited Scope Adjustment (Okeechobee LSA). (TR 176; FPL BR 17)

[7]Order No. PSC-16-0560-AS-EI, issued on December 15, 2016, in Docket No. 20160021-EI, *In re: Petition for rate increase by Florida Power & Light Company.*
[8]Order No. PSC-05-0902-S-EI, issued September 14, 2005, in Docket No. 20050045-EI, *In re: Petition for rate increase by Florida Power & Light Company*, and in Docket No. 20050188-EI, *In re: 2005 comprehensive depreciation study by Florida Power & Light Company*.
[9]Order No. PSC-11-0089-S-EI, issued February 1, 2011, in Docket No. 20080677-EI, *In re: Petition for increase in rates by Florida Power & Light Company*, and in Docket No. 20090130-EI, *In re: 2009 depreciation and dismantlement study by Florida Power & Light Company*.
[10]Order No. PSC-13-0023-S-EI, issued January 14, 2013, in Docket No. 20120015-EI, *In re: Petition for increase in rates by Florida Power & Light Company*.

The jurisdictional annualized revenue requirement calculation for the 2017 SoBRA projects used several inputs, including the most current estimated capital expenditures presented by FPL witness Brannen. (Fuentes, TR 177; EXH 43-45; Brannen, TR 537)

FIPUG

FIPUG did not sponsor a witness to address this issue, and waived cross-examination of FPL witness Fuentes. In its brief, FIPUG presented assertions about FPL's reserve margin, the overall cost effectiveness of the 2017 SoBRA projects, and the appropriate cost recovery mechanism for these projects, but did not specifically address this issue in its brief. (FIPUG BR 11)

Analysis

Issues 2J, 2K, and 2L all pertain to FPL's proposed Horizon, Wildflower, Indian River, and Coral Farms solar generation facilities currently being constructed (2017 SoBRA projects). This issue addresses the revenue requirements associated with the 2017 SoBRA projects. Staff believes FPL is authorized to seek recovery of the 2017 SoBRA projects pursuant to the 2016 Agreement. Staff reviewed the testimony, exhibits, and calculations used by FPL witness Fuentes for determining the amount of revenue requirement associated with the 2017 SoBRA projects and found them to be reasonable, and agrees with witness Fuentes' calculated revenue requirement. (TR 175; EXH 45, p. 1)

Conclusion

Staff recommends that the jurisdictional annualized revenue requirements associated with the 2017 SoBRA projects be set at $60.52 million.

Issue 2L: What is the appropriate base rate percentage increase for the 2017 SOBRA projects to be effective when all 2017 projects are in service, currently projected to be January 1, 2018?

Recommendation: The appropriate base rate percentage increase (SoBRA Factor) for the 2017 SoBRA projects is 0.937 percent. (Barrett, Vogel)

Position of the Parties

FPL: 0.937%.

FIPUG: Less than 0.937%.

Staff Analysis:

Parties' Arguments

FPL

According to FPL witness Cohen, the SoBRA factors are incremental cost recovery factors that will be applied to base rate charges in order for the Company to collect the revenue necessary to recover the costs associated with building and operating the 2017 SoBRA projects. (TR 182) Witness Cohen testified that:

> SoBRA factors are based on the ratio of (1) the Company's jurisdictional revenue requirements for each Project [by year] and (2) the forecasted retail base revenue from electricity sales for the first twelve months of each rate year, beginning January 1, 2018 for the 2017 Project and March 1, 2018 for the 2018 Project.

(Cohen, TR 182; FPL BR 19)

Witness Cohen also presented an exhibit to demonstrate the inputs and calculations performed to determine the resulting incremental cost recovery factor of 0.937 percent for the 2017 SoBRA projects. (EXH 47)

FPL asserted in its brief that even when all of the SoBRA projects are reflected in customer bills, FPL's typical residential bills will remain below national and statewide averages. (FPL BR 19) Table 2L-1 below reflects the base rate changes and fuel cost recovery changes that will occur for typical monthly residential bills for customers using 1,000 kWh of electricity. Column 3 in Table 2L-1 reflects a typical bill before the application of incremental cost recovery factors for any SoBRA projects. Column 4 in Table 2L-1 reflects a typical bill for a residential customer using 1,000 kWh of electricity when the incremental cost recovery factor of 0.937 percent for the 2017 SoBRA projects is applied, and Column 5 reflects a typical bill for a residential customer using 1,000 kWh of electricity when all of the projects are implemented.[11] (EXH 51, p. 1)

[11]The estimates shown in Column 4 reflect the application of the incremental cost recovery factor of 0.937 percent for the Horizon, Wildflower, Indian River, and Coral Farms solar generation facilities (2017 SoBRA projects). The estimates shown in Column 5 reflect the data in Column 4 plus the application of the incremental cost recovery factor presented in Issue 2O for the Loggerhead, Barefoot Bay, Hammock, and Blue Cypress solar generation facilities (2018 SoBRA projects). Staff notes that the data presented in Table 2L-1 was prepared based on an exhibit FPL witness Cohen filed on March 1, 2017. That exhibit and this data do not reflect any storm-related charges attributable to named storms that impacted FPL's service territory in the 2017 hurricane season.

Table 2L-1
FPL Typical 1,000-kWh Residential Customer Bill Comparison For 2018

(1)	(2)	(3)	(4)	(5)
Bill Components	**Present (2017)**	**Approved in the 2016 Settlement Agreement (Jan, 2018)**	**Proposed for the 2017 SoBRA Projects (Jan & Feb, 2018)**	**Proposed for the 2017 & 2018 SoBRA Projects (March, 2018)**
Base Rate Charges	$63.49	$65.88	$66.49	$67.10
Fuel Cost Recovery	$24.91	$23.35	$23.17	$22.97
Other Charges	$14.15	$13.11	$13.12	$9.68
TOTAL	$102.55	$102.34	$102.78	$99.75

Source: (EXH 51, Exhibit TCC-5, Page 1 of 5)

FIPUG

FIPUG did not sponsor a witness to address this issue, and waived cross-examination of FPL witness Cohen. In its brief, FIPUG presented assertions about FPL's reserve margin, the overall cost effectiveness of the 2017 SoBRA projects, and the appropriate cost recovery mechanism for these projects, but did not specifically address this issue in its brief. (FIPUG BR 11)

Analysis

Issues 2J, 2K, and 2L all pertain to FPL's proposed Horizon, Wildflower, Indian River, and Coral Farms solar generation facilities currently being constructed (2017 SoBRA projects). This issue addresses the proposed base rate percentage increase associated with the 2017 SoBRA projects. Staff believes FPL is authorized to seek recovery of the 2017 SoBRA projects pursuant to the 2016 Agreement, and apply the appropriate base rate percentage increase (SOBRA Factor) for the 2017 SOBRA projects.

Conclusion

Staff reviewed the testimony, exhibits, and calculations used by FPL witness Cohen for determining the appropriate incremental cost recovery factor associated with the 2017 SoBRA projects. Staff recommends that the appropriate base rate percentage increase (SoBRA Factor) for the 2017 SoBRA projects is 0.937 percent.

Issue 2M: Are the 2018 SoBRA projects proposed by FPL (Hammock, Barefoot Bay, Blue Cypress and Loggerhead) cost effective?

Recommendation: Yes. Based on the evidence contained in the record, FPL's proposed solar projects are projected to produce savings under multiple scenarios. FPL also has met the terms of 2016 Agreement in regards to keeping construction cost under the $1,750 per kW_{ac} cost cap. (Wooten, Higgins, Stratis, Wu)

Position of the Parties

FPL: Yes. The 2017 and 2018 SoBRA projects are cost effective and are projected to result in $106 million (CPVRR) of customer savings.

FIPUG: No.

Staff Analysis:

Parties' Arguments

FPL

FPL states that pursuant to the 2016 Stipulation and Settlement Agreement (2016 Agreement), FPL proposes to construct and operate 596 MW of solar generation by 2018. FPL further states that an economic analysis was performed to determine the technology with the greatest value for customers. (FPL BR 5) FPL claims that the choices made for equipment and technology lowered construction costs. (FPL BR 6)

FPL asserts that the costs for the 2017 and 2018 projects are reasonable and fall below the $1,750 per kW_{ac} cost cap. FPL states that to ensure reasonable capital costs a competitive bidding process was completed for equipment to be installed and work to be performed. (FPL BR 7) FPL further asserts that updated efficient designs and reduced interconnection costs lowered the anticipated costs for the 2017 and 2018 projects. (FPL BR 8)

FPL employs two resource plans for the proposed solar generation: No Solar Plan and 2017-2018 Solar Plan. FPL further contends that based on the assumptions made in each plan, there was an estimated cumulative present value revenue requirement (CPVRR) savings of $38.6 million. (FPL BR 10) FPL asserts that an updated tax law in August 2017 provided a reduction in costs in the form of reduced property taxes for three of the four 2018 solar project sites. FPL states that the efficient designs, reduced interconnection costs, and reduced property taxes updated the estimated CPVRR savings to $106 Million. (FPL BR 11) FPL asserts that the 2016 Agreement provides that the 2017 and 2018 projects are cost effective if they lower the system CPVRR without them, which FPL claims the 2017 and 2018 projects do. (FPL BR 7)

FIPUG

FIPUG argues that the solar projects are not needed to meet the Commission's 15 percent reserve margin or FPL's 20 percent reserve margin. (FIPUG BR 4)

FIPUG contends that FPL's efforts to prove that the SoBRA projects are cost effective are only supported by hearsay evidence. FIPUG adds that FPL customers will lose $127.3 million if fuel

prices remain low and no carbon tax is imposed in the future. (FIPUG BR 5) FIPUG further asserts that the future costs of natural gas and the future cost of carbon resulting from a carbon tax is uncorroborated. (FIPUG BR 7)

Analysis

The SoBRA projects for 2017 and 2018 for which FPL is seeking approval and cost recovery are part of its 2016 Agreement approved by Order No. PSC-16-0560-AS-EI.[12] The 2016 Agreement allows FPL to construct up to 300 MW per calendar year of solar capacity during the period 2017-2021 and to recover through base rates the incremental annualized base revenue requirement for those facilities for the first 12 months of operation commencing when the facilities are placed into service.[13] There are several conditions that must be met for recovery in this case. First, FPL must request recovery for these projects during the term of the 2016 Agreement, or prior to December 31, 2020. Second, the cost of the components, engineering, and construction for any solar project is capped at $1,750 per kilowatt alternating current (kW_{ac}). Third, for projects less than 75 MW (as are all of the projects proposed in this case): 1) the request for base rate recovery must be filed in the Fuel Clause docket as part of its final true-up filing; and 2) the issues are "limited to the cost effectiveness of each such project (i.e., will the project lower the projected system CPVRR as compared to each CPVRR without the solar project) and the amount of revenue requirements and appropriate percentage in base rates needed to collect the estimated revenue requirements."[14] If the project meets these requirements, the terms of the 2016 Agreement have been met.

With this consideration in mind, staff asserts that FIPUG's consideration of a reliability need based on a reserve criterion is not relevant to this issue.

Project Description

FPL witnesses Brannen and Enjamio provided testimony and exhibits concerning FPL's proposed 2018 solar generation projects, including cost effectiveness and the ability to meet the $1,750 per kW_{ac} cost cap. As described in the testimony of witness Enjamio, FPL is proposing to construct and operate four PV centers with a total nameplate capacity of 298 MW_{ac} (74.5 MW_{ac} each) for an in-service date of March 1, 2018. (TR 426) Construction of the 2018 solar generation projects began on October 21, 2016. (EXH 42) The proposed solar generation projects are Fixed-Tilt Systems with an average projected first year net capacity factor of 26.6 percent. (EXH 41, EXH 28) There are no upgrades to existing transmission infrastructure required as part of the construction of the 2018 solar generation projects. (EXH 84, p. 122)

The four proposed sites for the 2018 solar project construction are Loggerhead, Barefoot Bay, Hammock, and Blue Cypress. All parcels are new purchases. (EXH 87, pp. 185, 186) Staff recognized that not all land was being used in construction for the four newly purchased sites, and in response to a staff interrogatory was informed that unused areas could include both usable and unusable areas for future solar development. (EXH 84, p. 135) To develop a better understanding of the ratio of land that could be used for future development, staff requested a

[12]Order No. PSC-16-0560-AS-EI, issued on December 15, 2016, in Docket No. 20160021-EI, *In re: Petition for rate increase by Florida Power & Light Company.*

[13]2016 Agreement at ¶ 10(a).

[14]2016 Agreement at ¶ 10(c).

more detailed breakdown of each site. This breakdown included four categories: total acreage, acreage used by the projects (Site Acreage), non-usable land, and residual land. Residual land consists of property that could possibly be used in future solar developments on the site, and for sites with adequate amounts of residual land, FPL will consider leasing land to parties for farming or cattle grazing activities. (EXH 87, pp. 187-188) The range of acreages of each site is illustrated in Table 2M-1 below:

Table 2M-1
Land Usage

Site Name	Total Acreage (acres)	Site Acreage (acres)	Non-Usable Land (acres)	Usable Land (acres)
Loggerhead	564	425	27	112
Barefoot Bay	462	384	52	25
Hammock	957	407	375	176
Blue Cypress	424	418	0	6

Source: EXHs 87-88

CPVRR Analysis

As discussed in Issue 2J, the CPVRR analysis of the 2018 solar projects was done cumulatively with the 2017 solar projects and consistent with that issue, is cost effective under a range of scenarios. Similarly discussed in Issue 2J is the $1,750 per kW_{ac} cost cap for 2018 solar projects per the 2016 Agreement.

Conclusion

Based on the evidence contained in the record, FPL's proposed solar projects are projected to produce savings under multiple scenarios. FPL also has met the terms of 2016 Agreement in regards to keeping construction cost under the $1,750 per kW_{ac} cost cap.

Issue 2N: What are the revenue requirements associated with the 2018 SoBRA projects?

Recommendation: The jurisdictional annualized revenue requirements associated with the 2018 SoBRA projects are $59.89 million. (Barrett, Vogel)

Position of the Parties

FPL: $59,890,000.

FIPUG: Less than $59.89 million.

Staff Analysis:

Parties' Arguments

FPL

According to witness Fuentes, FPL is authorized to seek recovery of the 2018 SoBRA projects pursuant to the Stipulation and Settlement Agreement reached in FPL's most recent rate case proceeding. (TR 174; FPL BR 2) The witness asserted that the annualized jurisdictional revenue requirements for the first 12 months of operations related to the 2018 SoBRA projects are $59,890,000. (TR 275; EXH 46, p. 1; FPL BR 17) Witness Fuentes further stated that the revenue requirement was calculated by following the methodologies approved by the Commission for FPL's generation base rate adjustments (GBRA) for Turkey Point Unit 5 and West County Energy Center Units 1 and 2 in Order No. PSC-05-0902-S-EI,[15] West County Energy Center Unit 3 in Order No. PSC-11-0089-S-EI,[16] and the modernization projects at Canaveral, Riviera Beach, and Port Everglades in Order No. PSC-13-0023-S-EI.[17] Witness Fuentes also testified that the same methodology was used with the recently approved 2019 Okeechobee Limited Scope Adjustment (Okeechobee LSA). (TR 176; FPL BR 17)

The jurisdictional annualized revenue requirement calculation for the 2018 SoBRA projects used several inputs, including the most current estimated capital expenditures presented by FPL witness Brannen. (Fuentes, TR 177; Brannen, TR 537; EXHs 43-44, 46, p. 1)

FIPUG

FIPUG did not sponsor a witness to address this issue, and waived cross-examination of FPL witness Fuentes. In its brief, FIPUG presented assertions about FPL's reserve margin, the overall cost effectiveness of the 2018 SoBRA projects, and the appropriate cost recovery mechanism for these projects, but did not specifically address this issue in its brief. (FIPUG BR 11)

[15]Order No. PSC-05-0902-S-EI, issued September 14, 2005, in Docket No. 20050045-EI, *In re: Petition for rate increase by Florida Power & Light Company*, and in Docket No. 20050188-EI, *In re: 2005 comprehensive depreciation study by Florida Power & Light Company*.
[16]Order No. PSC-11-0089-S-EI, issued February 1, 2011, in Docket No. 20080677-EI, *In re: Petition for increase in rates by Florida Power & Light Company*, and in Docket No. 20090130-EI, *In re: 2009 depreciation and dismantlement study by Florida Power & Light Company*.
[17]Order No. PSC-13-0023-S-EI, issued January 14, 2013, in Docket No. 20120015-EI, *In re: Petition for increase in rates by Florida Power & Light Company*.

Analysis

Issues 2M, 2N, and 2O all pertain to FPL's proposed Loggerhead, Barefoot Bay, Hammock, and Blue Cypress solar generation facilities currently being constructed (2018 SoBRA projects). This issue addresses the revenue requirements associated with the 2018 SoBRA projects. Although the projects are different, staff believes this issue is similar in every respect to Issue 2K. Staff recommends that FPL is authorized to seek recovery of the 2018 SoBRA projects pursuant to the 2016 Agreement.

Conclusion

Staff reviewed the testimony, exhibits, and calculations used by FPL witness Fuentes for determining the amount of revenue requirement associated with the 2018 SoBRA projects, and recommends that the jurisdictional annualized revenue requirements be set at $59.89 million.

Issue 2O: What is the appropriate base rate percentage increase for the 2018 SoBRA projects to be effective when all 2018 projects are in service, currently projected to be March 1, 2018?

Recommendation: The appropriate base rate percentage increase (SoBRA Factor) for the 2018 SoBRA projects is 0.919 percent. (Barrett, Vogel)

Position of the Parties

FPL: 0.919%.

FIPUG: Less than 0.919%.

Staff Analysis:

Parties' Arguments

FPL

According to FPL witness Cohen, the SoBRA factors are incremental cost recovery factors that will be applied to base rate charges in order for the Company to collect the revenue necessary to recover the costs associated with building and operating the 2018 SoBRA projects. (TR 182) Witness Cohen testified that:

> SoBRA factors are based on the ratio of (1) the Company's jurisdictional revenue requirements for each Project [by year] and (2) the forecasted retail base revenue from electricity sales for the first twelve months of each rate year, beginning January 1, 2018 for the 2017 Project and March 1, 2018 for the 2018 Project.

(Cohen, TR 182)

Additionally, witness Cohen presented an exhibit to demonstrate the inputs and calculations performed to determine the resulting incremental cost recovery factor of 0.919 percent for the 2018 SoBRA projects. (EXH 47)

As noted in a prior issue (Issue 2L), FPL believes that even when the incremental cost recovery factors for all of the SoBRA projects are implemented, residential bills will remain below national and statewide averages. (FPL BR 19) Witness Cohen presented an exhibit to demonstrate the billing changes projected to occur for typical residential bills for customers using 1,000 kWh of electricity, which staff summarized in Table 2L-1. (EXH 51, p. 1)

FIPUG

FIPUG did not sponsor a witness to address this issue, and waived cross-examination of FPL witness Cohen. In its brief, FIPUG presented assertions about FPL's reserve margin, the overall cost effectiveness of the 2017 SoBRA projects, and the appropriate cost recovery mechanism for these projects, but did not specifically address this issue in its brief. (FIPUG BR 11)

Analysis

Issues 2M, 2N, and 2O all pertain to FPL's proposed Loggerhead, Barefoot Bay, Hammock, and Blue Cypress solar generation facilities currently being constructed (2018 SoBRA projects). This issue addresses the proposed base rate percentage increase associated with the 2018 SoBRA

projects. Although the projects are different, staff believes this issue is similar in every respect to Issue 2L. Staff recommends that FPL is authorized to seek recovery of the 2018 SoBRA projects pursuant to the 2016 Agreement, and apply the appropriate base rate percentage increase (SoBRA Factor) for the 2018 SoBRA projects.

Conclusion

Staff reviewed the testimony, exhibits, and calculations used by FPL witness Cohen for determining the appropriate incremental cost recovery factor associated with the 2018 SoBRA projects. Based on this review, staff recommends that the appropriate base rate percentage increase (SoBRA Factor) for the 2018 SoBRA projects should be set at 0.919 percent.

Issue 2P: Should the Commission approve revised tariffs for FPL reflecting the base rate percentage increases for the 2017 and 2018 SoBRA projects determined to be appropriate in this proceeding?

Recommendation: Yes. The Commission should approve revised tariffs for FPL reflecting the base rate percentage increases for the 2017 and 2018 SoBRA projects determined to be appropriate in this proceeding. (Guffey, Barrett)

Position of the Parties

FPL: Yes.

FIPUG: No.

Staff Analysis:

Parties' Arguments

FPL

FPL witness Cohen sponsored exhibits that summarize the tariff changes for all SoBRA projects. (EXHs 49-50) The 2017 SoBRA projects are scheduled to enter commercial service is December 31, 2017, and the 2018 SoBRA projects is March 1, 2018. Witness Cohen testified that:

> If the SoBRA and the associated charges are approved for both [2017 and 2018] Projects, the Company will submit revised tariff sheets reflecting the Commission-approved charges.

(Cohen, TR 183)

Witness Cohen asserted that the Company will formally notify the Commission by letter of the specific in-service dates for each set of projects, and the base rate changes will become effective on or after that date. (TR 184) In its brief, FPL stated:

> The economic analyses performed demonstrate that the 2017 and 2018 Projects generate $106 million in customer savings (CPVRR) and are thus cost-effective. Finally, the revenue requirements and SoBRA factors for each Project were calculated as prescribed in the Rate Settlement Agreement. Accordingly, FPL should be authorized to implement revised tariffs reflecting the SoBRA factors when the 2017 and 2018 Projects enter commercial operation.

(FPL BR 20)

FIPUG

FIPUG did not sponsor a witness to address this issue, and waived cross-examination of FPL witness Cohen. In its brief, FIPUG asserted that FPL's Solar Projects are not needed to meet FPL's Reserve Margin, and spending the capital on these projects is not a prudent decision. FIPUG contends that the tariffs should not be approved. (FIPUG BR 3, 11)

Analysis

This issue addresses approving the tariffs for the 2017 and 2018 SoBRA projects. As set forth in the preceding issues, staff observes that FPL's 2016 Agreement states that the issues for determination are limited to three principle considerations:

1. Cost effectiveness, as discussed in Issues 2J (for the 2017 Projects) and 2M (for the 2018 Projects).
2. The amount of revenue requirements, as discussed in Issues 2K (for the 2017 Projects) and 2N (for the 2018 Projects).
3. The appropriate percentage increase in base rates needed to recover the revenue requirement amounts identified above. These percentage increases are reflected as recovery factors, as discussed in Issues 2L (for the 2017 Projects) and 2O (for the 2018 Projects).

Based on recommendations in Issues 2J-2O, staff recommends the Commission approve revised tariffs for FPL reflecting the base rate percentage increases for the 2017 and 2018 SoBRA projects determined to be appropriate in this proceeding.

Conclusion

Staff recommends the Commission approve revised tariffs for FPL reflecting the base rate percentage increases for the 2017 and 2018 SoBRA projects determined to be appropriate in this proceeding.

Issue 36: Should this docket be closed?

Recommendation: No. While a separate docket number is assigned each year for administrative convenience, this is a continuing docket and should remain open. (Brownless)

Staff Analysis: While a separate docket number is assigned each year for administrative convenience, this is a continuing docket and should remain open.

Item 6

FILED 11/30/2017
DOCUMENT NO. 10180-2017
FPSC - COMMISSION CLERK

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: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Mouring) MBF ALM
Division of Economics (Hudson) AH PR
Office of General Counsel (Taylor, Crawford) CDT

RE: Docket No. 20170247-WU – Joint motion requesting Commission approval of settlement agreement by the Office of Public Counsel, Black Bear Waterworks, Inc., Brendenwood Waterworks, Inc., Brevard Waterworks, Inc., Country Walk Utilities, Inc., Harbor Waterworks, Inc., Lake Idlewild Utility Company, Raintree Waterworks, Inc., and Sunny Hills Utility Company.

AGENDA: 12/12/17 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Black Bear Waterworks, Inc., Brendenwood Waterworks, Inc., Brevard Waterworks, Inc., Country Walk Utilities, Inc., Harbor Waterworks, Inc., Lake Idlewild Utility Company, Raintree Waterworks, Inc., and Sunny Hills Utility Company (hereafter referred to as Utilities) are all jurisdictional water and/or wastewater utilities. These Utilities all share a common majority ownership.

In April 2017, as part of its ongoing earnings surveillance activities, the Commission staff identified possible overearnings based upon a review of the Utilities' respective 2016 Annual

Reports. By letter dated May 5, 2017, the Utilities consented to holding subject to refund any earned return on equity (ROE) which exceeded the maximum of the allowed ROE for the year ended December 31, 2016. Multiple meetings between staff and the Utilities took place during the summer to discuss the Utilities' level of earnings.

On October 3, 2017, an informal meeting between Commission staff, the Utilities, and the Office of Public Counsel (OPC) was held to discuss the potential disposition of any portion of such earned return above the maximum allowed ROE. Subsequent to that meeting, the Utilities and OPC (collectively referred to as Parties) held further discussions regarding additional data provided by the Utilities to OPC.

On November 17, 2017, the Parties filed a Joint Motion Requesting Commission Approval of Settlement Agreement (Agreement) to resolve the disposition of 2017 overearnings, and address any possible overearnings for 2018. This Agreement is attached to this recommendation as Attachment A.

The purpose of this recommendation is to present the settlement proposal to the Commission for approval. The Commission has jurisdiction pursuant to Sections 367.081, 367.082, and 367.121, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve the Joint Motion and Settlement Agreement by the Parties?

Recommendation: Yes. The proposed Settlement Agreement adequately addresses the potential overearnings staff had previously identified during its ongoing earnings surveillance activities.

As applicable, the Utilities should make refunds, credit CIAC, and reduce rates as outlined in the Settlement Agreement. Schedule No. 1 reflects staff's recommended rates per the Settlement Agreement. Brendenwood Waterworks, Inc. should file a proposed customer notice reflecting the Commission's decision within 15 days of the Commission vote. The approved rates should be effective for service rendered on or after the stamped approval date of the tariff pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.), after staff has verified that the proposed customer notice is adequate and this notice has been provided to the customer. The Settlement Agreement specifies that this rate reduction should be effective the first billing cycle in January 2018. Brendenwood Waterworks, Inc. should provide proof that the customers have received notice within 10 days after the date of the notice. (Mouring, Hudson)

Staff Analysis: As stated in the Case Background, in April 2017, as part of its ongoing earnings surveillance activities, the Commission staff identified possible overearnings based upon a review of the Utilities respective 2016 Annual Reports. On November 17, 2017, the Parties filed a Joint Motion Requesting Commission Approval of Settlement Agreement to resolve the disposition of 2017 overearnings, and address any possible overearnings for 2018. With respect to overearnings for 2017, customers of Black Bear Waterworks, Inc. would receive bill credits representing 10.44 percent of water revenues, Brendenwood Waterworks, Inc. customers would receive bill credits representing 14.20 percent of water revenues, Lake Idlewild Utility Company customers would receive bill credits representing 9.67 percent of water revenues, and customers of Raintree Waterworks, Inc. would receive credits for 2.88 percent of water revenues. All refunds would be made in accordance with Rule 25-30.360(3), F.A.C.

In addition, Brendenwood Waterworks, Inc., has agreed to reduce water rates by 11.38 percent on a prospective basis effective with the first billing cycle in January 2018. For Harbor Waterworks, Inc., a credit adjustment to Contributions in Aid of Construction in the amount of $39,160 would be made along with an offsetting adjustment to Retained Earnings.

The Agreement also provides protections for customers for possible overearnings of Black Bear Waterworks, Inc., Harbor Waterworks, Inc., Lake Idlewild Utility Company, and Raintree Waterworks, Inc. in 2018. These utilities have agreed to hold subject to refund all revenues received during the calendar year 2018 that are above their respective authorized ROE range until final review of the 2018 Annual Reports.

The Parties agree that no further actions are needed with respect to Brevard Waterworks, Inc., Country Walk Utility Company, or Sunny Hills Utility Company.

The Parties stated that this Agreement resolves the issues raised in this proceeding so as to maintain a degree of stability and predictability with respect to customer bills. Staff believes that the Agreement is a reasonable resolution for the possible overearnings on a prospective basis. Further, staff believes that it is in the public interest for the Commission to approve the Agreement because it promotes administrative efficiency, avoiding the time and expense of a formal earnings investigation.

In keeping with the Commission's long-standing practice of encouraging parties to settle contested proceedings, staff recommends that the Commission approve the Joint Motion and Settlement Agreement by the Parties. The proposed Settlement Agreement adequately addresses the potential overearnings staff had previously identified during its ongoing earnings surveillance activities. Schedule No. 1 reflects staff’s recommended rates per the Settlement Agreement.

Staff also recommends that Brendenwood Waterworks, Inc. file a proposed customer notice reflecting the Commission's decision approving a permanent reduction in water rates within 15 days of the Commission vote. The approved rates should be effective for service rendered on or after the stamped approval date of the tariff pursuant to Rule 25-30.475(1), F.A.C., after staff has verified that the proposed customer notice is adequate and this notice has been provided to the customer. The Agreement specifies that this rate reduction will be effective the first billing cycle in January 2018. Brendenwood Waterworks, Inc. should provide proof that the customers have received notice within 10 days after the date of the notice.

Issue 2: Should this docket be closed?

Recommendation: No. If no timely protest is received from a substantially affected person upon expiration of the protest period, the PAA Order will become final upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to verify completion of the refunds discussed in Issue 1 and to verify that the revised tariff sheets and customer notice have been filed by Brendenwood Waterworks, Inc. and approved by staff. Once staff has verified that the notice has been provided and refunds have been made in accordance with Rule 25-30.360, F.A.C., the docket should be closed administratively. (Taylor, Mouring)

Staff Analysis: If no timely protest is received from a substantially affected person upon expiration of the protest period, the PAA Order will become final upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to verify completion of the refund discussed in Issue 1 and to verify that the revised tariff sheets and customer notice have been filed by Brendenwood Waterworks, Inc. and approved by staff. Once staff has verified that the notice has been provided and refunds have been made in accordance with Rule 25-30.360, F.A.C., the docket should be closed administratively.

Exhibit "A"

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Disposition of 2017 Overearnings for:

Black Bear Waterworks, Inc.
Brendenwood Waterworks, Inc.
Brevard Waterworks, Inc.
Country Walk Utilities, Inc.
Harbor Waterworks, Inc.
Lake Idlewild Waterworks, Inc.
Raintree Waterworks, Inc.
Sunny Hills Utility Company
_____/

Docket No. 2017_____

Filed: November 17, 2017

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made and entered into this 17th day of November, 2017, by and between the following utilities:

Black Bear Waterworks, Inc.
Brendenwood Waterworks, Inc.
Brevard Waterworks, Inc.
Country Walk Utilities, Inc.
Harbor Waterworks, Inc.
Lake Idlewild Utility Company
Raintree Waterworks, Inc.
Sunny Hills Utility Company

(hereafter referred to as "Utilities"), and the Office of Public Counsel ("OPC"), on behalf of the Citizens of the State of Florida ("Citizens") and customers of each respective Utilities (hereafter, "Parties").

WITNESSETH

WHEREAS, the staff of the Florida Public Service Commission ("Commission" or "FPSC") identified potential 2017 overearnings based upon the review of the 2016 Annual Report of the respective Utilities;

WHEREAS, the Utilities submitted a letter dated May 5, 2017 to the FPSC as acknowledgement of and consent to the FPSC's jurisdiction over the extent to which the earned return on common equity (ROE) for the year ending December 31, 2016 exceeds the maximum of the allowed ROE;

WHEREAS, it was the Utilities' understanding that any decision regarding the disposition of any portion of such earned return above the maximum allowed ROE will be subject for disposition after the nature and extent of any such amount above the approved ROE ranges are known;

WHEREAS, on October 3, 2017, an informal meeting between the FPSC, Utilities, and OPC was held to discuss the potential disposition of any portion of such earned return above the maximum allowed ROE ("overearnings");

WHEREAS, the Parties conducted further discussions and evaluation of additional data provided by Utilities to OPC on such overearnings;

WHEREAS, the Parties to this Agreement have undertaken to resolve the issues raised in this proceeding so as to maintain a degree of stability and predictability with respect to customer bills;

WHEREAS, the Parties have entered into this Settlement Agreement in compromise of positions taken in accord with their rights and interests under Chapters 350 and 367, Florida Statutes, as applicable, and as a part of the negotiated exchange of consideration among the parties to this agreement each has agreed to concessions to the others with the expectation that all provisions of this Settlement Agreement will be enforced by the Commission as to all matters addressed herein with respect to all parties regardless of whether a court ultimately determines such matters to reflect Commission policy, upon acceptance of the agreement as provided herein

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and upon approval in the public interest; and

NOW THEREFORE, for and in consideration of the mutual covenants set forth below, the sufficiency of which is hereby acknowledged the parties agree to the following:

1. **Black Bear Waterworks, Inc.:** Black Bear Waterworks, Inc. (Black Bear) agrees to refund via credit on its customers' account 10.44% of water revenues billed for the calendar year 2017. The refunds shall be made pursuant to Rule 25-30.360(3), Florida Administrative Code. This refund credit shall be based upon each individual customer's billed amounts for the 2017 calendar year. Black Bear also agrees to hold subject to refund all revenues received during the calendar year 2018 that are above its authorized ROE range until the final review of its 2018 Annual Report. Black Bear hereby consents to the FPSC's jurisdiction over the extent to which its earned ROE for the year ending December 31, 2018 exceeds the maximum of its allowed ROE.

2. **Brendenwood Waterworks, Inc.:** Brendenwood Waterworks, Inc. (Brendenwood) agrees to refund via credit on its customers' account 14.20% of water revenues billed for the calendar year 2017. The refunds shall be made pursuant to Rule 25-30.360(3), Florida Administrative Code. This refund credit shall be based upon each individual customer's billed amounts for the 2017 calendar year. Brendenwood also agrees to reduce water rates by 11.38% on a prospective basis effective the first billing cycle in January 2018.

3. **Harbor Waterworks, Inc.:** In recognition of additional water plant investment anticipated for 2018, Harbor Waterworks, Inc. (Harbor) agrees to apply a credit adjustment to its water Contributions in Aid of Construction (CIAC) account in the amount of $39,160 (with an offsetting adjustment to its Retained Earnings account). Harbor also agrees to hold subject to refund all water revenues received during the calendar year 2018 that are above its authorized

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ROE range until the final review of its 2018 Annual Report. Harbor hereby consents to the FPSC's jurisdiction over the extent to which its earned ROE for the year ending December 31, 2018 exceeds the maximum of its allowed ROE.

4. **Lake Idlewild Utility Company:** Lake Idlewild Utility Company (Lake Idlewild) agrees to refund via credit on its customers' account 9.67% of water revenues billed for the calendar year 2017. The refunds shall be made pursuant to Rule 25-30.360(3), Florida Administrative Code. This refund credit shall be based upon each individual customer's billed amounts for the 2017 calendar year. Lake Idlewild also agrees to hold subject to refund all revenues received during the calendar year 2018 that are above its authorized ROE range until the final review of its 2018 Annual Report. Lake Idlewild hereby consents to the FPSC's jurisdiction over the extent to which its earned ROE for the year ending December 31, 2018 exceeds the maximum of its allowed ROE.

5. **Raintree Waterworks, Inc.:** Raintree Waterworks, Inc. (Raintree) agrees to refund via credit on the customers' account 2.88% of water revenues billed for the calendar year 2017. The refunds shall be made pursuant to Rule 25-30.360(3), Florida Administrative Code. This refund credit shall be based upon each individual customer's billed amounts for the 2017 calendar year. Raintree also agrees to hold subject to refund all revenues received during the calendar year 2018 that are above its authorized ROE range until the final review of its 2018 Annual Report. Raintree hereby consents to the FPSC's jurisdiction over the extent to which its earned ROE for the year ending December 31, 2018 exceed the maximum of its allowed ROE.

6. **Brevard Waterworks, Inc., Country Walk Utility Company, or Sunny Hills Utility Company:** The Parties agree, based upon the analysis of the current and prospective 2017 earnings, there are no further action needed with respect to Brevard Waterworks, Inc., Country

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Walk Utility Company, or Sunny Hills Utility Company.

7. In keeping with the Commission's long-standing policy and practice of encouraging parties to settle issues whenever possible, the Parties submit this Settlement Agreement for review and approval. The Parties agree that this Settlement Agreement is in the public interest. The provisions of this Settlement Agreement are contingent on approval of this Settlement Agreement in its entirety by the Commission without modification. The Parties further agree that they will support this Settlement Agreement and will not request or support any order, relief, outcome, or result in conflict with the terms of this Settlement Agreement in any administrative or judicial proceeding relating to, reviewing, or challenging the establishment, approval, adoption, or implementation of this Settlement Agreement or the subject matter hereof. No Party will assert in any proceeding before the Commission that this Settlement Agreement nor any of the terms herein shall have any precedential value nor may it be used in any other proceeding. To the extent a dispute arises among the parties about the provisions, interpretation, or application of this agreement, the parties agree to meet and confer in an effort to resolve the dispute. To the extent that the Parties cannot resolve any dispute, the matter may be submitted to the Commission for resolution. Approval of this Settlement Agreement in its entirety will resolve all matters and issues discussed herein pursuant to and in accordance with Section 120.57(4), Florida Statutes. This docket should be closed administratively after Commission staff verifies the revised tariff sheets, customer notices have been mailed, and refunds have been made.

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IN WITNESS WHEREOF, the Parties evidence their acceptance and agreement with the provisions of this Settlement Agreement by their signature.

OFFICE OF PUBLIC COUNSEL

Date: 11-17-17

By: _____

Erik L. Sayler
Associate Public Counsel

Attorney for the Citizens
of the State of Florida

UTILITIES

Date: 11-17-17

By: _____

Gary Deremer
President

Black Bear Waterworks, Inc.
Brendenwood Waterworks, Inc.
Brevard Waterworks, Inc.
Country Walk Utilities, Inc.
Harbor Waterworks, Inc.
Lake Idlewild Utility Company
Raintree Waterworks, Inc.
Sunny Hills Utility Company

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BRENDENWOOD WATERWORKS, INC. MONTHLY WATER RATES		SCHEDULE NO. 1 DOCKET NO. 20170247-WU
	CURRENT RATES	STAFF RECOMMENDED RATES
Residential and General Service		
Base Facility Charge by Meter Size		
5/8" x 3/4"	$14.91	$13.21
3/4"	$22.36	$19.82
1"	$37.27	$33.03
1-1/2"	$74.53	$66.05
2"	$119.25	$105.68
3"	$238.50	$211.36
4"	$372.65	$330.25
6"	$745.32	$660.50
Charge per 1,000 gallons - Residential		
0-5,000 gallons	$2.03	$1.80
5,001-10,000 gallons	$2.26	$2.00
Over 10,000 gallons	$4.53	$4.01
Charge per 1,000 gallons - General Service	$3.08	$2.73
Typical Residential 5/8" x 3/4" Meter Bill Comparison		
4,000 Gallons	$23.03	$20.41
6,000 Gallons	$27.32	$24.21
10,000 Gallons	$36.36	$32.21

Item 7

State of Florida

Public Service Commission

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

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

DATE: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (D. Andrews, Norris)
Office of the General Counsel (Taylor)

RE: Docket No. 20170005-WS – Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.

AGENDA: 12/12/17 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 3/31/18 (Statutory Reestablishment Deadline)

SPECIAL INSTRUCTIONS: None

Case Background

Since March 31, 1981, pursuant to the guidelines established by Section 367.081(4)(a), Florida Statutes (F.S.), and Rule 25-30.420, Florida Administrative Code (F.A.C.), the Commission has established a price index increase or decrease for major categories of operating costs on or before March 31 of each year. This process allows water and wastewater utilities to adjust rates based on current specific expenses without applying for a rate case.

Staff has calculated its proposed 2018 price index by comparing the Gross Domestic Product Implicit Price Deflator Index for the fiscal year ended September 30, 2017. This same procedure has been used each year since 1995 to calculate the price index. The U.S. Department of Commerce, Bureau of Economic Analysis, released its most recent third quarter figures on October 27, 2017.

At the December 6, 2016, Commission Conference in Docket No. 20160223-WS, the Commission proposed amendments to Rule 25-30.425, F.A.C., to capture the expansion of eligible pass through costs permitted by the 2016 statutory change in Section 367.081, F.S. The expansion in eligible pass through costs include the fees charged for wastewater biosolids disposal, costs incurred for any tank inspection required by the Department of Environmental Protection (DEP) or local governmental authority, treatment plant operator and water distribution system operator license fees required by the DEP or local governmental authority, water or wastewater operating permit fees charged by the DEP or local governmental authority, and consumptive or water use permit fees charged by a water management district.

Since March 31, 1981, the Commission has received and processed approximately 3,603 index applications. The Commission has jurisdiction over this matter pursuant to Section 367.081, F.S.

Discussion of Issues

Issue 1: Which index should be used to determine price level adjustments?

Recommendation: The Gross Domestic Product Implicit Price Deflator Index is recommended for use in calculating price level adjustments. Staff recommends calculating the 2018 price index by using a fiscal year, four quarter comparison of the Implicit Price Deflator Index ending with the third quarter of 2017. (D. Andrews)

Staff Analysis: In 1993, the Gross Domestic Product Implicit Deflator (GDP) was established as the appropriate measure for determining the water and wastewater price index. At the same time, the convention of using a four quarter fiscal year comparison was also established and this practice has been used every year since then.[1] The GDP is prepared by the U.S. Department of Commerce. Prior to that time, the Gross National Product Implicit Price Deflator Index (GNP) was used as the indexing factor for water and wastewater utilities. The Department of Commerce switched its emphasis from the GNP to the GDP as the primary measure of U.S. production.

Pursuant to Section 367.081(4)(a), F.S., the Commission, by order, shall establish a price increase or decrease index for major categories of operating costs incurred by utilities subject to its jurisdiction reflecting the percentage of increase or decrease in such costs from the most recent 12-month historical data available. Since 1995, the price index was determined by using a four quarter comparison, ending September 30, of the Implicit Price Deflator Index in order to meet the statutory deadline. The current price index was determined by comparing the change in the GDP using the four quarter fiscal year comparison ending September 30. This method has been used consistently since 1995 to determine the price index.[2]

In Order No. PSC-2016-0552-PAA-WS, issued December 12, 2016, in Docket No. 20160005-WS, the Commission, in keeping with the practice started in 1993, reiterated the alternatives which could be used to calculate the indexing the utility revenues. Past concerns expressed by utilities, as summarized from utility input in previous hearing, are:

1) Inflation should be a major factor in determining the index;

2) Nationally published indices should be vital to this determination;

3) Major categories of expenses are labor, chemicals, sludge-hauling, materials and supplies, maintenance, transportation, and treatment expense;

4) An area wage survey, Dodge Building Cost Index, Consumer Price Index, and the GDP should be considered;

[1] Order No. PSC-1993-0195-FOF-WS, issued February 9, 1993, in Docket No. 19930005-WS, *In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.*

[2] Order No. PSC-1995-0202-FOF-WS, issued February 10, 1995, in Docket No. 19950005-WS, *In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.*

5) A broad measure index should be used; and

6) The index procedure should be easy to administer.

Based upon these concerns, the Commission has previously explored the following alternatives:

1) Survey of Regulated Water and Wastewater Utilities;

2) Consumer Price Index;

3) Florida Price Level Index;

4) Producer Price Index – previously the Wholesale Price Index; and

5) GDP (replacing the GNP).

Over the past years, the Commission found that the Survey of Regulated Water and Wastewater Utilities should be rejected because using the results of a survey would allow utilities to pass on to customers all cost increases, thereby reducing the incentives of promoting efficiency and productivity. The Commission has also found that the Consumer Price Index and the Florida Price Level Index should be rejected because of their limited degree of applicability to the water and wastewater industry. Both of these price indices are based upon comparing the advance in prices of a limited number of general goods and, therefore, appear to have limited application to water and wastewater utilities.

The Commission further found that the Producer Price Index (PPI) is a family of indices that measures the average change over time in selling prices received by domestic producers of goods and services. PPI measures price change from the perspective of the seller, not the purchaser, and therefore should be rejected. Because the bases for these indices have not changed, staff believes that the conclusions reached in Order No. PSC-2016-0552-PAA-WS should continue to apply in this case. Since 1993, the Commission has found that the GDP has a greater degree of applicability to the water and wastewater industry. Therefore, staff recommends that the Commission continue to use the GDP to calculate water and wastewater price level adjustments.

The following information provides a historical perspective of the annual price index:

Table 1-1
Historical Analysis of the Annual Price Index for Water and Wastewater Utilities

Year	Commission Approved Index	Year	Commission Approved Index
2006	2.74%	2012	2.41%
2007	3.09%	2013	1.63%
2008	2.39%	2014	1.41%
2009	2.55%	2015	1.57%
2010	0.56%	2016	1.29%
2011	1.18%	2017	1.51%

The table below shows the historical participation in the Index and/or Pass-Through programs:

Table 1-2
Percentage of Jurisdictional Water and Wastewater Utilities Filing for Indexes and Pass-Throughs

Year	Percentage	Year	Percentage
2006	32%	2012	30%
2007	47%	2013	41%
2008	42%	2014	39%
2009	53%	2015	49%
2010	29%	2016	38%
2011	43%	2017	37%

Issue 2: What rate should be used by water and wastewater utilities for the 2018 Price Index?

Recommendation: The 2018 Price Index for water and wastewater utilities should be 1.76 percent. (D. Andrews)

Staff Analysis: The U.S. Department of Commerce, Bureau of Economic Analysis, released the most recent third quarter 2017 figures on October 27, 2017. Consistent with the Commission's establishment of the 2017 Price Index last year, staff is using the third quarter 2017 amounts to calculate staff's recommended 2018 Price Index. Using the third quarter amounts allows time for a hearing if there is a protest, in order for the Commission to establish the 2018 Price Index by March 31, 2018, in accordance with Section 367.081(4)(a), F.S. The percentage change in the GDP using the fiscal year comparison ending with the third quarter is 1.76 percent. This number was calculated as follows.

GDP Index for the fiscal year ended 9/30/17	113.63
GDP Index for the fiscal year ended 9/30/16	111.67
Difference	1.96
Divided by 9/30/16 GDP Index	111.67
2018 Price Index	1.76%

Issue 3: How should the utilities be informed of the indexing requirements?

Recommendation: Pursuant to Rule 25-30.420(1), F.A.C., the Office of Commission Clerk, after the expiration of the Proposed Agency Action (PAA) protest period, should mail each regulated water and wastewater utility a copy of the PAA order establishing the index containing the information presented in Form PSC/AFD 15 (4/99) and Appendix A (Attachment 1). Because Rule 25-30.420(1), F.A.C., references Form PSC/AFD 15 (4/99), staff would note that there will be rulemaking necessary. A cover letter from the Director of the Division of Accounting and Finance should be included with the mailing of the order (Attachment 2). The entire package will also be made available on the Commission's website. (D. Andrews)

Staff Analysis: Staff designed a package (Form PSC/AFD 15 (4/99) and Appendix A), attached hereto as Attachment 1, that details the requirements of the Commission's Index and Pass-Through programs. This package has significantly reduced the number of questions regarding what the index and pass-through rate adjustments are, how to apply for an adjustment, and what needs to be filed to meet the filing requirements.

Staff recommends that the package presented in Form PSC/AFD 15(4/99) and Appendix A (Attachment 1) be mailed to every regulated water and wastewater utility after the expiration of the PAA protest period, along with a copy of the PAA order that has become final. The entire package will also be made available on the Commission's website.

Because Rule 25-30.420(1), F.A.C., references Form PSC/AFD 15 (4/99), staff would note that there will be rulemaking necessary.

In an effort to increase the number of water and wastewater utilities taking advantage of the annual price index and pass-through programs, staff is recommending that the attached cover letter (Attachment 2) from the Director of the Division of Accounting and Finance be included with the mailing of the PAA Order in order to explain the purpose of the index and pass-through applications and to communicate that Commission staff is available to assist them.

Issue 4: Should this docket be closed?

Recommendation: No. Upon expiration of the 14-day protest period, if a timely protest is not received, the decision should become final and effective upon the issuance of a Consummating Order. Any party filing a protest should be required to prefile testimony with the protest. However, this docket should remain open through the end of the year and be closed upon the establishment of the new docket on January 3, 2018. (Taylor, D. Andrews)

Staff Analysis: Uniform Rule 25-22.029(1), F.A.C., contains an exception to the procedural requirements set forth in Uniform Rule 28-106.111, F.A.C., providing that "[t]he time for requesting a Section 120.569 or 120.57 hearing shall be 14 days from issuance of the notice for PAA orders establishing a price index pursuant to Section 367.081(4)(a), F.S." Therefore, staff recommends that the Commission require any protest to the PAA Order in this docket be filed within 14 days of the issuance of the PAA Order, and that any party filing the protest should be required to prefile testimony with the protest. Upon expiration of the protest period, if a timely protest is not received, the decision should become final and effective upon the issuance of a Consummating Order. However, this docket should remain open through the end of the year and be closed upon the establishment of the new docket on January 3, 2018.

FLORIDA PUBLIC SERVICE COMMISSION
2018 PRICE INDEX APPLICATION
TEST YEAR ENDED DECEMBER 31, 2017

DEP PWS ID NO. _____ WATER
WASTEWATER
DEP WWTP ID NO. _____

*2017 Operation and Maintenance Expenses	$	$
LESS:		
(a) Pass-through Items:		
(1) Purchased Power		
(2) Purchased Water		
(3) Purchased Wastewater Treatment		
(4) Sludge Removal		
** (5) Other		
(b) Rate Case Expense Included in 2017 Expenses		
(c) Adjustments to O & M Expenses from last rate case, if applicable:		
(1)		
(2)	_____	_____
Costs to be Indexed	$	$
Multiply by change in GDP Implicit Price Deflator Index	.0176	.0176
Indexed Costs	$	$
*** Add Change in Pass-Through Items:		
(1)		
(2)		
Divide Index and Pass-Through Sum by Expansion Factor for Regulatory Assessment Fees	.955	.955
Increase in Revenue	$	$
**** Divide by 2017 Revenue	_____	_____
Percentage Increase in Rates	%	%
	=========	=========

EXPLANATORY NOTES APPEAR ON THE FOLLOWING PAGE

PSC/AFD 15 (04/99)

PAGE 1 NOTES

* This amount must match 2017 annual report.

** Other expense items may include increases in required DEP testing, ad valorem taxes, permit fees charged by the DEP or a local government authority, NPDES fees, and regulatory assessment fees. These items should not be currently embedded in the utility's rates.

*** This may include an increase in purchased power, purchased water, purchased wastewater treatment, sludge hauling, required DEP testing, ad valorem taxes, and permit fees charged by the DEP or a local government authority providing that those increases have been incurred within the 12-month period prior to the submission of the pass-through application. Pass-through NPDES fees and increases in regulatory assessment fees are eligible as pass-through costs but not subject to the twelve month rule. All pass-through items require invoices. See Rule 25-30.425, F.A.C. for more information.

**** If rates changed after January 1, 2017, the book revenues must be adjusted to show the changes and an explanation of the calculation should be attached to this form. See Annualized Revenue Worksheet for instructions and a sample format.

ANNUALIZED REVENUE WORKSHEET

Have the rates charged for customer services changed since January 1, 2017?

( ) If no, the utility should use actual revenues. This form may be disregarded.

( ) If yes, the utility must annualize its revenues. Read the remainder of this form.

Annualizing calculates the revenues the utility would have earned based upon 2017 customer consumption at the most current rates in effect. To complete this calculation, the utility will need consumption data for 2017 to apply to the existing rate schedule. Below is a sample format which may be used.

CALCULATION OF ANNUALIZED REVENUES*
Consumption Data for 2017

	Number of Bill/Gal. Sold	X	Current Rates	Annualized Revenues
Residential Service:				
Bills:				
5/8"x3/4" meters	. . . . .		. . . . .	. . . . .
1" meters	. . . . .		. . . . .	. . . . .
1 ½" meters	. . . . .		. . . . .	. . . . .
2" meters	. . . . .		. . . . .	. . . . .
Gallons Sold	. . . . .		. . . . .	. . . . .
General Service:				
Bills:				
5/8"x3/4" meters	. . . . .		. . . . .	. . . . .
1" meters	. . . . .		. . . . .	. . . . .
1 ½" meters	. . . . .		. . . . .	. . . . .
2" meters	. . . . .		. . . . .	. . . . .
3" meters	. . . . .		. . . . .	. . . . .
4" meters	. . . . .		. . . . .	. . . . .
6" meters	. . . . .		. . . . .	. . . . .
Gallons Sold	. . . . .		. . . . .	. . . . .
Total Annualized Revenues for 2017				$

* Annualized revenues must be calculated separately if the utility consists of both a water system and a wastewater system. This form is designed specifically for utilities using a base facility charge rate structure. If annualized revenues must be calculated and further assistance is needed, contact the Commission Staff at (850) 413-6900.

Appendix A

PRICE INDEX ADJUSTMENTS IN RATES

Section 367.081(4)(a), (c), (d), (e), and (f) Florida Statutes
Rule 25-30.420, Florida Administrative Code
Sample Affirmation Affidavit
Notice to Customers

Sections 367.081(4)(a), (c), (d), (e), and (f), Florida Statutes

(4)(a) On or before March 31 of each year, the commission by order shall establish a price increase or decrease index for major categories of operating costs incurred by utilities subject to its jurisdiction reflecting the percentage of increase or decrease in such costs from the most recent 12-month historical data available. The commission by rule shall establish the procedure to be used in determining such indices and a procedure by which a utility, without further action by the commission, or the commission on its own motion, may implement an increase or decrease in its rates based upon the application of the indices to the amount of the major categories of operating costs incurred by the utility during the immediately preceding calendar year, except to the extent of any disallowances or adjustments for those expenses of that utility in its most recent rate proceeding before the commission. The rules shall provide that, upon a finding of good cause, including inadequate service, the commission may order a utility to refrain from implementing a rate increase hereunder unless implemented under a bond or corporate undertaking in the same manner as interim rates may be implemented under s. 367.082. A utility may not use this procedure between the official filing date of the rate proceeding and 1 year thereafter, unless the case is completed or terminated at an earlier date. A utility may not use this procedure to increase any operating cost for which an adjustment has been or could be made under paragraph (b), or to increase its rates by application of a price index other than the most recent price index authorized by the commission at the time of filing.

(c) Before implementing a change in rates under this subsection, the utility shall file an affirmation under oath as to the accuracy of the figures and calculations upon which the change in rates is based, stating that the change will not cause the utility to exceed the range of its last authorized rate of return on equity. Whoever makes a false statement in the affirmation required hereunder, which statement he or she does not believe to be true in regard to any material matter, is guilty of a felony of the third degree, punishable as provided in s. 775.082, s. 775.083, or s. 775.084.

(d) If, within 15 months after the filing of a utility's annual report required by s. 367.121, the commission finds that the utility exceeded the range of its last authorized rate of return on equity after an adjustment in rates as authorized by this subsection was implemented within the year for which the report was filed or was implemented in the preceding year, the commission may order the utility to refund, with interest, the difference to the ratepayers and adjust rates accordingly. This provision shall not be construed to require a bond or corporate undertaking not otherwise required.

(e) Notwithstanding anything herein to the contrary, a utility may not adjust its rates under this subsection more than two times in any 12-month period. For the purpose of this paragraph, a combined application or simultaneously filed applications that were filed under the provisions of paragraphs (a) and (b) shall be considered one rate adjustment.

(f) The commission may regularly, not less often than once each year, establish by order a leverage formula or formulae that reasonably reflect the range of returns on common equity for an average water or wastewater utility and which, for purposes of this section, shall be used to calculate the last authorized rate of return on equity for any utility which otherwise would have no established rate of return on equity. In any other proceeding in which an authorized rate of return on equity is to be established, a utility, in lieu of presenting evidence on its rate of return on common equity, may move the commission to adopt the range of rates of return on common equity that has been established under this paragraph.

25-30.420 Establishment of Price Index, Adjustment of Rates; Requirement of Bond; Filings After Adjustment; Notice to Customers.

(1) The Commission shall, on or before March 31 of each year, establish a price increase or decrease index as required by section 367.081(4)(a), F.S. The Division of the Commission Clerk and Administrative Services shall mail each regulated water and wastewater utility a copy of the proposed agency action order establishing the index for the year and a copy of the application. Form PSC/AFD 15 (04/99), entitled "Index Application", is incorporated into this rule by reference and may be obtained from the Commission's Division of Economic Regulation. Applications for the newly established price index will be accepted from April 1 of the year the index is established through March 31 of the following year.
(a) The index shall be applied to all operation and maintenance expenses, except for amortization of rate case expense, costs subject to pass-through adjustments pursuant to section 367.081(4)(b), F.S., and adjustments or disallowances made in a utility's most recent rate proceeding.
(b) In establishing the price index, the Commission will consider cost statistics compiled by government agencies or bodies, cost data supplied by utility companies or other interested parties, and applicable wage and price guidelines.
(2) Any utility seeking to increase or decrease its rates based upon the application of the index established pursuant to subsection (1) and as authorized by section 367.081(4)(a), F.S., shall file an original and five copies of a notice of intention and the materials listed in (a) through (i) below with the Commission's Division of Economic Regulation at least 60 days prior to the effective date of the increase or decrease. The adjustment in rates shall take effect on the date specified in the notice of intention unless the Commission finds that the notice of intention or accompanying materials do not comply with the law, or the rules or orders of the Commission. The notice shall be accompanied by:
(a) Revised tariff sheets;
(b) A computation schedule showing the increase or decrease in annual revenue that will result when the index is applied;
(c) The affirmation required by section 367.081(4)(c), F.S.;
(d) A copy of the notice to customers required by subsection (6);
(e) The rate of return on equity that the utility is affirming it will not exceed pursuant to section 367.081(4)(c), F.S.;
(f) An annualized revenue figure for the test year used in the index calculation reflecting the rate change, along with an explanation of the calculation, if there has been any change in the utility's rates during or subsequent to the test year;
(g) The utility's Department of Environmental Protection Public Water System identification number and Wastewater Treatment Plant Operating Permit number.
(h) A statement that the utility does not have any active written complaints, corrective orders, consent orders, or outstanding citations with the Department of Environmental Protection (DEP) or the County Health Department(s) or that the utility does have active written complaints, corrective orders, consent orders, or outstanding citations with the DEP or the County Health Department(s).
(i) A copy of any active written complaints, corrective orders, consent orders, or outstanding citations with the Department of Environmental Protection (DEP) or the County Health Department(s).
(3) If the Commission, upon its own motion, implements an increase or decrease in the rates of a utility based upon the application of the index established pursuant to subsection (1) and as authorized by section 367.081(4)(a), F.S., the Commission will require a utility to file the information required in subsection (2).

(4) Upon a finding of good cause, the Commission may require that a rate increase pursuant to section 367.081(4)(a), F.S., be implemented under a bond or corporate undertaking in the same manner as interim rates. For purposes of this subsection, "good cause" shall include:
(a) Inadequate service by the utility;
(b) Inadequate record-keeping by the utility such that the Commission is unable to determine whether the utility is entitled to implement the rate increase or decrease under this rule.
(5) Prior to the time a customer begins consumption at the rates established by application of the index, the utility shall notify each customer of the increase or decrease authorized and explain the reasons therefore.
(6) No utility shall file a notice of intention pursuant to this rule unless the utility has on file with the Commission an annual report as required by Rule 25-30.110(3), F.A.C., for the test year specified in the order establishing the index for the year.
(7) No utility shall implement a rate increase pursuant to this rule within one year of the official date that it filed a rate proceeding, unless the rate proceeding has been completed or terminated.

Specific Authority: 350.127(2), 367.081(4)(a), 367.121(1)(c), 367.121(1)(f), F.S. Law Implemented: 367.081(4), 367.121(1)(c), 367.121(1)(g), F.S. History: New 04/05/81, Amended 09/16/82, Formerly 25-10.185, Amended 11/10/86, 06/05/91, 04/18/99, 12/12/03.

AFFIRMATION

I, _____, hereby affirm that the figures and calculations upon which the change in rates is based are accurate and that the change will not cause _____ to exceed the range of its last
(Utility Name)
authorized rate of return on equity, which is _____.

I, the undersigned/officer of the above-named utility, have read the foregoing and declare that, to the best of my knowledge and belief, the information contained in this application is true and correct.

This affirmation is made pursuant to my request for a 2018 price index and/or pass-through rate increase, in conformance with Section 367.081(4)(c), Florida Statutes.

Further, I am aware that pursuant to Section 837.06, Florida Statutes, whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree.

Signature: _____
Title: _____
Telephone Number: _____
Fax Number: _____

Sworn to and subscribed before me this _____day of _____, 20__.

My Commission expires:

(SEAL)

_____
Notary Public
State of Florida

STATEMENT OF QUALITY OF SERVICE

Pursuant to Rule 25-30.420(2)(h) and (i), Florida Administrative Code,

_____.
(Utility Name)

[ ] does not have any active written complaints, corrective orders, consent orders, or outstanding citations with the Department of Environmental Protection (DEP) or the County Health Departments.

[ ] does have the attached active written complaint(s), corrective order(s), consent order(s), or outstanding citation(s) with the DEP or the County Health Department(s). The attachment(s) includes the specific system(s) involved with DEP permit number and the nature of the active complaint, corrective order, consent order, or outstanding citation.

This statement is intended such that the Florida Public Service Commission can make a determination of quality of service pursuant to Section 367.081(4)(a), Florida Statutes, and Rule 25-30.420(4)(a), Florida Administrative Code.

Name: _____
Title: _____
Telephone Number: _____
Fax Number: _____
Date: _____

NOTICE TO CUSTOMERS

Pursuant to Section 367.081(4)(a), Florida Statutes, water and wastewater utilities are permitted to adjust the rates and charges to its customers without those customers bearing the additional expense of a public hearing. These adjustments in rates would depend on increases or decreases in noncontrollable expenses subject to inflationary pressures such as chemicals, and other general operation and maintenance costs.

On _____, _____

(date) (name of company)

filed its notice of intention with the Florida Public Service Commission to increase water and wastewater rates in _____ County pursuant to this Statute. The filing is subject to review by the Commission Staff for accuracy and completeness. Water rates will increase by approximately _____% and wastewater rates by _____%. These rates should be reflected for service rendered on or after _____.(date)

PASS-THROUGH RATE ADJUSTMENTS IN RATES

Section 367.081(4)(b), Florida Statutes
Rule 25-30.425, Florida Administrative Code
Exception Form
Sample Affirmation Affidavit
Notice to Customers

Section 367.081(4)(b), Florida Statutes

(b) The approved rates of any utility shall be automatically increased or decreased without hearing, upon verified notice to the commission 45 days prior to its implementation of the increase or decrease that the utility's costs for any specified expense item have changed.

1. The new rates authorized shall reflect, on an amortized or annual basis, as appropriate, the cost of or the amount of change in the cost of the specified expense item. The new rates, however, shall not reflect the costs of any specified expense item already included in a utility's rates. Specified expense items that are eligible for automatic increase or decrease of a utility's rates include, but are not limited to:

a. The rates charged by a governmental authority or other water or wastewater utility regulated by the commission which provides utility service to the utility.

b. The rates or fees that the utility is charged for electric power.

c. The amount of ad valorem taxes assessed against the utility's used and useful property.

d. The fees charged by the Department of Environmental Protection in connection with the National Pollutant Discharge Elimination System Program.

e. The regulatory assessment fees imposed upon the utility by the commission.

f. Costs incurred for water quality or wastewater quality testing required by the Department of Environmental Protection.

g. The fees charged for wastewater biosolids disposal.

h. Costs incurred for any tank inspection required by the Department of Environmental Protection or a local governmental authority.

i. Treatment plant operator and water distribution system operator license fees required by the Department of Environmental Protection or a local governmental authority.

j. Water or wastewater operating permit fees charged by the Department of Environmental Protection or a local governmental authority.

k. Consumptive or water use permit fees charged by a water management district.

2. A utility may not use this procedure to increase its rates as a result of an increase in a specific expense item which occurred more than 12 months before the filing by the utility.

3. The commission may establish by rule additional specific expense items that are outside the control of the utility and have been imposed upon the utility by a federal, state, or local law, rule, order, or notice. If the commission establishes such a rule, the commission shall review the rule at least once every 5 years and determine if each expense item should continue to be cause for an automatic increase or decrease and whether additional items should be included.

4. This subsection does not prevent a utility from seeking a change in rates pursuant to subsection (2).

25-30.425 Pass Through Rate Adjustment.

(1) This rule applies to any regulated water or wastewater utility that adjusts its rates pursuant to Section 367.081(4)(b), F.S., to reflect an increase or decrease in the rates, fees, or costs for the following specified expenses:

(a) Water or wastewater utility service purchased from a governmental authority or other water or wastewater utility regulated by the Commission;

(b) Purchased electric power;

(c) Ad valorem taxes;

(d) National Pollutant Discharge Elimination System (NPDES) Permit Program fees charged by the Florida Department of Environmental Protection;

(e) Regulatory Assessment Fees imposed by the Commission;

(f) Water or wastewater quality testing required by the Department of Environmental Protection (DEP);

(g) Wastewater biosolids disposal fees;

(h) Tank inspection required by the DEP or a local governmental authority;

(i) Treatment plant operator and water distribution system operator license fees required by the DEP or a local governmental authority;

(j) Water or wastewater operating permit fees charged by the DEP or a local governmental authority, or

(k) Consumptive or water use permit fees charged by a water management district.

(2) Prior to an adjustment in rates pursuant to Section 367.081(4)(b), F.S., the utility shall file its verified notice and supporting documents with the Commission's Division of Accounting and Finance at least 45 days prior to the effective date of its pass through rate adjustment, or at least 60 days prior to the effective date of its combined or simultaneously filed price index and pass through rate adjustments if the utility requests an exception to the 45 day effective date, as referenced in paragraph (2)(h), to allow the price index and pass through rate adjustments to be implemented as one rate adjustment pursuant to Section 367.081(4)(e), F.S. Each verified notice of a pass through rate adjustment shall include the following supporting documents. If the same information or supporting document is required for both the price index and pass through rate adjustments, such as revised tariff sheets, annualized revenue calculations, return on equity affirmations, and customer notices, the applicant may file a combined supporting document to be used for both applications:

(a) Revised tariff sheets reflecting the increased or decreased rates;

(b) A schedule showing the calculation of the proposed rates, including the following information. If the pass through rate adjustment is combined with a price index rate adjustment, a combined schedule that shows the calculation of both the price index and pass through rate adjustments may be provided:

1. The calculation of the recurring annual or amortized annual amount of the new expense or incremental change calculated as referenced in subsection (3);

2. The utility's actual annual revenue or calculation of the annualized revenue for the most recent 12-month period, or 12-month test year if combined or simultaneously filed with a price index application. If there were any Commission-approved changes to the utility's rates during the 12-month period or test year, the revenue should be annualized to reflect the revenue that would have resulted if the rate change had been in effect the entire 12 months. The annualized revenue calculation should reflect the annual number of bills broken down by customer class and meter size, and the annual gallons of water or wastewater service sold broken down by customer class. Annualized revenues should be calculated separately if the utility provides both water and wastewater service;

3. If the pass through of an increase or decrease in purchased water or wastewater utility service, purchased power, or wastewater biosolids disposal is applied only to the gallonage charge in the rate adjustment calculation, provide a schedule showing the gallons of water or wastewater service sold during each month of the most recent 12-month period or test year, broken down by customer class and meter

size, if not shown in the revenue calculation previously provided in subparagraph (2)(b)2. above; and,

4. The calculation of the proposed rates that shows the current rates, dollar amount of the pass through increase or decrease, and proposed adjusted rates. The percentage increase or decrease resulting from the pass through adjustment for any specified expense may be applied to all rates equally or allocated between the base facility charge and gallonage charge based on the following guidelines:

(I) The percentage increase or decrease in purchased water or wastewater utility service, purchased power, or wastewater biosolids disposal may be applied solely to the gallonage charge;

(II) The percentage increase or decrease in ad valorem taxes may be applied solely to the base facility charge;

(III) The percentage increase or decrease in any specified expense that was adjusted using a specific allocation methodology in the utility's last rate proceeding or in a prior pass through adjustment may be applied using that same methodology; and,

(IV) The percentage increase or decrease in any specified expense that reflects a single assessment to the water and wastewater systems combined may be allocated between the water and wastewater rates based on the equivalent residential connection ratio of water and wastewater customers;

(c) A copy of the current invoice, proof of payment, or other documentation that demonstrates that the specified expense has been adjusted or is a new requirement. If the specified expense is an existing expense that was not previously included in the utility's rates, also provide a statement confirming that the specified expense has never been embedded in the utility's rates;

(d) A copy of the invoice(s) or other documentation that supports the utility's calculation of the recurring annual or amortized annual increase or decrease in the specified expense referenced in subparagraph (2)(b)1., as follows:

1. For a frequently recurring specified expense, such as purchased power, provide a copy of all invoices received for the most recent 12-month period or test year;

2. For a specified expense that occurs on an annual basis, such as ad valorem taxes, provide a copy of the invoice received for the prior year;

3. For a specified expense that occurs less than annually, such as NPDES permit program fees, provide a copy of the invoice received the last time the expense occurred, or

4. For the pass through of an incremental increase or decrease in regulatory assessment fees that were previously included in the utility's rates by another governmental entity prior to the Commission's regulation of the utility, provide documentation that shows the percentage or amount of regulatory assessment fees that were previously included in the utility's rates, such as a copy of an order, ordinance, rate calculation, or other available information that can be used to determine and verify the percentage of regulatory assessment fees that were previously included in the utility's rates.

(e) The utility's DEP Public Water System identification number and Wastewater Treatment Plant Operating Permit number;

(f) The affirmation required by Section 367.081(4)(c), F.S., including the rate of return on equity that the utility is affirming it will not exceed with this rate adjustment;

(g) A copy of the notice to customers required by subsection (6); and,

(h) If applicable, a statement that the utility requests an exception to the 45 day effective date provided by Section 367.081(4)(b), F.S., to allow combined or simultaneously filed price index and pass through rate adjustments to be implemented together as one rate adjustment pursuant to Section 367.081(4)(e), F.S., with an effective date 60 days after the official filing date of the utility's notice of intention to increase rates through a price index rate adjustment filed pursuant to Section 367.081(4)(a), F.S., and subsection 25-30.420(2), F.A.C.

(3) The recurring annual or amortized annual amount of the new expense or incremental change shall be calculated as follows:

(a) The change in a frequently recurring specified expense, such as purchased power, shall be calculated as an annual total, broken down by month for the most recent 12-month period or for the 12-

month test year if combined or simultaneously filed with a price index rate adjustment. The calculation shall reflect the following information:

1. All charges or fees included in the total specified expense, such as the purchased water or wastewater base facility charge, gallonage charge, any applicable billing or service fees, and taxes, even if some of the rates or fees did not change;

2. The actual or annualized charges for the specified expense. If the rates or charges for the specified expense changed during the 12-month period or test year, the actual charges should be annualized to reflect the charges that would have resulted if the prior rates or charges had been in effect the entire 12 months;

3. The annualized charges that would have resulted if the new rates had been in effect the entire 12 months;

4. The difference between the charges at the prior and new rates; and,

5. If the utility's most recent rate proceeding included adjustments for excessive unaccounted for water (EUW) or excessive inflow and infiltration (I&I), the calculation of an increase or decrease in purchased water or wastewater utility service or purchased electric power shall also include the same percentage EUW or I&I adjustments. If the utility has taken steps to reduce EUW or I&I since its most recent rate proceeding, the utility may, but is not required to, provide additional information to demonstrate that the EUW or I&I percentages have been reduced. Any proposed revision to the EUW or I&I percentages should be calculated as referenced in subsection (4).

(b) The change in a specified expense that occurs on an annual basis, such as ad valorem taxes, shall be calculated as an annual total based on a comparison of the prior expense and new expense. If applicable, the calculation of the increase or decrease in ad valorem taxes only shall include the following additional adjustments:

1. If any ad valorem tax bills reflect a single assessment for combined water and wastewater property, the calculation shall also include the utility's calculation of the equivalent residential connection ratio of water and wastewater customers used to allocate the combined tax assessment between the utility's water and wastewater rates; and,

2. If the utility's last rate proceeding included adjustments for non-used and useful plant, the calculation shall also include an adjustment to remove the portion of the ad valorem taxes related to the water or wastewater plant that is not used and useful in providing utility service.

(c) The change in a specified expense that occurs less than annually, such as NPDES permit program fees, shall be calculated as an annual amortized amount based on a comparison of the prior and new expense. The expense shall be amortized as a non-recurring expense in accordance with subsection 25-30.433(8), F.A.C., and the calculation shall include an explanation if the expense is amortized for a period other than five years.

(4) The pass through of changes in purchased water or wastewater utility service or purchased electric power shall be adjusted for EUW or I&I consistent with adjustments approved by the Commission in the utility's most recent rate proceeding, if applicable. If the utility has taken steps to reduce the EUW and I&I percentages since its most recent rate proceeding, the utility may, but is not required, to provide the following information to demonstrate that the EUW and I&I percentages have been reduced and that the previously approved EUW and I&I percentages should either be reduced or eliminated from the pass through rate adjustment calculation:

(a) A description of any steps taken by the utility to reduce the EUW or I&I since the utility's last rate proceeding; and,

(b) A schedule showing the updated calculation of EUW or I&I broken down by month for the most recent 12-month period or test year including:

1. The gallons of water or wastewater treatment purchased from the governmental authority or regulated utility that has increased or decreased its rates. If wastewater treatment service is not based on a metered flow, describe how the wastewater flows are determined and include the number of units by

which the service is measured;

2. If the utility purchases water or wastewater service from more than one governmental authority or regulated utility, include the gallons of water or wastewater treatment purchased from any other governmental authority or regulated utility not reflected in subparagraph (4)(b)1., above. If wastewater treatment service is not based on a metered flow, describe how the wastewater flows are determined and include the number of units by which the service is measured;

3. The gallons of water pumped or wastewater treated by the utility, if applicable;

4. The gallons of water or wastewater service sold by the utility;

5. The total unaccounted for water or inflow and infiltration; and,

6. A statement explaining the EUW or I&I if the total water available for sale or total wastewater treatment purchased is still in excess of 110 percent of the water or wastewater service sold.

(5) The amount administratively approved for a pass through rate adjustment shall not exceed the actual cost incurred. Foregone pass through decreases shall not be used to adjust a pass through increase below the actual cost incurred.

(6) The utility shall provide each customer with written notice of the administratively approved rate adjustment, including the effective date and an explanation of the reasons for the increase or decrease, prior to the time each customer will begin consumption at the adjusted rates. If the pass through rate adjustment is combined or simultaneously filed with a price index rate adjustment, the utility may provide the information for both rate adjustments in a combined customer notice.

Rulemaking Authority 350.127(2), 367.081, 367.121(1)(c), (f) FS. Law Implemented 367.081(4), 367.121(1)(c), (g) FS. History–New 6-10-75, Amended 4-5-79, 4-5-81, 10-21-82, Formerly 25-10.179, Amended 11-10-86, 6-5-91, 4-18-99, 2-19-17.

Exception

_____ hereby waives the right to implement a pass-through rate increase within 45 days of filing, as provided by Section 367.081(4)(b), Florida Statutes, in order that the pass-through and index rate increase may both be implemented together 60 days after the official filing date of this notice of intention.

Signature: _____

Title: _____

(To be used if an index and pass-through rate increase are requested jointly.)

AFFIRMATION

I, _____, hereby affirm that the figures and calculations upon which the change in rates is based are accurate and that the change will not cause _____ to exceed the range of its last
(Utility Name)
authorized rate of return on equity, which is _____.

I, the undersigned/officer of the above-named utility, have read the foregoing and declare that, to the best of my knowledge and belief, the information contained in this application is true and correct.

This affirmation is made pursuant to my request for a 2018 price index and/or pass-through rate increase, in conformance with Section 367.081(4)(c), Florida Statutes.

Further, I am aware that pursuant to Section 837.06, Florida Statutes, whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree.

Signature: _____
Title: _____
Telephone Number: _____
Fax Number: _____

Sworn to and subscribed before me this _____ day of _____, 20__.

My Commission expires:

(SEAL)

_____
Notary Public
State of Florida

NOTICE TO CUSTOMERS

Pursuant to Section 367.081(4)(b), Florida Statutes, water and wastewater utilities are permitted to pass through, without a public hearing, a change in rates resulting from: an increase or decrease in rates charged for utility services received from a governmental agency or another regulated utility and which services were redistributed by the utility to its customers; an increase or decrease in the rates that it is charged for electric power, the amount of ad valorem taxes assessed against its used and useful property, the fees charged by the Department of Environmental Protection in connection with the National Pollutant Discharge Elimination System Program, or the regulatory assessment fees imposed upon it by the Commission; costs incurred for water quality or wastewater quality testing required by the Department of Environmental Protection; the fees charged for wastewater biosolids disposal; costs incurred for any tank inspection required by the Department of Environmental Protection or a local governmental authority; treatment plant and water distribution system operator license fees required by the Department of Environmental Protection or a local governmental authority; water or wastewater operating permit fees charged by the Department of Environmental Protection or a local governmental authority; and consumptive or water use permit fees charged by a water management district.

On _____, _____

(date) (name of company)

filed its notice of intention with the Florida Public Service Commission to increase water and wastewater rates in _____ County pursuant to this Statute. The filing is subject to review by the Commission Staff for accuracy and completeness. Water rates will increase by approximately _____% and wastewater rates by _____%. These rates should be reflected on your bill for service rendered on or after _____.(date)

If you should have any questions, please contact your local utility office. Be sure to have account number handy for quick reference.

STATE OF FLORIDA

DIVISION OF
ACCOUNTING AND FINANCE
ANDREW L. MAUREY
DIRECTOR
(850) 413-6900

Public Service Commission

Month Day, 2018

All Florida Public Service Commission
Regulated Water & Wastewater Utilities

Re: Docket No. 20170005-WS - 2018 Price Index

Dear Utility Owner:

Since March 31, 1981, pursuant to the guidelines established by Section 367.081(4)(a), Florida Statutes (F.S.), and Rule 25-30.420, Florida Administrative Code (F.A.C.), the Commission has established a price index increase or decrease for major categories of operating costs. This process allows water and wastewater utilities to adjust rates based on current specific expenses without applying for a rate case. The intent of this rule is to insure that inflationary pressures are not detrimental to utility owners, and that any possible deflationary pressures are not adverse to rate payers. By keeping up with index and pass-through adjustments, utility operations can be maintained at a level sufficient to insure quality of service for the rate payers.

Pursuant to Rule 25-30.420(1)(a), F.A.C., all operation and maintenance expenses shall be indexed with the exception of:

a) Pass-through items pursuant to Section 367.081(4)(b), F.S.;

b) Any amortization of rate case expense; and

c) Disallowances or adjustments made in an applicant's most recent rate proceeding.

Please note that all sludge removal expense should now be removed from operation and maintenance expenses for the purpose of indexing. Incremental increases in this category of expense may now be recovered using a pass-through request.

All Florida Public Service Commission
Regulated Water & Wastewater Utilities
Page 2
Month Day, 2018

Upon the filing of a request for an index and/or pass-through increase, staff will review the application and modify existing rates accordingly. If for no other reason than to keep up with escalating costs, utilities throughout Florida should file for this rate relief on an annual basis. Utilities may apply for a 2018 Price Index anytime between April 1, 2018, through March 31, 2019. The attached package will answer questions regarding what the index and pass-through rate adjustments are, how to apply for an adjustment, and what needs to be filed in order to meet the filing requirements. While this increase for any given year may be minor, (see chart below), the long-run effect of keeping current with rising costs can be substantial.

Year	**Annual Commission Approved Index**	**Year**	**Annual Commission Approved Index**
1993	3.33%	2006	2.74%
1994	2.56%	2007	3.09%
1995	1.95%	2008	2.39%
1996	2.49%	2009	2.55%
1997	2.13%	2010	0.56%
1998	2.10%	2011	1.18%
1999	1.21%	2012	2.41%
2000	1.36%	2013	1.63%
2001	2.50%	2014	1.41%
2002	2.33%	2015	1.57%
2003	1.31%	2016	1.29%
2004	1.60%	2017	1.51%
2005	2.17%	2018	1.76%

Please be aware that pursuant to Section 837.06, F.S., whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his or her official duty shall be guilty of a misdemeanor of the second degree.

Our staff is available at (850) 413-6900 should you need assistance with your filing. If you have any questions, please do not hesitate to call.

Sincerely,

Andrew L. Maurey
Director

Enclosures

Item 8

State of Florida

Public Service Commission

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

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

DATE: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Mtenga, Ellis)
Division of Accounting and Finance (Smith II)
Division of Economics (Wu)
Office of the General Counsel (Cuello, DuVal, Murphy)

RE: Docket No. 20170007-EI – Environmental cost recovery clause.

AGENDA: 12/12/17 – Regular Agenda – Post-Hearing Decision – Participation is Limited to Commissioners and Staff

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Florida Power & Light Company (FPL) operates the Turkey Point Power Plant (Turkey Point), which includes multiple generating units, including Units 3 and 4, which are nuclear steam units. For cooling of these generating units, FPL utilizes a 5,900 acre cooling canal system (CCS) that was placed in service in 1973. On November 18, 2009, the Florida Public Service Commission approved the Turkey Point Cooling Canal Monitoring Plan (TPCCMP or Monitoring Plan) for cost recovery through the Environmental Cost Recovery Clause (ECRC) by Order No. PSC-09-0759-FOF-EI (Approval Order).[1]

[1]Order No. PSC-09-0759-FOF-EI, issued November 18, 2009, in Docket No. 090007-EI, *In re: Environmental cost recovery clause.*

On September 2, 2016, FPL filed projection testimony in the ECRC for the TPCCMP that included requests for recovery of costs associated with recent actions of two of its environmental regulators. FPL entered into a Consent Agreement (CA) with the Miami-Dade Department of Environmental Resource Management (DERM) on October 7, 2015, which was later amended and referred to as the Consent Agreement Addendum (CAA) on August 15, 2016. FPL also entered into a Consent Order (CO) with the Florida Department of Environmental Protection (FDEP) on June 20, 2016. Collectively, costs associated with the CA, CAA, and CO are referred to herein as the TPCCMP Disputed Costs.

On November 22, 2016, the Commission issued Order No. PSC-16-0535-FOF-EI that deferred consideration of issues associated with the TPCCMP Disputed Costs until 2017.[2] The Order also directed FPL to file additional information in its 2017 Actual/Estimated Testimony for the ECRC Docket, and established desired time periods for intervenor, staff, and rebuttal testimony filing dates.

On January 3, 2017, the Commission established Docket 20170007-EI.[3] The Office of Public Counsel (OPC) and the Florida Industrial Power Users Group (FIPUG) retained party status in the docket.[4] On March 27, 2017, Southern Alliance for Clean Energy (SACE) was granted intervention by Order No. PSC-17-0112-PCO-EI.[5] Collectively, OPC, FIPUG, and SACE are referred to herein as the Intervenors.

Staff notes that other parties participated in the 2017 ECRC Docket, including Duke Energy Florida, LLC, Tampa Electric Company, Gulf Power Company (Gulf), and PCS Phosphate – White Springs, but none of these parties took positions on the Issues discussed in this recommendation and are therefore not included in the Positions of the Parties set forth herein.

The Commission Hearing was held October 25, 2017 through October 27, 2017. On November 13, 2017, briefs were filed by FPL, OPC, and SACE. FIPUG filed a notice of joinder with OPC's brief, and the two are collectively referred to as OPC/FIPUG herein. As part of its November 13, 2017 filing, SACE filed proposed findings of fact and conclusions of law. Such filings are anticipated by Chapter 120, Florida Statutes (F.S.), the Uniform Rules of Procedure, and our procedural orders. The Commission must consider these filings, as it would any other post-hearing filing, but no special ruling or finding must be made for each proposed finding of fact or conclusion of law. Thus, like all post-hearing filings, staff has reviewed each of SACE's proposed findings of fact and conclusions of law to determine which, if any, should be specifically addressed in staff's post-hearing recommendation.

The Commission has jurisdiction over this subject matter pursuant to provisions of Section 366.8255, F.S. A list of acronyms is provided on the next page.

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[2]Order No. PSC-16-0535-FOF-EI, issued November 22, 2016, in Docket No. 160007-EI, *In re: Environmental cost recovery clause.*

[3]Order No. PSC-17-0007-PCO-EI, issued January 3, 2017, in Docket No. 170007-EI, *In re: Environmental cost recovery clause.*

[4]Document Nos. 00153-2017 and 00049-2017.

[5]Order No. PSC-17-0112-PCO-EI, issued March 27, 2017, in Docket No. 170007-EI, *In re: Environmental cost recovery clause.*

Acronym List

AO	Administrative Order
Approval Order	Commission Order No. PSC-09-0759-FOF-EI
CA	Consent Agreement
CAA	Consent Agreement Addendum
CCS	Cooling Canal System
CO	Consent Order
COC	Conditions of Certification
DERM	Miami-Dade Department of Environmental Resources Management
ECRC	Environmental Cost Recovery Clause
EPA	Environmental Protection Agency
FDEP or DEP	Florida Department of Environmental Protection
FEA	Federal Executive Agencies
FERC	Federal Energy Regulatory Commission
FIPUG	Florida Industrial Power Users Group
FO	Final Order
FPL	Florida Power and Light
F.S.	Florida Statutes
GAAP	Generally Accepted Accounting Principles
GULF	Gulf Power Company
NOV	Notice of Violation
O&M	Operation and Maintenance
OPC	Office of Public Counsel
PSU	Practical Salinity Units
RFRP	Retraction and Freshening Remediation Project
RWS	Recovery Well System
SACE	Southern Alliance for Clean Energy
SFWMD	South Florida Water Management District
TP	Turkey Point
TPCCMP	Turkey Point Cooling Canal Monitoring Plan
USOA	Uniform System of Accounts

Discussion of Issues

Issue 10A: Should FPL be allowed to recover, through the ECRC, prudently incurred costs, if any, associated with the June 20, 2016 Consent Order between FPL and the Florida Department of Environmental Protection and the October 2015 Consent Agreement between FPL and the Miami-Dade County Department of Environmental Resources Management (as amended by the August 15, 2016 Consent Agreement Addendum)?

Recommendation: Yes. FPL should be allowed to recover the TPCCMP Disputed Costs, if prudently incurred, through the ECRC. The TPCCMP Disputed Costs are costs incurred after the inception of the ECRC and are not being recovered through another clause mechanism or base rates. Staff recommends that FPL is subject to new governmentally imposed environmental requirements enacted after FPL's last test year on the date of filing in the 2016 ECRC proceeding. The prudency of the TPCCMP Disputed Cost activities is addressed in Issue 10B. (Ellis, Mtenga)

Position of the Parties

FPL: Yes. FPL is required to comply with the 2015 CA, 2016 CO, and 2016 CAA and costs that FPL has prudently incurred as a result of these requirements are recoverable pursuant to Section 366.8255. The administrative procedural history reflecting other parties' dissatisfaction with the FDEP's AO (Administrative Order) and subsequent findings of violations fails to demonstrate that, as a policy matter, FPL's costs should be disallowed. Moreover, there is no legal basis to disallow costs determined to be prudently incurred to comply with environmental requirements.

OPC/FIPUG: No. The jurisdictional portion of approximately 95 percent of the total O&M and capital expenditures of $132,577,031 in remediation costs to clean up the Biscayne Aquifer should be disallowed.

SACE: No. FPL was issued a Notice of Violation by the DEP in 2016 and by Miami-Dade County in 2015. The Commission has never allowed a utility to recover costs through the Environmental Cost Recovery Clause (ECRC) for compliance costs arising from a violation of law. Doing so in this case would establish a dangerous precedent in future ECRC proceedings. Regardless, recovery of costs should not be allowed because FPL's failure to mitigate the impact of CCS-caused hyper-saline plume before 2014 was imprudent.

Staff Analysis:

Parties' Arguments

FPL

FPL argues that FPL, as part of the Turkey Point Uprate Project, was required by its Conditions of Certification (COC), specifically Section IX and X, to implement monitoring of various state surface and ground waters subject to the regulation of the DEP, DERM, and South Florida Water Management District (SFWMD). (FPL BR 5-6; EXH 6) As part of implementing the COC, FPL sought, and was granted, approval of the Monitoring Plan by the Commission in the Approval Order in November 2009. (FPL BR 6; EXH 74) FPL argues that it continued to meet its regulatory requirements of monitoring, and as part of that monitoring process in April 2013,

SFWMD determined that saline water had moved into water resources outside of the plant's boundaries. FPL was instructed to begin consultations with SFWMD to "identify measures to mitigate, abate, or remediate." (FPL BR 6-7; EXH 7) FPL states that it then began working with its environmental regulators to evaluate options which resulted in an AO by FDEP being issued in December 2014. (FPL BR 7; EXH 8)

FPL claims one of its regulators, DERM, was unsatisfied with the DEP's AO. As a result, DERM challenged the AO and issued a Notice of Violation (NOV) in October 2015. (FPL BR 7; EXH 9) The challenge to the AO resulted in a Final Administrative Order (FO) that led to the FDEP issuing a separate NOV in April 2016. (FPL BR 7; EXH 11; EXH 12) FPL argues that both DERM's and the DEP's NOVs were resolved by entering into the CO in June 2016 and the amended CAA in August 2016. (FPL BR 7; EXH 10; EXH 13) Further, FPL contends that the actions required by the CAA and CO that constitute the TPCCMP Disputed Costs, are direct consequences of its COC. (FPL BR 7)

FPL alleges it is overly simplistic for the Intervenor Parties to claim that the NOVs are violations of law. (FPL BR 7). First, FPL contends that the environmental standard cited by all three of its environmental regulators are narrative standards that require the agency's judgement to determine if a violation had occurred, and there was no bright line defining a violation of law. (FPL BR 8; TR 359) Second, FPL argues that it operated the CCS in full compliance with its regulations and that the environmental degradation is an unintended consequence. (FPL BR 8) Last, FPL asserts that the NOVs are not the sole reason for the TPCCMP Disputed Costs, and that FPL would be obligated by its COC to perform the same actions. (FPL BR 9; TR 374-375)

FPL also argues that OPC is mistaken regarding the Commission's discretion regarding recovery, and that if the Commission approves the Company's activities, the Commission must allow cost recovery through the ECRC pursuant to Section 366.8255, F.S. (FPL BR 9)

OPC/FIPUG

OPC/FIPUG argues that FPL has not met its burden of proof to be eligible for recovery of the TPCCMP Disputed Costs, which OPC/FIPUG refers to as the Retraction and Freshening Remediation Project (RFRP). (OPC/FIPUG BR 2) OPC/FIPUG asserts that in its original 1972 permitting, FPL was responsible for both monitoring and preventing the spread of saltwater from the CCS. (OPC/FIPUG BR 3; EXH 4)

OPC/FIPUG contends that while a Consent Order or Agreement does not preclude recovery through the ECRC, costs implementing remediation activities to correct violations of law are not eligible. (OPC/FIPUG BR 4-5) OPC/FIPUG argues that FPL specifically justifies its activities by relying on the DEP CO which resulted from an NOV. (OPC/FIPUG BR 5) OPC/FIPUG asserts that as a result of the NOV, FPL would have been liable to the state of Florida for damage to the Biscayne Aquifer, and therefore should not be eligible for recovery as though RFRP costs were payment of damages for unlawful conduct. (OPC/FIPUG BR 5) OPC/FIPUG notes that Section 366.8255, F.S., requires that costs must be "designed to protect the environment." (OPC/FIPUG BR 6)

OPC/FIPUG argues that the ECRC recovery standard includes both prudence and public policy elements, and that the Commission must be vigilant about improper efforts to recover costs through the ECRC. (OPC/FIPUG BR 9)[6]

OPC/FIPUG states that the ECRC is an inappropriate method to recover costs associated with past harms. Instead, the clause is meant to allow recovery of costs required by new regulations to prevent future harm. (OPC/FIPUG BR 13) OPC/FIPUG refers to prior Commission decisions that use language relating to maintaining compliance or continuing compliance, and suggests that because FPL has committed a violation and is out of compliance, FPL's costs are now ineligible under the ECRC. (OPC/FIPUG BR 13-14) OPC/FIPUG acknowledges that the Commission has allowed remediation costs before, but suggests that those circumstances were with specific regulations that are not similar to the circumstances with the TPCCMP Disputed Costs. OPC/FIPUG further argues that a Consent Order or Agreement is the equivalent of an environmental regulation when it has a prospective application to abate or eliminate future harm, and that in prior instances when the Commission has approved cost recovery for a Consent Decree such costs only covered prospective actions. (OPC/FIPUG BR 16)

SACE

SACE alleges that FPL knew or should have known by 1992 that the operation of the CCS was causing an adverse impact to waters adjacent to the CCS. (SACE BR 1) SACE argues that FPL omitted information on the scale of the environmental impacts of the CCS from both SFWMD and the Commission. (SACE BR 1) SACE contends that FPL's imprudence caused the environmental compliance requirements from the CO and CA, and therefore it should be not allowed for cost recovery. (SACE BR 1-2)

SACE alleges that FPL downplayed or even ignored the conclusions of annual monitoring reports that were filed with environmental regulators. (SACE BR 17) SACE asserts that had environmental regulators been provided with a complete analysis of the monitoring data, FPL's Turkey Point Uprate Project might not have been approved. Therefore the COCs FPL relies upon as an environmental requirement would not have been required. (SACE BR 7) SACE argues that allowing FPL cost recovery would establish a dangerous precedent for cost recovery in this docket moving forward. (SACE BR 34)

Analysis

Eligibility Criteria

The ECRC, enacted into law in 1993, provides an investor-owned utility the opportunity to recover the costs associated with changes in environmental regulations between rate cases. The statute authorizes the Commission to review and decide whether a utility's environmental compliance costs are recoverable through an environmental cost recovery factor. When the Commission first implemented the provisions of Section 366.8255, F.S., it identified the criteria

[6]At page 9 of OPC/FIPUG's brief, OPC/FIPUG quotes from the Order No. PSC-07-0722-FOF-EI, issued September 5, 2007, in Docket No. 060162-EI., *In re: Petition by Progress Energy Florida, Inc. for approval to recover modular cooling tower costs through environmental cost recovery clause.* However, the quotation in OPC's Brief does not reflect the text of the Commission's Order. The correct text is " It is our opinion that, with respect to ECRC recovery, OPC's position restricts the eligibility of environmental costs beyond what the statute contemplates" *Id.* at 8.

required to demonstrate eligibility for cost recovery under the ECRC and interpreted the statute to prescribe three requirements for recovery of environmental compliance costs through the clause, as detailed below: [7]

> Upon petition, we shall allow the recovery of costs associated with an environmental compliance activity if:
>
> 1. such costs were prudently incurred after April 13, 1993;
>
> 2. the activity is legally required to comply with a governmentally imposed environmental regulation enacted, became effective, or whose effect was triggered after the Company's last test year upon which rates are based; and,
>
> 3. such costs are not recovered through some other cost recovery mechanism or through base rates.

Pursuant to Section 366.8255, F.S., only the utility's prudently incurred environmental compliance costs are allowed to be recovered through the ECRC.[8] The prudency of the TPCCMP Disputed Costs is discussed in Issue 10B.

Eligibility Criteria Review

Timing

To be eligible for the ECRC, costs must have been incurred after April 13, 1993. In 1994, the Commission determined that such recovery would apply to qualifying expenditures that were prudently incurred after April 13, 1993, the effective date of Section 7, Chapter 93-35, Laws of Florida, which created Section 366.8255, F.S.[9] This threshold date has been applied by the Commission many times since it was originally established.[10]

No party argues and there is no evidence in the record that the TPCCMP Disputed Costs were incurred prior to this date. Therefore, staff recommends that the TPCCMP Disputed Costs meet the first criteria of ECRC eligibility.

New Regulatory Requirement

To be eligible for the ECRC, costs must be for activities that are legally required to comply with a governmentally imposed regulation that has been enacted, or become effective, or whose effect was triggered after the Company's last test year upon which rates are based. Therefore, to

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[7]Order No. PSC-94-0044-FOF-EI, issued January 12, 1994, in Docket No. 930613-EI, *In re: Petition to establish an environmental cost recovery clause pursuant to Section 366.8255, Florida Statutes, by Gulf Power Company*

[8]Order No. PSC-05-0164-PAA-EI, issued on February 10, 2005, in Docket No. 041300-EI, *In re: Petition for Approval of New Environmental Program for Cost Recovery Through Environmental Cost Recovery Clause, by Tampa Electric Company.*

[9]Order No. PSC-94-0044-FOF-EI. issued January 12, 1994, in Docket No. 930613-EI, *In re: Petition to establish an environmental cost recovery clause pursuant to Section 366.0825, Florida Statutes by Gulf Power Company.*

[10]*See e.g.*, Order No PSC-12-0493-PAA-EI, issued on September 26, 2012, in Docket No 20110262-EI, *In re: Petition for approval of new environmental program for cost recovery through Environmental Cost Recovery Clause, by Tampa Electric Company.*

determine eligibility of the TPCCMP Disputed Costs, the Commission must first identify the new regulations and then determine if the date of such regulations is after the Company's last test year.

Section 366.8255 (1)(c), F.S., defines environmental laws or regulations to include "all federal, state, or local statutes, administrative regulations, orders, ordinances, resolutions, or other requirements that apply to electric utilities and are designed to protect the environment." The FDEP and DERM are state and local environmental regulators, respectively, with the authority to impose requirements on FPL's operations of the CCS and other relevant plant. The CO, CA, and CAA all include specific new requirements that apply to FPL in relation to its function as an electric utility. (EXH 13; EXH 10; EXH 14) These are primarily detailed in Sections 20 through 33 of the DEP's CO and Sections 17 and 34 in DERM's CA, as amended by the CAA. (EXH 13; EXH 10; EXH 14) These requirements include items such as implementing plans to meet salinity thresholds, installation and operation of freshening projects, improving thermal efficiency, and engaging in remediation projects including a recovery well system. (EXH 13; EXH 10; EXH 14)

The Commission has previously interpreted a Consent Decree to be a qualifying requirement under the ECRC.[11] In another instance, the Commission allowed ECRC cost recovery based on an agreement reached as a result of alleged violations of the Clean Air Act.[12] FPL's Witness Sole states that without the DEP's NOV, FPL would not have signed a Consent Order. (TR 375) Staff notes that DEP's NOV directed FPL to enter into a Consent Order or equivalent. (EXH 12) Witness Sole states FPL is engaging in the TPCCMP Disputed Cost activities pursuant to the CO and CA. (TR 302-305)

Staff notes that the activities within the CO, CA, and CAA expressly require FPL to engage in remediation activities. (EXH 13; EXH 10; EXH 14) The Commission previously has approved recovery of costs associated with remediation activities under the ECRC.[13] Based on the statutory definition, the Commission's past decisions, and the record in this docket, staff recommends that the CO, CA, and CAA meet the definition of new environmental regulations and therefore any associated compliance costs are eligible for cost recovery under the ECRC.

Timing of New Regulation

To be eligible for the ECRC, the activity is legally required to comply with a governmentally imposed environmental regulation that was enacted, became effective, or whose effect was triggered after the Company's last test year upon which rates are based. FPL's most recent rate case was resolved by a settlement between many parties, including FPL and OPC, and approved by the Commission pursuant to Order No. PSC-16-0560-AS-EI.[14] No party argues and there is

[11]Order No. PSC-07-0499-FOF-EI, issued on June 11, 2007, in Docket No. 050958-EI, *In re: Petition for Approval of New Environmental Program for Cost Recovery through Environmental Cost Recovery clause by Tampa Electric Company.*

[12]Order No. PSC-00-2104-PAA-EI, issued on November 6, 2000, in Docket No. 001186-EI, *In re: Petition for approval of new environmental programs for cost recovery through the Environmental Cost Recovery Clause by Tampa Electric Company.*

[13]Order No. PSC-05-1251-FOF-EI, issued on December 22, 2005, in Docket No. 20050007-EI, *In re: Environmental Cost Recovery Clause.*

[14]Order No. PSC-16-0560-AS-EI, issued December 15, 2016, in Docket No. 160021-EI, *In re: Petition for rate increase by Florida Power & Light Company.*

no evidence in the record that the TPCCMP Disputed Costs were triggered prior to FPL's last test year upon which rates are based. Therefore, staff recommends that the TPCCMP Disputed Costs meet the second criteria of ECRC eligibility.

Costs Not Recovered

To be eligible for the ECRC, costs also must not be recovered through some other cost recovery mechanism or through base rates. No party argues and there is no evidence in the record that the TPCCMP Disputed Costs are being recovered through base rates or an alternate clause mechanism. Therefore, staff recommends that the TPCCMP Disputed Costs meet the third criteria of ECRC eligibility.

Conclusion

Based on the foregoing analysis, staff recommends that FPL should be allowed to recover the TPCCMP Disputed Costs, if prudently incurred, through the ECRC. The TPCCMP Disputed Costs are costs incurred after the inception of the ECRC and are not being recovered through another clause mechanism or base rates. Staff recommends that FPL is subject to new governmentally imposed requirements enacted after FPL's last test year on the date of filing in the 2016 ECRC proceeding. Whether the TPCCMP Disputed Cost activities are prudent is addressed in Issue 10B.

Issue 10B: Which costs, if any, associated with the June 20, 2016 Consent Order between FPL and the Florida Department of Environmental Protection and the October 2015 Consent Agreement between FPL and the Miami-Dade County Department of Environmental Resources Management (as amended by the August 15, 2016 Consent Agreement Addendum) were prudently incurred?

Recommendation: Staff recommends that FPL has prudently incurred the 2015 and 2016 TPCCMP Disputed Costs, and that FPL's request for 2017 and 2018 TPCCMP Disputed Costs are reasonable. However, FPL has not met its burden of proof that the $1.5 million escrow deposit component is associated with the operation of the CCS for the direct benefit of FPL's customers. Staff notes that the 2017 and 2018 TPCCMP Disputed Costs and removal of the escrow payment are subject to true-up in future ECRC proceedings. (Ellis, Mtenga)

Position of the Parties

FPL: All costs associated with the 2015 CA, 2016 CO, and 2016 CAA are being prudently incurred. FPL has operated the CCS and interceptor ditch as required. No prior imprudence was demonstrated by any party. In asserting there was a knowable problem earlier, OPC is substituting its judgment for the judgement of the SFWMD which reviewed the same data as OPC and determined no action was warranted. In asserting the RWS is not needed or will be ineffective, OPC is substituting its judgement for the judgement of agencies that mandated the RWS and approved its design and modeled impacts.

OPC/FIPUG: The costs of the Retraction Well System are remedial in nature and should not be imposed on FPL's customers. FPL's management knew or should have known that its actions in operating the CCS were creating material harm to the Biscayne Aquifer. FPL's actions and inaction over time placed the Company in violation of law, and therefore, constitute imprudence, such that the costs of addressing the consequences of that imprudence are not appropriate costs that should be borne by customers.

SACE: None. Customers should not have to pay for FPL's mistakes. FPL knew or should have known that the CCS was causing an underground hyper-saline contamination plume spreading from its Turkey Point plant property by 1978, and certainly by 1992 at the latest. It failed to take any action to mitigate the impacts of the CCS on the Biscayne Aquifer (a G-II water source) until 2014. A prudent utility manage would have acted promptly and proactively well before 2014 to mitigate and / or remediate the growing hyper-salinity contamination plume outside the CCS boundary.

Staff Analysis:

Parties' Arguments

FPL

FPL states that it has prudently operated the CCS in compliance with its permits and applicable regulations and has cooperated with its environmental regulators throughout its service life. (FPL BR 11) FPL disputes that it has never violated any operational requirements in its environmental permits. (FPL BR 11) FPL argues that, pursuant to its regulatory requirements, that it engaged in increased monitoring that resulted in the determination that corrective action was required, and that it is now engaging in corrective actions. (FPL BR 11)

FPL contends that the TPCCMP Disputed Costs are prudently incurred and that it is inappropriate for the Intervenor Parties to second guess the requirements of its environmental regulators. (FPL BR 12) Further, FPL states that the environmental actions required by the CO, CA, and CAA have significant overlap and that they require similar monitoring and corrective actions. (FPL BR 12-13)

FPL argues that OPC failed to identify any imprudent management decisions that resulted in the TPCCMP Disputed Costs and that it operated the system in compliance with regulations, which is acknowledged by its environmental regulators. (FPL BR 13-14; EXH 47; EXH 13) FPL asserts that OPC's arguments are made with the benefit of hindsight using FPL's groundwater monitoring reports, that the COC acknowledges the concerns expressed by OPC and that its enhanced monitoring requirements were the result of its environmental regulators having insufficient data to determine what actions, if any, would need to be taken. (FPL BR 14-15)

FPL specifically defends the prudence of the Recovery Well System (RWS) and related costs as a well understood remediation method that was the result of consensus between FPL and its environmental regulators. (FPL BR 15-16) FPL argues that OPC's review of the RWS impacts on the hypersaline plume uses invalid assumptions and misinterprets the modeling done to analyze it. (FPL BR 16) FPL acknowledges that while uncertainty exists regarding the impact upon some layers of the Aquifer the operation of the RWS is subject to further review of its environmental regulators and should move forward. (FPL BR 16-17) FPL argues that the need for future modification of its corrective actions is appropriate and does not undermine a determination of prudence for those activities. (FPL BR 17) FPL asserts that regardless of the impact of the RWS, it is a specific requirement by the CO and CA and the associated modeling has been approved by DERM. (FPL BR 17; EXH 10; EXH 13)

OPC/FIPUG

OPC/FIPUG contends that the build-up of salt from the CCS was foreseeable and would occur absent the attention and intervention by FPL. (OPC/FIPUG BR 3) OPC/FIPUG argues that FPL failed to take actions on its own to prevent harm despite being required to monitor its wastewater and propose modifications to prevent such harm. (OPC/FIPUG BR 3-4) OPC/FIPUG faults FPL for following faulty advice from consultants and failing to follow recommendations to monitor trends and verify assumptions. (OPC/FIPUG BR 4) OPC/FIPUG contends that its observations are not hindsight, but are consistent with FPL's historic obligations under its environmental agreements. (OPC/FIPUG BR 4) OPC/FIPUG also argues that FPL failed to prudently plan and execute tasks to avoid foreseeable damage, and that the Commission in the past has held such failure as imprudent. (OPC/FIPUG BR 6-7)

OPC/FIPUG asserts that FPL broke the law by violating groundwater protection rules and its permit conditions causing damage to the aquifer, and is attempting to recover repair costs through customers for its violations. (OPC/FIPUG BR 10) OPC/FIPUG argues it is FPL's responsibility to pay for damages caused by its poor management of the situation that allowed the damage to occur. (OPC/FIPUG BR 12) OPC/FIPUG contends that costs to remediate harm are ineligible for cost recovery through the ECRC or any other mechanism based on FPL's ability to foresee harm, if not violations of law, caused by its operation of the CCS. (OPC/FIPUG BR 16)

OPC/FIPUG states that it is inappropriate for FPL to suggest that it relied upon environmental regulators to provide the requirement to act to address the damage caused by operation of the CCS. (OPC/FIPUG BR 19-20) OPC/FIPUG argues that because FPL was in possession of the data and did not put forward any testimony from a manager of the water monitoring regulatory program, it has failed to meet its burden of proof. (OPC/FIPUG BR 20) OPC/FIPUG asserts that given the three-year lapse of reporting by FPL, not resulting in any action by SFWMD, that the regulator was not actively monitoring the environmental situation, and therefore could not be relied upon to provide a requirement to act. (OPC/FIPUG BR 20) OPC/FIPUG argues that reliance on the regulator's guidance was at the Company's risk and inappropriate, given that the regulator relied upon the Company's data and analysis. (OPC/FIPUG BR 21)

OPC/FIPUG contends that the $1.5 million escrow payment required by the CO is akin to a donation, and the funds may not be used towards mitigation of saltwater intrusion caused by FPL, and should therefore be ineligible for recovery. (OPC/FIPUG BR 22) Furthermore, OPC/FIPUG argues that land donations required by the CO, while not sought for recovery at this time, might result in a below market value transaction and that such losses should be reviewed in a future proceeding and not determined at this time. (OPC/FIPUG BR 22-23)

SACE

SACE asserts that FPL knew or should have known by 1992 that the operation of the CCS was causing an adverse impact to adjacent waters to the CCS. (SACE BR 1) SACE argues that FPL omitted information on the scale of the environmental impacts of the CCS from both SFWMD and the Commission. (SACE BR 1) SACE contends that FPL's imprudence caused the environmental compliance requirements from the CO and CA, and therefore it should be not allowed for cost recovery. (SACE BR 1-2)

SACE argues that FPL is imprudent by its inaction in that a reasonable utility manager would have attempted corrective actions prior to 2014, instead of sitting on information about the environmental damage which allowed it to increase in size and concentration. (SACE BR 4) SACE asserts that as late as 2010, FPL consultants provided a feasibility analysis that identified a solution that would have addressed the hypersaline conditions within three years, but failed to act. (SACE BR 6)

SACE argues that FPL intentionally misled regulators by failing to provide SFWMD with reports for several years, and when those reports were provided, failed to provide analysis regarding the effectiveness of its current actions in preventing environmental damage, instead attributed greater salinity to seasonal conditions. (SACE BR 7) SACE asserts that had environmental regulators been provided with a complete analysis of the monitoring data, FPL's Turkey Point Uprate Project might not have been approved, therefore not requiring the COCs FPL relies upon as an environmental requirement. (SACE BR 7) SACE argues that FPL intentionally misled the Commission regarding the potential for mitigation measures in the Commission's review of the TPCCMP. (SACE BR 8)

SACE alleges that the overall regulatory process associated with the CCS is poor, with FPL failing to provide monitoring data, using poor monitoring standards, and co-writing its AO which was deficient of charges. (SACE BR 8) SACE argues that there was no provision in any of its agreements with regulators that prevented FPL from altering the operation of the CCS, improving its monitoring and analysis, or proactively engaging its regulators regarding the need for corrective action. (SACE BR 9)

Analysis

Pursuant to Section 366.8255, F.S., the Commission "shall allow recovery of the utility's prudently incurred environmental compliance costs."[15] Environmental compliance costs include "all costs or expenses incurred by an electric utility in complying with environmental laws or regulations."[16] As discussed in Issue 10A, FPL incurred the TPCCMP Disputed Costs in response to new environmental requirements.

Review Standard

Due to the varying time periods of when costs were or are to be incurred, the Commission must apply separate standards of review to the TPCCMP Disputed Costs. This is consistent with the Commission's decision when it established the ECRC, noting:

> We shall not make a specific finding of prudence for any activity included in Gulf's petition at this time. There are several reasons for this. First, many of the costs included in Gulf's petition are based on projections, and some of the projects have not yet been implemented. Thus, it is premature to establish prudence for a project that has not been completed. Second, the environmental cost recovery clause, like the fuel cost recovery clause, will be an on-going docket involving trueing-up projected costs. We retain jurisdiction in the fuel cost recovery clause because of the true-up provisions associated with fuel filings. [17]

FPL's Witness Deaton testified in support of FPL's actual costs for 2016, actual/estimated costs for 2017, and projected costs for 2018. (TR 261) As 2015 and 2016 represent actual expenditures by FPL, these are subject to a full prudence determination by the Commission at this time. However, 2017 and 2018 TPCCMP Disputed Costs cannot be determined as prudent or imprudent. The Commission instead subjects these costs to a reasonableness test for inclusion in clause recovery, with prudency to be determined in a future ECRC proceeding as part of the traditional true-up mechanism.

FPL is currently recovering costs through the ECRC factor that include the TPCCMP Disputed Costs pursuant to a stipulation approved by the Commission at the October 25, 2017 evidentiary hearing. Any adjustments or modifications the Commission makes pursuant to this recommendation should be addressed in a future ECRC proceeding. Staff notes the appropriate

[15]Section 366.8255, Florida Statutes at (2).
[16]*Id.* at (1)(d).
[17]Order No. PSC-94-0044-FOF-EI, issued January 12, 1994, in Docket No. 930613-EI, *In re: Petition to establish an environmental cost recovery clause pursuant to Section 366.8255, Florida Statutes by Gulf Power Company.*

allocation between O&M and capital is addressed separately in Issue 10D, and may also impact the annual amount for cost recovery.

Review of Activities

As discussed in Issue 10A, staff recommends that the CO, CA, and CAA introduce new regulatory requirements and are therefore eligible for potential recovery through the ECRC subject to a prudency review. As part of that review, the Commission must analyze the Company's activities leading up to CO, CA, and CAA. If prudently managed prior to the issuance of the CO, CA, and CAA, the Commission must then analyze whether FPL's expenditures for compliance are prudent and reasonable for recovery through the ECRC.

Actions Prior to New Requirements

The Intervenors suggest FPL was imprudent because it either knew or should have known about deteriorating environmental conditions, and that FPL should have taken action prior to the requirements of the CO, CA, and CAA. (TR 619; TR 621-622; TR 624; EXH 45) Staff reviews each of these claims below.

FPL's Witness Sole outlines FPL's compliance with its monitoring requirements since the start of the Company's operation of the CCS, including well and surface water monitoring and quarterly reports. (TR 291) Witness Sole outlines that monitoring data was provided to SFWMD on at least an annual basis. (TR 292) FPL's Witness Sole and OPC's Witness Panday agree that a three year gap in providing monitoring reports existed between 2005 and 2007, and was resolved in 2008. (TR 628; 714) Witness Sole observed that even with the information provided, SFWMD did not take additional action once the monitoring oversight had been corrected. (TR 714)

Both the DEP and DERM's NOVs do not identify attempts to mislead or failure to provide data as the source of the violation. The DEP's NOV ultimately identifies Rule 62-520.400, Florida Administrative Code, and DERM's NOV identifies Section 24-42(3) of the Code of Miami-Dade County, both of which address the water quality criteria. (EXH 12; EXH 9)

FPL's Witness Sole notes that with the exception of the NOVs received from the DEP and DERM, FPL has operated the CCS in compliance with its regulatory permits. (TR 414) OPC's Witness Panday agreed that at no time did SFWMD direct the utility to engage in consultation prior to its April 16, 2013 letter requesting consultation. (EXH 7) Staff observes that the data collected during those three years discussed above, was available to FPL's environmental regulators prior to SFWMD's letter requesting consultation. (EXH 7) The record indicates that the regulatory bodies responsible for water quality were sufficiently informed of the condition of the Biscayne Aquifer, and no evidence was provided that FPL withheld evidence or submitted false data.

OPC's Witness Panday argues that FPL should have known, based on its monitoring reports that showed hypersalinity outside the boundaries of the CCS as early as 1990, that the salinity within the CCS exceeded the maximum level proposed in the 1978 Dames and Moore Report. (TR 623; EXH 45) OPC's Witness Panday asserts that the long-term trends were unmistakable signs that damage was occurring. (TR 624; TR 625) OPC's Witness Panday alleges that by at least 1992, FPL should have known that the CCS was causing harm, but that FPL willfully or carelessly

ignored these results. (TR 624-628) OPC's Witness Panday alleges that by failing to follow its experts' advise to track salinity changes, FPL failed in its obligations. (TR 628)

FPL's Witness Sole argues that if FPL had acted without prior direction from an environmental regulator, that OPC or another party could have argued against cost recovery. (TR 743) Staff agrees with this argument because a clear governmental requirement is necessary for recovery of costs through the ECRC.

While the Intervenors argue that FPL should have engaged in action prior to the CO, CA, and CAA, no evidence was provided in the record for what these actions were and the potential alternatives or cost savings measures that FPL could or should have implemented prior to engaging in the activities that resulted in the TPCCMP Disputed Costs. As discussed above, the record indicates that FPL adhered to the monitoring requirements and was under the continuous oversight of FDEP, DERM, and SWFMD. No evidence was provided that FPL intentionally withheld or submitted false data to environmental regulators or the Commission. Based on our review of the record, staff recommends that given what FPL knew or should have known at the time, FPL was prudent in its actions regarding the historic operation of the CCS.

Actions to Comply with New Requirements

OPC's Witness Panday argues that FPL's RWS would have only a marginal effect on the hypersaline plume, and even when combined with freshening will not accomplish the retraction of the hypersaline plume to the boundaries of the CCS. (TR 639) FPL's Witness Sole defends the use of the RWS, stating it is a common remediation method and was only selected after evaluating other alternatives. (TR 717) As discussed in Issue 10A, the CO, CA, and CAA contained specific environmental requirements.

Staff notes that the CO at Section 20(c) states that FPL shall "[i]mplement a remediation project that shall include a recovery well system..." (EXH 13) Section 20(c) also contains several milestones leading to the construction of the RWS. (EXH 13) OPC's Witness Panday agreed that DERM had approved the use of the RWS as of May 2017. (TR 677) Regardless of the efficacy of the RWS, it is a requirement imposed by a governmental authority as part of FPL's remediation efforts.

As discussed in Issue 10A, the CO, CA, and CAA introduce a variety of new requirements for inspections, monitoring, data analysis, reporting, planning, construction, operation, and other activities associated with the operation of the CCS and remediation of environmental damage. The requirements also include a deposit of funds with the Florida Department of Financial Services and the conveyance of land to SFWMD. (TR 299; TR 302-303) Excluding the escrow deposit and the land conveyance discussed in more detail below, staff recommends that TPCCMP Disputed Costs comply with the requirements of FPL's continued monitoring under the Monitoring Plan or the new requirements of the CO, CA, or CAA. It is not the Commission's role to determine if the requirements of the CO, CA, or CAA are appropriate or will be effective at mitigating saltwater intrusion from the CCS. As discussed above, the record indicates that FPL adhered to the monitoring requirements and the associated continuous oversight of FDEP, DERM, and SWFMD. In addition, no evidence was presented that FPL intentionally withheld or provided false or misleading data to environmental regulators. Therefore, staff recommends that the actual TPCCMP Disputed Costs for 2015 and 2016 expenditures are prudent, and that FPL's

actual/estimated 2017 expenditures and projected 2018 expenditures are reasonable such that they are eligible for recovery through the ECRC.

Adjustments for Escrow and Land Conveyance

Section 23(c) of the CO requires FPL to deposit $1.5 million in a Florida Department of Financial Services escrow account. (EXH 13) FPL projected payment of the $1.5 million is to be completed in December 2017. (EXH 61) FPL's Witness Sole states in cross-examination that these funds may be used by the DEP to address projects that do not have any relation to FPL's CCS or the related hypersaline plume. (TR 459-460) Witness Sole also states that the $1.5 million is not a fine or administrative penalty. (TR 460) OPC/FIPUG's argument is that FPL failed to meet its burden of proof that the $1.5 million deposit is a reasonable cost that will directly benefit FPL's customers. While staff acknowledges that the $1.5 million escrow deposit is a requirement of the CO, it was established that the $1.5 million component is not associated with the operation of the CCS for the benefit of FPL's customers. Staff agrees with OPC/FIPUG's argument that FPL failed to meet its burden of proof for the recovery of the $1.5 million.

As to the land conveyance, Section 23(b) of the CO requires FPL to provide land to SFWMD if requested. (EXH 13) OPC/FIPUG's argument is that approval of any such transaction should be withheld until a later review. Staff observes that the Commission is not approving or disapproving cost recovery for this component of the CO as part of this docket. Staff agrees with OPC/FIPUG's argument, and recommends that the appropriate accounting review of this land transaction should be conducted during the Company's next base rate proceeding.

Conclusion

Staff recommends that FPL has prudently incurred the 2015 and 2016 TPCCMP Disputed Costs, and that its request for 2017 and 2018 TPCCMP Disputed Costs are reasonable. The only exception to recovery should be the $1.5 million escrow payment, which should be disallowed as the Company has not met its burden of proof that the funds would be used to directly benefit FPL's customers. Staff notes that the 2017 and 2018 TPCCMP Disputed Costs and removal of the escrow payment are subject to true-up in future ECRC proceedings.

Issue 10C: Should the costs FPL seeks to recover in this docket be considered part of its Turkey Point Cooling Canal Monitoring Plan project?

Recommendation: Yes. Based on the TPCCMP Approval Order, the TPCCMP Disputed Costs should be considered part of the existing TPCCMP project. The costs FPL is requesting to recover are the result of the anticipated evolution of the original TPCCMP program. (Ellis, Mtenga)

Position of the Parties

FPL: Yes. Requirements for the TPCCMP project have progressed from monitoring to implementing corrective actions. At the time the TPCCMP project was approved for recovery through the ECRC in 2009, FPL made clear that such a progression was a potential outcome. As demonstrated in the 2009 Order, it was also clear that the scope of the projected extended to historic impacts of the CCS generally – not just those related to the EPU (Extended Power Uprate) project. FPL provided testimony at key project expansion points and reflected incremental costs for the expansion of FPL's compliance activities each year in its ECRC filings.

OPC/FIPUG: No.

SACE: No. FPL omitted material information on its exposure to significant environmental corrective action and costs related to its operation of the CCS. FPL knew that the CCS-caused hyper-saline plume had pushed the saltwater interface well west of the boundary of the CCS in 2009. In fact, the Company's consultants started developing remediation plans months after the Commission approved the project. Regardless, recovery of costs should not be allowed because FPL's failure to mitigate the impact of CCS-caused hyper-saline plume before 2014 was imprudent.

Staff Analysis:

Parties' Arguments

FPL

FPL asserts that the Commission, in its Approval Order, acknowledged the potential for it to include corrective actions. (FPL BR 19-20, 22) FPL argues that in its request for the Monitoring Program, it included the Conditions of Certification IX and X which included specific language that would require FPL to engage in corrective action. (FPL BR 20) FPL states that its monitoring activities in the Monitoring Program directly lead to information that determined the need for additional actions were necessary by its environmental regulators. (FPL BR 20-21) FPL notes that similar activities to the TPCCMP Disputed Costs were approved as part of the 2015 ECRC Docket, specifically water delivery projects and sediment management. (FPL BR 21) FPL argues that while the Approval Order states that "the eligibility of ECRC recovery for any similar project will depend on individual circumstances and shall, therefore, be considered on a case-by-case basis," that this is a reference to a potential disagreement of the location of recovery, through the ECRC or through the Nuclear Cost Recovery Clause, not that costs would be unrecoverable in general. (FPL BR 22-23)

OPC/FIPUG

OPC/FIPUG contends that the Commission's Order approving the Monitoring Program was strictly limited to monitoring impacts associated with the Turkey Point Uprate Project. (OPC/FIPUG BR 24) OPC/FIPUG argues that the scale of the TPCCMP Disputed Costs compared to Monitoring Program costs requires review independent of that conducted of the TPCCMP in 2009. (OPC/FIPUG BR 24-25) Further, OPC/FIPUG asserts that the Company did not disclose the full scope of the remediation projects, and that when the Company agreed to the CA, CAA, and CO the environmental regulators did not approve specific actions such as the RWS system. (OPC/FIPUG BR 25) OPC/FIPUG argues that the TPCCMP Disputed Costs are not related to the Monitoring Program and inclusion in the Monitoring Program is an attempt to evade scrutiny and the Company's burden of proof that costs are reasonable and prudent. (OPC/FIPUG BR 25) OPC/FIPUG notes that a change of scope has been considered a new activity in prior cases, and that therefore the TPCCMP Disputed Costs constitute a new program, with a separate evaluation necessary for it to be recovered. (OPC/FIPUG BR 26) OPC/FIPUG contends that the Approval Order addressed monitoring for the Turkey Point Uprate Project only, and does not mention remediation, correction, or corrective action. (OPC/FIPUG BR 26-27) OPC/FIPUG argues that the Monitoring Program should not include costs to halt and retract the hypersaline plume as they are unassociated with the Turkey Point Uprate Project. (OPC/FIPUG BR 27) OPC/FIPUG notes that the Approval Order states that new projects would be considered on a case-by-case basis. (OPC/FIPUG BR 24, 29)

SACE

SACE alleges that FPL was aware or should have been aware that measures would be required to address the hypersaline plume prior to the Commission's approval of the TPCCMP. (SACE BR 24) SACE argues that the Company failed to mention the potential magnitude of costs that would be associated with the CCS. (SACE BR 25) SACE contends that the Commission approved the TPCCMP with incomplete information due to intentional omissions by the Company. (SACE BR 35)

Analysis

Staff agrees with Witness Sole's statement that the TPCCMP Approval Order specifically included discussion of the potential for mitigation costs. (TR 308-309) The TPCCMP Approval Order included a stipulation between FPL, OPC, FIPUG, and the Federal Executive Agencies (FEA), in which OPC, FIPUG, and FEA took no position on the approval of the program. Specifically, the TPCCMP Approval Order states, in relevant part: [18]

> These activities will be incremental to FPL's current monitoring efforts. . . . The CCM Plan has been designed to focus on the objectives as they relate to the cooling canal system and the Uprate Project and those resources that may be affected adjacent to the cooling system. . . . [R]eports will be submitted every six months during the pre Uprate period and initially during the post Uprate period. . . . The potential additional measures that might be

[18]Order No. PSC-09-0759-FOF-EI, issued November 18, 2009, in Docket No. 090007-EI, *In re: Environmental cost recovery clause.*

> required include . . . the development and application of a 3-dimensional coupled surface and groundwater model to further assess impacts of the Uprate Project on ground and surface waters . . . **[and] mitigation measures to offset such impacts of the Uprate Project necessary to comply with State and local water quality standards . . .**

(emphasis added)

Staff notes that the bold portion of the text above is also a quotation from the Conditions of Certification, Section X, subsection D.2. (EXH 6, p. 26)

OPC, FIPUG and SACE are correct to note that the costs for O&M and capital have increased for the Monitoring Plan. (EXH 79). Staff recommends that an increase in costs itself is not a change of scope of a project. Regarding OPC and FIPUG's assertion that the TPCCMP is specifically referencing the Turkey Point Uprate Project and does not mention remediation, correction, or corrective action, staff notes that the Approval Order stated the following:

> Because the costs for the TP-CCMP Project are predominantly O&M expenses that will continue for an uncertain duration, and because the water-quality issues the Project is being undertaken to address relate to operation of the Turkey Point **plant as a whole and not just the TP Nuclear Uprate**, FPL should be allowed to recover the costs associated with the TP-CCMP Project through the ECRC. [19]

(emphasis added)

As a result, the Approval Order considered the concern brought forth by OPC and FIPUG, and addressed the concern directly by providing that the Monitoring Program is inclusive of the plant as a whole. (EXH 74) As stated by FPL's Witness Sole, environmental compliance programs evolve based upon information that determines the next appropriate action. (TR 310) The costs FPL is requesting to recover are the result of the anticipated evolution of the original Monitoring Program. The Intervenors concerns regarding prudency of the TPCCMP Disputed Costs are addressed in Issue 10B.

Conclusion

Based on the Approval Order, the TPCCMP Disputed Costs should be considered part of the existing Monitoring Program. The costs FPL is requesting to recover are the result of the anticipated evolution of the original Monitoring Program.

[19] *Id.* at 13.

Issue 10D: Is FPL's proposed allocation of costs associated with the June 20, 2016 Consent Order between FPL and the Florida Department of Environmental Protection and the October 2015 Consent Agreement between FPL and the Miami-Dade County Department of Environmental Resources Management (as amended by the August 15, 2016 Consent Agreement Addendum) between O&M and capital appropriate? If not, what is the correct allocation of costs between O&M and capital?

Recommendation: Yes. Staff recommends that the RWS and related activities perform both remediation and containment functions. Consistent with accounting principles, remediation expenses should be recovered as O&M, and containment should be recovered as capital. Based on the record, staff recommends that the Company's proposed allocation of costs is appropriate, and should be 74 percent containment (capital) and 26 percent remediation (O&M) for the RWS and related activities. (Ellis, Mtenga, Smith)

Position of the Parties

FPL: Yes. FPL's proposed allocation between O&M and capital appropriately identifies the extent to which the RWS will achieve retraction of the hypersaline plume back to the FPL CCS boundaries (O&M) versus containment of the hypersaline plume within the FPL CCS boundaries (capital). Capitalization will appropriately spread the cost recovery of the asset over the expected life of the asset.

OPC/FIPUG: No. The costs of the Retraction Well System are remedial in nature and should not be imposed on FPL's customers. FPL's management knew or should have known that its actions in operating the CCS were creating material harm to the Biscayne Aquifer. FPL's actions and inaction over time placed the Company in violation of law, and therefore, constitute imprudence. Thus, the costs of addressing the consequences of that imprudence are not properly costs that should be borne by customers.

SACE: No. FPL shareholders should not be permitted to benefit from FPL's mistakes. FPL argues that its Recovery Well System is preventative. Yet, the requirements stemming from the Consent Order and Consent Agreement are not preventative. The term "abatement" as used in the Consent Order means to "minimize." The Recovery Well System, that is intended to "remediate" will not prevent hyper-salinity in deeper layers from migrating westward. GAAP accounting principles are permissive on allocating costs to capital investment. Regardless, recovery of costs should not be allowed because FPL's failure to mitigate the impact of CCS-caused hyper-saline plume before 2014 was imprudent.

Staff Analysis:

Parties' Arguments

FPL

FPL argues that the RWS must be allocated to both capital and O&M because it serves both containment and remediation functions. (FPL BR 24) FPL contends that it used a conservative approach based on Tetra Tech's analysis of the salt mass removal to produce a 74 percent prevention (capital) and 26 percent remediation (O&M) allocation of costs for the RWS project. (FPL BR 25) FPL proposes that its recovery of capital for prevention or mitigation expenses is appropriate and similar to the treatment of emissions control equipment. (FPL BR 25) FPL states

that a volumetric approach would result in a higher capital percentage. (FPL BR 25-26) FPL argues that OPC's Witness Panday's suggested approach of revisiting the allocation periodically is inappropriate and not consistent with Generally Accepted Accounting Principles (GAAP). (FPL BR 26)

OPC/FIPUG

OPC/FIPUG argues that the consideration of allocation between expense and capital is not appropriate, as it relates to the Monitoring Program. (OPC/FIPUG BR 28) OPC/FIPUG assert that FPL's analysis shows that under the Company's proposed remediation methods, FPL will be unable to complete its remediation efforts within the 10 year period required by the CO. (OPC/FIPUG BR 29-30, 35) OPC/FIPUG argues that FPL is ignoring the Company's own models to ignore the impacts of the CCS on the deepest portions of the Aquifer. (OPC/FIPUG BR 32-34)

OPC/FIPUG contends that the proposed freshening activities were more effective than the RWS towards remediation for the initial ten years of operation. (OPC/FIPUG BR 31) OPC/FIPUG argues that freshening activities eliminate the need for containment except in the deepest layers of the Aquifer. (OPC/FIPUG BR 37) OPC/FIPUG then contends that the RWS will be ineffective because it will not adequately impact the Aquifer's upper or lower layers, and that it is an imprudent activity that should be disallowed. (OPC/FIPUG BR 31) In contrast, OPC/FIPUG asserts that FPL's proposed RWS would serve a remediation function for the first ten years of its operation, followed by a potential ten years as a containment function. (OPC/FIPUG BR 36)

OPC/FIPUG argues that compliance with the CO merely resolves FPL's prior Notice of Violation with DEP. (OPC/FIPUG BR 36) OPC/FIPUG suggests that therefore the containment phase of FPL's remediation project should be considered a separate project from the remediation project, and not recoverable from customers during the first ten years of operation. (OPC/FIPUG BR 37)

SACE

SACE argues that the Commission cannot approve cost recovery if a utility is imprudent. (SACE BR 26) SACE alleges FPL was imprudent in its actions and inactions with regards to the Turkey Point CCS that resulted in the TPCCMP Disputed Costs. (SACE BR 31) SACE also asserts it is inappropriate for FPL to capitalize any of the TPCCMP Disputed Costs as they will fail to prevent or retract the hypersaline plume in deeper layers of the aquifer. (SACE BR 36)

Analysis

As noted in Issue 10B, the RWS is required by the CO with DEP. (EXH 13, p. 8) As detailed by Witness Sole, FPL is also required by the CO to implement the Nutrient Management Plan and a Thermal Efficiency Plan, and construct an Upper Floridian Aquifer well system to provide freshening water. (TR 302) FPL asserts that all of these functions serve to decrease salinity entering the Biscayne Aquifer from the CCS and result in both remediation and containment. (EXH 61; ROG 62 Attachment 1) Witness Ferguson testified that the RWS serves both a remediation and preventive function. (TR 561-562) Based on the record, staff recommends that the RWS and related systems simultaneously serve both the function of containment of the

hypersaline plume within the boundaries of the CCS and retraction or remediation of the hypersaline plume outside the boundaries of the CCS. Therefore, costs associated with these functions should be allocated to both containment and remediation activities. The CO also requires the completion of projects associated with Barge Canal and Turkey Point Canal. (EXH 13, p.10) FPL asserts that these projects are totally allocated to containment. (EXH 61; ROG 62 Attachment 1) FPL Witness Ferguson further stated that all of the costs associated with the Barge Canal Turning Basin Back Fill should be capitalized because that project is preventive in nature. (TR 563)

Allocation Percentage

Both FPL's Witness Ferguson and OPC's Witness Panday rely upon a model of salt mass removal developed by Tetra Tech to determine the appropriate cost allocation between capital and O&M. (TR 562, TR 649) The Tetra Tech model attempts to determine the total mass of salt removed from various layers of the Aquifer, and allocates them to remediation or containment based on whether the salt mass originated inside or outside the boundaries of the CCS. (EXH 21) The primary difference in analysis is the timeframe used. FPL Witness Ferguson asserts that the appropriate period to consider is year 20, the expected life of the RWS, which would result in a 74 percent containment, 26 percent remediation allocation. (TR 562) OPC Witness Panday argues instead for year 11, when the hypersaline mass is anticipated to be fully removed, which would result in a 65 percent containment, 35 percent remediation allocation. (TR 651) As noted by FPL's Witness Anderson, the use of 11 years does not acknowledge that the RWS will be operating in a containment function for the remaining nine years of its operational life. (TR 859)

OPC's Witness Panday testified that the allocation between remediation and prevention should be reevaluated on a more regular basis. (TR 652) OPC Witness Panday testified that this is particularly true after the first two years of operating the RWS. (TR 652) For the initial two-year period, OPC Witness Panday proposes an alternative of using the first two years of the Tetra Tech model to allocate 41 percent to containment and 59 percent to remediation. (TR 652) Staff observes that OPC/FIPUG does not support the use of this methodology in its brief, but rather an approach by which all activities are categorized as either remediation or containment until the end of all remediation activities.

Accounting Treatment

Accounting Standards Codification 410-30-25-16 to 18 (ASC 410-30) describes the conditions that must be met in order to capitalize all or a portion of the costs related to environmental contamination treatment. (TR 560) It states that the costs can be capitalized if "the costs mitigate or prevent environmental contamination that has yet to occur and that otherwise may result from the future operation or activities." (TR 560) FPL Witness Ferguson explained that costs related to mitigation or prevention can be capitalized and costs related to remediation should be expensed. (TR 560)

OPC's Witness Panday did not testify as to whether the costs should be capitalized or expensed. However, OPC Witness Panday did suggest reevaluating the allocation between expense and capitalization after two years of operation. (TR 652) FPL Witness Ferguson testified that OPC Witness Panday's proposed treatment is not consistent with GAAP or Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USOA) because it could change the

historical cost of an asset already placed into service. (TR 823) FERC USOA account 101 A specifically states:

> This account shall include the original cost of electric plant, included in accounts 301 to 399, prescribed here-in, owned and used by the utility in its electric utility operations, and having an expectation of life in service of more than one year from date of installation, including such property owned by the utility but held by nominees.[20]

Moreover, neither OPC Witness Panday nor any other Intervenor offered any alternative accounting treatment for this project that is consistent with GAAP.

Based on the evidentiary record, staff recommends the accounting treatment for the costs associated with the RWS and Barge Canal Turning Basin Back Fill Project proposed by FPL is appropriate. Whether prudently incurred remediation costs are appropriate to recover from customers is addressed in Issue 10B.

Conclusion

Staff recommends that the RWS and related activities perform both remediation and containment functions. Consistent with accounting principles, remediation expenses should be recovered as O&M, and containment should be recovered as capital. Based on the record, staff recommends that the Company's proposed allocation of costs are appropriate, and should be 74 percent containment (capital) and 26 percent remediation (O&M) for the RWS and related activities.

[20] *Code of Federal Regulations Conservation of Power and Water Resources*, Office of Federal Register National Archives and Records Administration, 2012, p. 395.

Issue 10E: How should the costs associated with the June 20, 2016 Consent Order between FPL and the Florida Department of Environmental Protection and the October 2015 Consent Agreement between FPL and the Miami-Dade County Department of Environmental Resources Management (as amended by the August 15, 2016 Consent Agreement Addendum) be allocated to the rate classes?

Recommendation: TPCCMP Disputed Costs should be allocated pursuant to the Commission's Order No. PSC-09-0759-FOF-EI. (Ellis, Mtenga)

Position of the Parties

FPL: Costs associated with the 2015 CA, 2016 CO, and 2016 CAA should be allocated in the same manner as all other environmental cost recovery amounts approved for recovery under the TPCCMP project.

OPC/FIPUG: No Position.

SACE: No customer, regardless of class, should have to pay for FPL's mistakes. FPL knew or should have known that the CCS was causing an underground hyper-saline contamination plume spreading from its Turkey Point plant property by 1978, and certainly by 1992 at the latest. It failed to take any action to mitigate the impacts of the CCS on the Biscayne Aquifer (a G-II water source) until 2014. A prudent utility manager would have acted promptly and proactively well before 2014 to mitigate and or remediate the growing hyper-salinity contamination plume outside the CCS boundary.

Staff Analysis:

Parties' Arguments

FPL

FPL argues that the Commission established in the appropriate allocation methodology for the TPCCMP Disputed Costs in its Order No. PSC-09-0759-FOF-EI. (FPL BR 27)

OPC and FIPUG

OPC and FIPUG did not present arguments regarding this issue.

SACE

SACE argues that the Commission cannot approve cost recovery if a utility is imprudent. (SACE BR 26) SACE alleges the Company was imprudent in its actions and inactions with regards to the Turkey Point CCS that resulted in the TPCCMP Disputed Costs. (SACE BR 31)

Analysis

If the Commission approves recovery of costs in the prior issues, the Commission must determine how these costs will be allocated to the rate classes. No party presented arguments regarding how this allocation should occur for the TPCCMP Disputed Costs, except that the Intervenors argued that no costs are prudent, and therefore none would be available for allocation. Therefore, staff notes that the only allocation methodology available is that given in the Commission's prior Order No. PSC-09-0759-FOF-EI approving the TPCCMP. It states:

F. We approve the following stipulation regarding how the costs associated with the TP-CCMP Project shall be allocated to the rate classes:

> Capital costs for the TP-CCMP Project shall be allocated to the rate classes on an average 12 CP demand and 1/13th energy basis. O&M costs shall be allocated on an energy basis.

Conclusion

TPCCMP Disputed Costs should be allocated pursuant to the Commission's Order No. PSC-09-0759-FOF-EI.

Item 9

State of Florida

Public Service Commission

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

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

DATE: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (P. Buys, Ellis, Graves, King, Thompson)
Division of Accounting and Finance (Barrett, Brown, Mouring, Vogel)
Division of Economics (Draper, Higgins, Ollila, Stratis)
Office of the General Counsel (Brownless)

RE: Docket No. 20170150-EI – Petition for limited proceeding to include reliability and modernization projects in rate base, by Florida Public Utilities Company.

AGENDA: 12/12/17 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate – Motion to Approve Settlement and Stipulation Prior to Hearing

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Florida Public Utility Company (FPUC or Utility) serves more than 32,000 customers located in North Florida. FPUC's Northwest Division serves Jackson, Calhoun and Liberty counties, and is commonly called the "Marianna Division." The Utility's Northeast Division is located in the Fernandina Beach area, and serves Nassau County. FPUC does not generate any of the power it sells, but meets the needs of its customers through contracts for purchased power.

FPUC's last request for an increase in base rates was filed on April 28, 2014. On August 29, 2014, a Joint Motion for Approval of Stipulation and Settlement (Settlement) was filed. The Commission approved the Settlement, which included a $3.75 million revenue increase, by Order No. PSC-14-0517-S-EI, issued on September 29, 2014.

On July 3, 2017, FPUC filed a petition for a limited proceeding to include in its rate base certain capital projects. The Utility has requested an increase in its total revenue requirement of $1,823,869 representing total capital expenditures of $15,241,515. FPUC explained that the capital investments fall under one of three types of projects: (1) grid modernization and safety; (2) storm hardening; and (3) the interconnection with Florida Power & Light Company. FPUC states that the projects have been designed to enhance the capability of its grid and improve the safety and reliability of its system. Further, the Utility asserts that these projects will benefit both FPUC and its customers, and should be allowed to be recovered through base rates.

On July 21, 2017, a Joint Motion Requesting Commission Approval of Procedure for Conducting Limited Proceedings and for Subsequent Tariff Filing was filed on behalf of FPUC and OPC.[1] On September 21, 2017, the Office of Public Counsel (OPC) filed its Notice of Intervention, which was acknowledged on September 25, 2017.[2]

On November 28, 2017, FPUC and OPC filed another Joint Motion, which requests approval of their Stipulation and Settlement agreement (2017 Agreement) that resolves the issues in this proceeding. Section 7 of the Joint Motion states "[T]he Joint Movants respectfully urge the Commission to consider this Joint Motion for Approval of Stipulation and Settlement at the December 12, 2017, Agenda Conference. Approval by the Commission at the December 12, 2017 Agenda Conference would allow new rates consistent with this 2017 Agreement to be in place with the first billing cycle in January 2018, as contemplated by the 2017 Agreement." The Joint Motion and Stipulation are attached.

The Commission has jurisdiction over this request for a limited proceeding under Sections 366.076 (1) and 366.041, Florida Statutes (F.S.). **This item will be presented orally.**

[1]Document No. 06137-2017, in Docket No. 20170150-EI, *In re: Petition for limited proceeding to include reliability and modernization projects in rate base, by Florida Public Utilities Company.*
[2]Order No. PSC-2017-0360-PCO-EI, issued September 25, 2017, in Docket No. 20170150-EI, *In re: Petition for limited proceeding to include reliability and modernization projects in rate base, by Florida Public Utilities Company.*

FILED 11/28/2017
DOCUMENT NO. 10135-2017
FPSC - COMMISSION CLERK

GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

November 28, 2017

E-PORTAL FILING

Ms. Carlotta Stauffer, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20170150-EI - Petition for limited proceeding to include reliability and modernization projects in rate base, by Florida Public Utilities Company.

Dear Ms. Stauffer:

Attached, please find the Joint Motion of Florida Public Utilities Company and the Office of Public Counsel requesting approval of a Settlement and Stipulation, along with a copy of the Settlement and Stipulation.

As always, please don't hesitate to let me know if you have any questions. Thank you for your assistance with this filing.

Kind regards,

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

cc:/ (Office of Public Counsel)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding to include reliability and modernization projects in rate base, by Florida Public Utilities Company. /	Docket No. 20170150-EI Filed:

JOINT MOTION OF FLORIDA PUBLIC UTILITIES COMPANY AND THE OFFICE OF PUBLIC COUNSEL FOR APPROVAL OF STIPULATION AND SETTLEMENT

Florida Public Utilities Company ("FPUC" or "Company") and the Office of Public Counsel ("OPC") (collectively, "Joint Movants") by and through their undersigned attorneys, respectfully move the Florida Public Service Commission ("Commission" or "FPSC") to approve the Stipulation and Settlement agreement ("2017 Agreement") attached hereto as Attachment "A", which the Joint Movants have entered into in order to resolve issues in this proceeding. In support hereof, the Joint Movants state as follows:

1. On July 3, 2017, FPUC petitioned the Florida Public Service Commission ("the Commission") for a limited proceeding to include $15,241,515 in capital projects in rate base and increase its rates and charges by the amount necessary to recover the revenue requirement of $1,823,869 on those projects.

2. OPC filed a notice of its intervention on September 21, 2017.

3. The Joint Movants, as well as Commission Staff, have engaged in extensive discovery in this proceeding.

4. In recent weeks, the Joint Movants have engaged in negotiations to resolve the issues in this proceeding in an effort to avoid any further expensive and time-consuming litigation

before the Commission. These efforts have been successful and resulted in the 2017 Agreement attached hereto as Attachment A.

5. The 2017 Agreement is the result of good faith efforts to address the issues in this proceeding in a manner that will provide regulatory certainty with regard to FPUC's rates and to avoid the expense and uncertainty associated with further litigation, including a potential full rate proceeding. The 2017 Agreement results in rates and charges that are fair, just and reasonable for the duration of the 2017 Agreement, and is in the public interest. It provides planning and rate certainty for a period through December 2019, prior to which FPUC will be prohibited from seeking a base rate increase except in certain specified circumstances.

6. The 2017 Agreement provides additional regulatory certainty by addressing storm cost recovery and other cost recovery mechanisms.

7. The Joint Movants respectfully urge the Commission to consider this Joint Motion for Approval of Stipulation and Settlement at the December 12, 2017, Agenda Conference. Approval by the Commission at the December 12, 2017 Agenda Conference would allow new rates consistent with this 2017 Agreement to be in place with the first billing cycle in January 2018, as contemplated by the 2017 Agreement.

8. To date, no other parties have intervened in this proceeding. As the only two parties to the proceeding have executed the Agreement, no party will be prejudiced by the Commission's approval of the Agreement. Should any new party seek to intervene at any point in the future, in accordance with Commission rules, such party would then take the case as they find it, which is contemplated in the terms of the 2017 Agreement.

9. In furtherance of this Joint Motion and approval of the 2017 Agreement, the Joint Movants waive any right to protest an order of the Commission approving the 2017 Agreement in its entirety.

10. For reference purposes only, the following is an overview of the key provisions of the 2017 Agreement:

(a) FPUC will be authorized to increase its base rates and service charges ("New Rates") to generate an additional $1,558,050 of annual revenues for purposes of recovering the revenue requirement on the projects identified in Attachment "1" to the 2017 Settlement.

(b) Rate increases will be effective with the first billing cycle of January 2018 ("Implementation Date").

(c) Exclusion of any project from Attachment "1" that may have been previously identified in the Company's July 3, 2017, Petition will not be construed as an agreement or determination by the Joint Movants that any such project is imprudent or should otherwise be disallowed for purposes of calculation of the Company's revenue requirement in the Company's next authorized rate proceeding.

(d) The Company may continue to seek recovery of costs through recovery clauses, but cannot seek recovery of costs that the Company has traditionally and historically recovered through base rates, unless such costs are: (i) the direct and unavoidable result of new governmental impositions or requirements; or (ii) new or atypical costs that were unforeseeable and could not have been contemplated by the Joint Movants resulting from

significantly changed industry-wide circumstances directly affecting the Company's operations.

(e) FPUC may petition the Commission to seek recovery of costs associated with (1) any tropical systems named by the National Hurricane Center or its successor, or (2) other catastrophic storm events causing damage to FPUC's generation, transmission or distribution system in the aggregate dollar amount of at least $1,000,000, without the application of any form of earnings test or measure and irrespective of previous or current base rate earnings.

(f) The Joint Movants agree and acknowledge that if the Company is earning below the bottom of the existing range and experiences an unanticipated and unforeseen event, not otherwise addressed by Paragraph IV of the 2017 Settlement, that has an adverse annual revenue requirement impact in excess of $800,000 (loss of revenues or an increase in expenses), which may be the result of a single event or may be the aggregate impact of multiple, related events occurring within any contiguous four (4) month period, then FPUC shall be entitled to seek rate relief before the Commission.

(g) If Tax Reform is enacted before the Company's next general base rate proceeding, the impacts of Tax Reform on FPUC's base revenue requirements will be flowed back to retail customers within 120 days of when the Tax Reform becomes law, through a one-time adjustment to base rates upon a thorough review of the effects of the Tax Reform on base revenue requirements. This adjustment shall be accomplished through a

uniform percentage decrease to customer, demand and energy base rate charges for all retail customer classes. Any effects of Tax Reform on retail revenue requirements from the Implementation Date through the date of the one-time base rate adjustment shall be flowed-back to customers through the ECCR Clause on the same basis as used in any base rate adjustment. If Tax Reform results in an increase in base revenue requirements, the Company will utilize deferral accounting as permitted by the Commission, thereby neutralizing the FPSC adjusted net operating income impact of the Tax Reform to a net zero, through the Term. In this situation, the Company shall defer the revenue requirement impacts to a regulatory asset to be considered for prospective recovery in a change to base rates to be addressed in the Company's next base rate proceeding or in a limited scope proceeding before the Commission no sooner than the end of the Minimum Term. All Excess Deferred Taxes shall be deferred to a regulatory asset or liability which shall be included in FPSC adjusted capital structure and flowed back to customers over a term consistent with law.

(h) FPUC will not be precluded from filing and the Commission from approving any new or revised tariff provisions or rate schedules requested by FPUC, provided that any such tariff request does not increase any existing base rate component of a tariff or rate schedule, or any other charge imposed on customers during the Term unless the application of such new or revised tariff, rate schedule, or charge is optional to FPUC's customers.

(i) The New Rates presented in Attachment "3" of the 2017 Agreement are designed in accordance with the methodology of the Cost of Service and Rate Design approved by the Commission in the Company's last rate case, Docket No. 20140025-EI.

(11) The Joint Movants represent that the 2017 Agreement provides an equitable and just balance of the positions of the parties on the issues in this proceeding. Approval of the Agreement is in the best interests of both the Company and its customers, and as such, it is in the public interest.

(12) Commission approval of this Joint Motion is consistent with the Commission's long-standing policy to encourage settlements that provide benefits to the ratepayers and avoid unnecessary additional litigation expense. Therefore, the Joint Movants respectfully request that the Commission approve the 2017 Agreement, which is attached hereto as Attachment "A".

WHEREFORE, the Joint Movants hereby respectfully request that the

Docket No. 20170150-EI

Commission grant this Joint Motion and approve the 2017 Agreement attached hereto as Attachment "A".

Respectfully submitted this 28th day of November, 2017, by:

Patricia A. Christensen, Esquire
Bar No. 989789
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison St., Rm 812
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(850) 521-1706
Attorneys for Florida Public Utilities Company

Docket No. 20170150-EI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Joint Motion has been furnished by Electronic Mail to the following parties of record this 28th day of November, 2017:

Suzanne Brownless, Esquire/Martha Barrera, Esquire
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Patricia A. Christensen, Esquire
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison St., Rm 812
Tallahassee, FL 32399-1400

By: _____
Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding to include reliability and modernization projects in rate base, by Florida Public Utilities Company.	Docket No. 20170150-EI Filed:

/

STIPULATION AND SETTLEMENT

WHEREAS, Florida Public Utilities Company ("FPUC" or "Company") and the Office of Public Counsel ("OPC") have signed this Stipulation and Settlement ("2017 Agreement"); and

WHEREAS, unless the context clearly intends otherwise, the term "Party" or "Parties" shall mean a signatory or signatories to this 2017 Agreement; and

WHEREAS, on July 3, 2017, FPUC petitioned the Florida Public Service Commission ("the Commission") for a limited proceeding to include $15,241,515 in capital projects in rate base and increase its rates and charges by the amount necessary to recover the revenue requirement of $1,823,869 on those projects with the effective day of such rate increase to be January 1, 2018; and

WHEREAS, the Parties and Commission Staff have conducted extensive discovery in this proceeding; and

WHEREAS, the Parties have endeavored in good faith to resolve the issues in this docket in order to provide regulatory certainty with regard to FPUC's rates and to avoid the uncertainty associated with further litigation; and

WHEREAS, the legal system, as well as the Commission, favors settlement of disputes, for a variety of reasons, including that they are in the public interest; and

WHEREAS, the Parties to this 2017 Agreement, individually and collectively, agree that this 2017 Agreement, taken as a whole, is in the public interest; and

WHEREAS, the Parties have entered into this 2017 Agreement in compromise of positions taken in accord with their rights and interests under Chapters 350, 366 and 120, Florida Statutes, as applicable, and as part of a negotiated exchange of consideration among the Parties to this 2017 Agreement, each Party has agreed to concessions to the others with the expectation, intent, and understanding such that all provisions of this 2017 Agreement, upon approval by the Commission, will be enforced by the Commission as to all matters addressed herein with respect to all Parties; and

WHEREAS, the Parties filed a Clarification of Procedure for Conducting the Limited Proceeding and Subsequent Tariff Filing ("Procedural Clarification Agreement") on August 1, 2017, wherein the Parties agreed that FPUC will file a tariff in a separate docket based upon the Commission's Proposed Agency Action vote within 15 days of the PAA vote and the PAA order will be issued on or before 20 days after the PAA vote, and that, further, 21 days following the issuance of the PAA order shall be deemed the filing deadline for any and all objections to FPUC's tariff, as well as the PAA Order ("Filing Deadline"); and

WHEREAS, notwithstanding the Procedural Clarification Agreement to file conforming tariffs in a separate docket, the Parties herein agree to file these 2017 Agreement conforming tariffs in this docket; and

WHEREAS, by entering into this 2017 Agreement, the Parties waive all rights to protest the PAA Order and the tariff filing(s) made in compliance with the terms and conditions of this 2017 Agreement, and agree that tariffs reflecting rates consistent with this 2017 Agreement shall be filed promptly following the Commission's vote on this 2017 Agreement, but no later than one (1) day following such Commission vote; and

WHEREAS, the Parties further agree, as set forth herein, that the tariffed rates shall go into effect with the first billing cycle of January 2018; and

WHEREAS, the Parties agree that, if any substantially affected person, other than OPC or FPUC, files a timely protest of the Commission's Order approving this 2017 Agreement and requests a hearing on the Company's tariff filing reflecting the PAA Vote Rates, they must file a protest in the PAA docket for hearing on or before the Filing Deadline, where upon the tariffed rates will remain in effect subject to refund pending the issuance of a final order of the Commission.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants set forth herein, which the Parties agree constitute good and valuable consideration, the Parties hereby stipulate and agree as follows:

I. Term

a. This 2017 Agreement will take effect upon Commission approval ("Effective Date") and shall be implemented on the date of the meter reading for the first billing cycle of January 2018 ("Implementation Date") and continue at least until the last billing cycle of December 2019. The base rates, charges and related tariff term sheet terms and conditions established as a result of this 2017 Agreement will continue beyond December 2019, except as otherwise contemplated herein, unless and until changed by Commission Order. The period from the Implementation Date through the last billing cycle in December 2019 may be referred to herein as the "Minimum Term".

b. The Parties agree that no increase or reduction in base rates shall be sought by the Parties that would take effect before the end of the Minimum Term unless other terms of this 2017 Agreement allow, nor will FPUC seek to implement interim rates with an effective date prior to January 1, 2020.

c. The parties reserve all rights, unless such rights are expressly waived or released, under the terms of this 2017 Agreement.

II. Revenue Requirement

a. Upon the Implementation Date and effective with the date of the first meter reading for the first billing cycle of January 2018, FPUC shall be authorized to increase its base rates and service charges ("New Rates") to generate an additional $1,558,050 of annual revenues for purposes of recovering the revenue requirement on the projects identified in Attachment "1" hereto.

b. The Parties acknowledge that exclusion of any project from Attachment "1" that may have been identified in the Company's July 3, 2017, Petition shall not be construed as an agreement or determination by the Parties that any such project is imprudent or should otherwise be disallowed for purposes of calculation of the Company's revenue requirement in the Company's next authorized rate proceeding.

c. The base rates, charges, and related tariff sheet terms and conditions set in accordance with this 2017 Agreement shall not be changed during the Term except as otherwise permitted or provided for in this 2017 Agreement, and shall continue in effect until next reset by the Commission.

III. Other Cost Recovery

Nothing in this 2017 Agreement shall preclude the Company from requesting the Commission to approve the recovery of costs that are: (a) of a type which traditionally or historically would be, have been, or are presently recovered through cost recovery clauses or surcharges, or (b) incremental costs not currently recovered in base rates which the Legislature expressly requires shall be clause recoverable subsequent to the approval of this 2017 Agreement. It is the intent of the Parties that the Company shall not seek to recover, nor shall the Company be allowed to recover, through any cost recovery clause or charge, or through the functional equivalent of such cost recovery clauses and charges, costs of any type or category that have historically or traditionally been recovered in base rates, unless such costs are: (i) the direct and unavoidable result of new governmental impositions or requirements; or (ii) new or atypical costs that were unforeseeable and could not have been contemplated by the Parties resulting from significantly changed industry-wide circumstances directly affecting the Company's operations. As a part of the base rate freeze agreed to herein, the Company will not seek Commission approval to defer for later recovery in rates, any costs incurred or reasonably expected to be incurred from the Effective Date through and including December 31, 2019, which are of the type which historically or traditionally have been or would be recovered in base rates, unless such deferral and subsequent recovery is expressly authorized herein or otherwise agreed to by each of the Parties. The Parties are not precluded from participating in any proceedings pursuant to this Paragraph III, nor is any Party precluded from raising any issues pertinent to any such proceedings.

IV. Storm Damage Recovery

a. Nothing in this 2017 Agreement shall preclude FPUC from petitioning the Commission to seek recovery of costs associated with (1) any tropical systems named by the National Hurricane Center or its successor, or (2) other catastrophic storm events causing damage to FPUC's generation, transmission or distribution system in the aggregate dollar amount of at least $1,000,000, without the application of any form of earnings test or measure and irrespective of previous or current base rate earnings. Consistent with this 2017 Agreement, the Parties agree that recovery of storm costs from customers will begin, on an interim basis (subject to refund following a hearing or a full opportunity for a formal proceeding), sixty days following the filing of a cost recovery petition and tariff with the Commission and will be based on a 12-month recovery period if the storm costs do not exceed $4.00/1,000 kWh on monthly residential customer bills. In the event the Company's reasonable and prudent storm costs exceed that level, any additional costs in excess of $4.00/1,000 kWh shall be recovered in a subsequent year or years as determined by the Commission, after hearing or after the opportunity for a formal proceeding has been afforded to all substantially affected persons or parties. All storm related costs shall be calculated and disposed of pursuant to Rule 25-6.0143, F.A.C., and shall be limited to (i) costs resulting from a tropical system named by the National Hurricane Center or its successor or other catastrophic storms creating significant damage to FPUC's generation, transmission or distribution systems such as tornados or ice storms in the aggregate dollar amount of at least $1,000,000, (ii) the estimate of incremental storm restoration costs above the level of the storm reserve prior to the storm, and (iii) the replenishment of the storm reserve to $1.5 million. The Parties to this 2017 Agreement are not precluded from participating in any such proceedings and opposing the amount of FPUC's claimed costs (for example, and without limitation, on grounds that such claimed costs were not reasonable or were not prudently incurred) or whether the proposed recovery is consistent with this Paragraph IV, but not the mechanism agreed to herein.

(b) The Parties agree that the $4.00/1,000 kWh cap in this Paragraph IV shall apply in aggregate for a calendar year; provided, however, that FPUC may petition the Commission to allow FPUC to increase the initial 12-month recovery at rates greater than $4.00/1,000 kWh or for a period longer than 12 months if FPUC incurs in excess of $3 million of storm recovery costs that qualify for recovery in a given calendar year, inclusive of the amount needed to replenish the storm reserve to $1.5 million. The Office of Public Counsel reserves its right to oppose such a petition.

(c) The Parties expressly agree that any proceeding to recover costs associated with any storm shall not be a vehicle for a "rate case" type inquiry concerning the expenses, investment, or financial results of operations of FPUC and shall not apply any form of earnings test or measure or consider previous or current base rate earnings. Such issues may be fully addressed in any subsequent FPUC base rate case.

(d) The provisions of this Paragraph IV shall remain in effect during the Term except as otherwise permitted or provided for in this 2017 Agreement and shall continue in effect until the Company's base rates are next reset by the Commission. For clarity, this means that if this 2017 Agreement is terminated prior to the end of the Term, the Company's rights regarding storm cost recovery under this 2017 Agreement are terminated at the same time, except that any Commission-approved surcharge then in effect shall remain in effect until the costs subject to that surcharge are fully recovered. A storm

surcharge in effect without approval of the Commission shall be terminated at the time this 2017 Agreement is terminated.

(e) The provisions of this Paragraph IV shall have no bearing upon FPUC's ability to seek recovery of storm-related costs incurred prior to the Effective Date of this 2017 Agreement and in accordance with Rule 25-6.0143, F.A.C.

V. Lighting Tariff

Nothing shall preclude FPUC from filing for approval of a new tariffed rate schedule for LED lighting, which the Parties acknowledge may have some impact on base rates, but which would also be designed to have an offsetting impact in Fuel. The Parties further acknowledge that any such LED lighting tariff filed by the Company shall be structured substantially similar to that considered by the Commission in Docket No. 20170199-EI, and shall be consistent with Paragraph IX.

VI. Earnings

a. Notwithstanding Paragraph I(b), the Parties agree and acknowledge that if the Company is earning below the bottom of the existing range and experiences an unanticipated and unforeseen event, not otherwise addressed by Paragraph IV, that has an adverse annual revenue requirement impact in excess of $800,000 (loss of revenues or an increase in expenses), which may be the result of a single event or may be the aggregate impact of multiple, related events occurring within any contiguous four (4) month period, then FPUC shall be entitled to seek rate relief before the Commission either as a general proceeding under Sections 366.06 and 366.07, Florida Statutes, and/or as a limited proceeding under Section 366.076, Florida Statutes.

b. FPUC acknowledges that the OPC shall be entitled to participate and oppose any request initiated by FPUC to increase its rates.

VII. Federal Income Tax Reform

a. Changes in the rate of taxation of corporate income by federal or state taxing authorities ("Tax Reform") could impact the effective tax rate recognized by the Company in FPSC adjusted reported net operating income and the measurement of existing and prospective deferred federal income tax assets and liabilities reflected in the FPSC adjusted capital structure. When Congress last reduced the maximum federal corporate income tax rate in the Tax Reform Act of 1986, it included a transition rule that, as an eligibility requirement for using accelerated depreciation with respect to public utility property, provided guidance regarding returning to customers the portion of the resulting excess deferred income taxes attributable to the use of accelerated depreciation. To the extent Tax Reform includes a transition rule applicable to excess deferred federal income tax assets and liabilities ("Excess Deferred Taxes"), defined as those that arise from the re-

measurement of those deferred federal income tax assets and liabilities at the new applicable corporate tax rate(s), those Excess Deferred Taxes will be governed by the Tax Reform transition rule, as applied to most promptly and effectively reduce FPUC's rates consistent with the Tax Reform rules and normalization rules.

b. If Tax Reform is enacted before the Company's next general base rate proceeding, the Company will quantify the impact of Tax Reform on its Florida retail jurisdictional net operating income thereby neutralizing the FPSC adjusted net operating income of the Tax Reform to a net zero. The Company's forecasted earnings surveillance report for the calendar year that includes the period in which Tax Reform is effective will be the basis for determination of the impact of Tax Reform. The impacts of Tax Reform on base revenue requirements will be flowed back to retail customers within 120 days of when the Tax Reform becomes law, through a one-time adjustment to base rates upon a thorough review of the effects of the Tax Reform on base revenue requirements. This adjustment shall be accomplished through a uniform percentage decrease to customer, demand and energy base rate charges for all retail customer classes. Any effects of Tax Reform on retail revenue requirements from the Implementation Date through the date of the one-time base rate adjustment shall be flowed-back to customers through the ECCR Clause on the same basis as used in any base rate adjustment. An illustration is included as Attachment "2". If Tax Reform results in an increase in base revenue requirements, the Company will utilize deferral accounting as permitted by the Commission, thereby neutralizing the FPSC adjusted net operating income impact of the Tax Reform to a net zero, through the Term. In this situation, the Company shall defer the revenue requirement impacts to a regulatory asset to be considered for prospective recovery in a change to base rates to be addressed in the Company's next base rate proceeding or in a limited scope proceeding before the Commission no sooner than the end of the Minimum Term.

c. All Excess Deferred Taxes shall be deferred to a regulatory asset or liability which shall be included in FPSC adjusted capital structure and flowed back to customers over a term consistent with law. If the same Average Rate Assumption Method ("ARAM") used in the Tax Reform Act of 1986 is prescribed, then the regulatory asset or liability will be flowed back to customers over the remaining life of the assets associated with the Excess Deferred Taxes subject to the provisions related to FPSC adjusted operating income impacts of Tax Reform noted above. If Tax Reform Law identifies a different method of determining flow back to customers other than ARAM, the method defined in the Tax Reform Law shall be utilized, or any alternative method contemplated by the Tax Reform Law that is applicable to the Company. If the Tax Reform law or act is silent on the flow-back period, and there are no other statutes or rules that govern the flow-back period, then there shall be a rebuttable presumption that the following flow-back period(s) will apply:

Cumulative Net Regulatory Position	Flow-Back Period
Liability Less Than $800k	5 years
Liability Greater Than $800k	10 years
Asset Greater than $800k	5 years
Asset Less than $800k	10 years

The Company reserves the right to demonstrate by clear and convincing evidence that such five or ten-year maximum period (as applicable) is not in the best interest of the Company's customers and should be increased to no greater than 50 percent of the remaining life of the assets associated with the Excess Deferred Taxes ("50 Percent Period"). The relevant factors to support the Company's demonstration include, but are not limited to, the impact the flow-back period would have on the Company's cash flow and credit metrics or the optimal capitalization of the Company's jurisdictional operations in Florida. If the Company can demonstrate, by clear and convincing evidence, that limiting the flow-back period to the 50 Percent Period, in conjunction with the other Tax Reform provisions related to deferred taxes within this 2017 Agreement, will be the sole basis for causing a full notch credit downgrade, it may file to seek a longer flow-back period. Such credit downgrade would be reflected in a publicly available report of any of the rating agencies which is rating the Company at that time (i.e., Moody's, S&P or Fitch) or if not publicly rated, by the National Association of Insurance Commissioners who currently rates the parent company's, Chesapeake Utilities Corporation's, unsecured senior debt.

VIII. Commission Approval

a. The provisions of this 2017 Agreement are contingent upon Commission approval of this 2017 Agreement in its entirety without modification. The Parties further agree that this 2017 Agreement is in the public interest, that they will support this 2017 Agreement and will not request or support any order, relief, outcome, or result in conflict with the terms of this 2017 Agreement in any administrative or judicial proceeding relating to, reviewing, or challenging the establishment, approval, adoption, or implementation of this 2017 Agreement or the subject matter hereof.

b. No Party will assert in any proceeding before the Commission that this 2017 Agreement or any of the terms in this 2017 Agreement shall have any precedential value. The Parties' agreement to the terms in this 2017 Agreement shall be without prejudice to any Party's ability to advocate a different position in future proceedings not involving this 2017 Agreement. The Parties further expressly agree that no individual provision, by itself, necessarily represents a position of any Party in any future proceeding, and the Parties further agree that no Party shall assert or represent in any future proceeding in any forum that another Party endorses any specific provision of this 2017 Agreement by virtue of that Party's signature on, or participation in, this 2017 Agreement. It is the intent of the Parties to this 2017 Agreement that the Commission's approval of all the terms and provisions of this 2017 Agreement is an express recognition that no individual term or provision, by itself, necessarily represents a position, in isolation, of any Party or that a Party to this 2017 Agreement endorses a specific provision, in isolation, of this 2017 Agreement by virtue of that Party's signature on, or participation in, this 2017 Agreement.

IX. New Tariffs.

Nothing in this 2017 Agreement shall prelude FPUC from filing and the Commission from approving any new or revised tariff provisions or rate schedules requested by FPUC, provided that any such tariff request does not increase any existing base rate component of a tariff or rate schedule, or any other charge imposed on customers during the Term unless the application of such new or revised tariff, rate schedule, or charge is optional to FPUC's customers.

X. Disputes

Should any disagreement arise or any differing interpretation of any provision hereof, the Parties agree to meet and confer in a good-faith effort to resolve the dispute. To the extent that the Parties are unable to resolve any such dispute, the matter may be submitted to the Commission for resolution.

XI. Resolution of Issues

Approval of this 2017 Agreement resolves all issues in this proceeding.

XII. New Rates

a. The New Rates, which are attached and incorporated herein as Attachment "3", shall be designed to accurately reflect the terms as presented in this 2017 Agreement. In addition, the New Rates presented in Attachment "3" shall be designed in accordance with methodology of the Cost of Service and Rate Design approved by the Commission in the Company's last rate case, Docket No. 20140025-EI.

b. Attached hereto as Attachment "4" are the appropriate tariff sheets reflecting these rate changes, which, upon Commission approval, shall become effective on January 1, 2018.

XIII. Execution

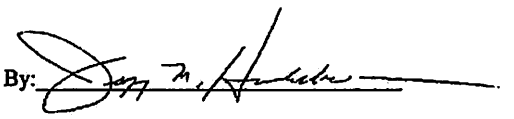
This 2017 Agreement is dated as of November ___, 2017. It may be executed in one (1) or more counterparts, all of which will be considered one and the same Agreement and each of which will be deemed an original.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties evidence their acceptance and agreement with the provisions of this 2017 Agreement by their signature(s).

Dated this 28th day of November 2017.

Florida Public Utilities Company

By: 

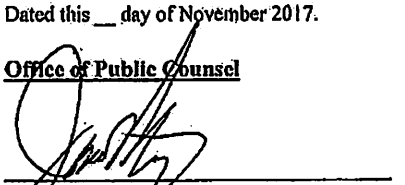
Jeffry M. Householder
President, Florida Public Utilities Company

Signature Page to Stipulation and Settlement Agreement in Docket No. 20170150-EI

IN WITNESS WHEREOF, the Parties evidence their acceptance and agreement with the provisions of this 2017 Agreement by their signature(s).

Dated this __ day of November 2017.

Office of Public Counsel



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Florida Public Utilities Company
Docket No. 20170150-EI
Modernization & Storm Hardening Initiatives
Attachment 1 - Projects Included in Revenue Increase

Initiative	Project	Cost Completed As Of Sept. 2017	Remaining 2017	Total	Revenue Requirement
FPL Interconnect	FPL Interconnect	$ 2,919,411	$ 1,603,566	$ 4,522,976	$ 419,451
Install New SCADA at JLT and SD	Modernization/Safety	$ 1,058,910		$ 1,058,910	$ 135,467
Loop Underground Feed in Amelia Park Subdivision NE Division	Modernization/Safety	$ 51,508		$ 51,508	$ 5,418
Miscellaneous Underground Cable Replacement Northwest Division	Modernization/Safety	$ 10,867	$ 100,000	$ 110,867	$ 6,588
Replace Conduit/Cable-Forrest Ridge Condos NE Division	Modernization/Safety	$ 225,929		$ 225,929	$ 29,658
Substation Voltage Regulators NW Division	Modernization/Safety	$ 238,951	$ 19,232	$ 258,183	$ 28,044
Extend Underground Feeder #312 Airport to S. Fletcher -Cond./SW. NE Division	Storm Hardening	$ 694,592	$ 4,990	$ 699,582	$ 83,187
Overhead Reconductor Along South Fletcher (Atlantic to Sadler) NE Division	Storm Hardening	$ 795,510		$ 795,510	$ 95,046
Phase Down HWY-73	Storm Hardening	$ 40,939		$ 40,939	$ 5,725
RE-Build AIP Substation NE Division	Storm Hardening	$ 3,124,123		$ 3,124,123	$ 402,420
Replace 69KV Pole with Concrete NE Division	Storm Hardening	$ 2,555,295		$ 2,555,295	$ 336,394
Storm Harden Prison Feeder From Substation to High School NW Division	Storm Hardening	$ 76,481		$ 76,481	$ 10,655
Total		$ 11,792,516	$ 1,727,787	$ 13,520,303	$ 1,558,050

Methodology of Income Tax Change (Illustrative)

Attachment 2

			Scenario A	Scenario B	Scenario C	Scenario D
1		**INCOME TAX INPUTS AND ASSUMPTIONS**				
2	New federal statutory tax rate	Input	35%	30%	30%	20%
3	Current federal statutory tax rate	Given	35%	35%	35%	35%
4	Current state statutory tax rate	Given	5.5%	5.5%	5.5%	5.5%
5	New combined federal & state statutory tax rate	Line 2 + Line 4 - (Line 2 * Line 4)	38.6%	33.9%	33.9%	24.4%
6	Current combined federal & state statutory tax rate	Line 3 + Line 4 - (Line 3 * Line 4)	38.6%	38.6%	38.6%	38.6%
7	Disallowed interest (or other) expense deduction	Input		100.0		
8						
9		**PARAGRAPH VII - FEDERAL TAX REFORM**				
10	Step 1 - Calculate income tax expense BEFORE tax reform					
11	FPSC adjusted NOI before tax (per Forecasted Surveillance)	Input	500	500	500	500
12	Less interest expense	Input	(100)	(100)	(100)	(100)
13	Permanent differences	Input	5	5	5	5
14	FPSC adjusted taxable income	Sum of Lines 11 through 13	405	405	405	405
15	Current combined statutory tax rate	Line 6	38.6%	38.6%	38.6%	38.6%
16	Income tax expense	Line 14 * Line 15	156	156	156	156
17						
18	Step 2 - Calculate income tax expnse AFTER tax reform					
19	FPSC adjusted NOI before tax (per Forecasted Surveillance)	Input	500	500	500	500
20	Less interest expense	Input	(100)	-	(100)	(100)
21	Permanent differences	Input	5	5	5	5
22	FPSC adjusted taxable income	Sum of Lines 19 through 21	405	505	405	405
23	Current combined statutory tax rate	Line 5	38.6%	33.9%	33.9%	24.4%
24	Income tax expense	Line 22 * Line 23	156	171	137	99
25						
26	Step 3 - Calculate impact on FPSC Adjusted NOI					
27	Income tax expense BEFORE tax reform - Step 1	Line 16	156	156	156	156
28	Income tax expense AFTER tax reform - Step 2	Line 24	156	171	137	99
29	Difference - FPSC Adjusted NOI increase/(decrease) from tax reform	Line 27 - Line 28	-	(15)	19	57
30						
31	Step 4 - Calculate net favorable/(unfavorabel) FPSC adjusted NOI impact					
32	Impact on NOI - Step 3	Line 29	-	(15)	19	57
33	Divide by one minus new combined statutory tax rate	1 - Line 5	61.4%	66.2%	66.2%	75.6%
34	Net favorable/(nonfavorable) FPSC adjusted NOI impact - pretax	Line 32/Line 33	-	(22)	29	76
35						
36	Step 5 - Calculate annual pretax impacts					
37	Annual flow back to customers	If line 34 > 0, then Line 34	-	-	29	76
38	Annual deferral to regulatory asset	If line 34 < 0, then Line 34	-	(22)	-	-
39	Total	Line 37 + Line 38	-	(22)	29	76

Florida Public Utilities Company
Docket No. 20170150-EI
Present and Proposed Rates - Lighting

Attachment 3
Page 3 of 3

	Present Rates				Proposed Rates			
Lighting:	Facility Charge	Energy Charge	Maint Charge	Total Charge	Facility Charge	Energy Charge	Maint Charge	Total Charge
1000w HPS Flood	$18.46	$17.59	$2.48	$38.53	$19.94	$19.00	$2.68	$41.62
1000w MH Flood	$17.03	$17.59	$2.47	$37.03	$18.39	$19.00	$2.60	$39.99
1000w MH Vert Shoebox	$21.02	$17.59	$2.74	$41.35	$22.70	$19.00	$2.96	$44.66
100w HPS Aruer Rev	$7.98	$1.78	$2.71	$12.47	$8.62	$1.92	$2.93	$13.47
100w HPS Cobra Head	$5.99	$1.78	$1.74	$9.51	$6.47	$1.92	$1.88	$10.27
100w HPS SP2 Spectra	$20.49	$1.78	$2.56	$24.83	$22.13	$1.92	$2.77	$26.82
100w MH SP2 Spectra	$20.33	$1.78	$2.48	$24.59	$21.96	$1.92	$2.68	$26.56
150w HPS Acorn	$16.25	$2.64	$2.06	$20.95	$17.55	$2.85	$2.22	$22.62
150w HPS ALN 440	$23.18	$2.64	$2.74	$28.56	$25.04	$2.85	$2.96	$30.85
150w HPS Am Rev	$7.48	$2.64	$2.75	$12.87	$8.08	$2.85	$2.97	$13.90
175w MH ALN 440	$22.18	$3.10	$2.16	$27.44	$23.96	$3.35	$2.33	$29.64
175w MH Shoebox	$18.73	$3.10	$2.42	$24.25	$20.23	$3.35	$2.61	$26.19
200w HPS Cobra Head	$8.08	$3.52	$2.08	$13.68	$8.73	$3.80	$2.25	$14.78
250w HPS Cobra Head	$9.60	$4.37	$2.75	$16.72	$10.37	$4.72	$2.97	$18.06
250w HPS Flood	$9.40	$4.37	$2.00	$15.77	$10.15	$4.72	$2.16	$17.03
250w MH Shoebox	$19.94	$4.37	$2.70	$27.01	$21.54	$4.72	$2.92	$29.18
400w HPS Cobra Head	$8.96	$7.05	$2.29	$18.30	$9.68	$7.61	$2.47	$19.76
400w HPS Flood	$14.74	$7.05	$1.88	$23.67	$15.92	$7.61	$2.03	$25.56
400w MH Flood	$10.00	$7.05	$1.83	$18.88	$10.80	$7.61	$1.98	$20.39
10' Alum Deco Base	$15.33	$ -	$ -	$15.33	$16.56	$0.00	$0.00	$16.56
13' Decorative Concrete	$11.68	$ -	$ -	$11.68	$12.62	$0.00	$0.00	$12.62
18' Fiberglass Round	$8.24	$ -	$ -	$8.24	$8.90	$0.00	$0.00	$8.90
20' Decorative Concrete	$13.55	$ -	$ -	$13.55	$14.64	$0.00	$0.00	$14.64
30' Wood Pole Std	$4.42	$ -	$ -	$4.42	$4.77	$0.00	$0.00	$4.77
35' Concrete Square	$13.07	$ -	$ -	$13.07	$14.12	$0.00	$0.00	$14.12
40' Wood Pole Std	$8.85	$ -	$ -	$8.85	$9.56	$0.00	$0.00	$9.56
30' Wood pole	$3.98	$ -	$ -	$3.98	$4.30	$0.00	$0.00	$4.30
175w MV Cobra Head	$1.16	$3.05	$1.02	$5.23	$1.25	$3.29	$1.10	$5.64
400w MV Cobra Head	$1.27	$6.56	$1.09	$8.92	$1.37	$7.09	$1.18	$9.64

ATTACHMENT 4
REVISED TARIFF PAGES
AND
LEGISLATIVE TARIFF PAGES

RATE SCHEDULE RS
RESIDENTIAL SERVICE

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable for service to a single family dwelling unit occupied by one family or household and for energy used in commonly-owned facilities in condominium and cooperative apartment buildings.

Character of Service

Single-phase service at nominal secondary voltage of 115/230 volts; three-phase service if available.

Limitations of Service

The maximum size of any individual single-phase motor hereunder shall not exceed five (5) horsepower.

The Company shall not be required to construct any additional facilities for the purpose of supplying three-phase service unless the revenue to be derived therefrom shall be sufficient to yield the Company a fair return on the value of such additional facilities.

Monthly Rate

Customer Facilities Charge:

$15.12 per customer per month

Base Energy Charge:

2.117¢/KWH for usage up to 1000 KWH's/month

3.467 ¢/KWH for usage above 1000 KWH's/month

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The mininum monthly bill shall consist of the above Customer Facilities Charge.

(Continued on Sheet No. 41)

Florida Public Utilities Company
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First Revised Sheet No. 43
Cancels Original Sheet No. 43

RATE SCHEDULE GS
GENERAL SERVICE – NON DEMAND

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties And on Amelia Island in Nassau County.

Applicability
Applicable to commercial and industrial lighting, heating, cooking and small power loads aggregating 25 KW or less.

Character of Service
Single or three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point.

Monthly Rate
Customer Facilities Charge:

$24.84 per customer per month

Base Energy Charge:

All KWH 2.589 ¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 44)

Issued by: Jeffry M. Householder, President

Effective:

RATE SCHEDULE GSD
GENERAL SERVICE – DEMAND

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to commercial, industrial and municipal service with a measured demand of 25 KW but less than 500 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 25 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service
Single or three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point at one voltage.

Monthly Rate
Customer Facilities Charge:
$73.45 per customer per month

Demand Charge:
Each KW of Billing Demand $4.00/KW

Base Energy Charge
All KWH 0.488¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs
See Sheet Nos. 65 & 66.

(Continued on Sheet No. 46)

Issued by: Jeffry M. Householder, President

Effective:

RATE SCHEDULE GSLD
GENERAL SERVICE-LARGE DEMAND

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable to commercial, industrial and municipal service with a measured demand of 500 KW but less than 5000 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 500 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service

Three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage.

Monthly Rate

Customer Facilities Charge:

$140.41 per customer per month

Demand Charge:

Each KW of Billing Demand	$5.72/KW

Base Energy Charge

All KWH	0.226¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs

See Sheet No. 65 & 66.

(Continued on Sheet No. 48)

Issued by: Jeffry M. Householder, President

Effective:

RATE SCHEDULE GSLDT - EXP
GENERAL SERVICE – LARGE DEMAND
TIME OF USE (EXPERIMENTAL)

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties. This service is limited to a maximum of 3 customers. This Rate Schedule shall expire on February 8, 2015.

Applicability
Applicable to commercial, industrial and municipal service with a measured demand of 500 KW but less than 5000 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 500 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service
Single or three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point at one voltage.

Monthly Rate
Customer Facilities Charge:
$140.41 per customer per month

Demand Charge:
Each KW of Maximum Billing Demand $5.72/KW

Base Energy Charge:
All KWH 0.226¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission normally each year in January. For current purchase power costs included in the tariff see sheet Nos. 65 & 66.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Maximum Billing Demand Charge for the currently effective billing demands.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs
See Sheet Nos. 65 & 66.

(Continued on Sheet No. 50)

Issued by: Jeffry M. Houscholder, President

Effective:

RATE SCHEDULE GSLD 1
GENERAL SERVICE - LARGE DEMAND 1

Availability
Available within the territory served by the Company in Jackson, Calhoun, and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to commercial and industrial services of customers contracting for at least 5,000 kilowatts of electric service.

Character of Service
Three-phase, 60 hertz, electric service delivered and metered at a single point at the available transmission voltage, nominally 69,000 volts or higher.

Monthly Base Rates

Customer Facilities Charge:	$869.46
Base Transmission Demand Charge:	$1.62/KW of Maximum/NCP Billing Demand
Excess Reactive Demand Charge:	$0.39/kVar of Excess Reactive Demand

Purchased Power Charges (See Sheet 52 for descriptions)
The Purchased Power Charges recover Energy and Demand Charges billed to FPUC by FPUC's Wholesale Energy Provider and Wholesale Cogeneration Provider including applicable line losses and taxes. Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For correct purchased power charges included in the tariff, see Sheet No. 70 & 71.

Minimum Bill
The minimum monthly bill is the sum of the Transmission Demand Charge and the Customer Charge plus any Purchased Power Charges attributed to Transmission Demand Fuel Charge.

Terms of Payment
Bills are rendered net and due and payable within twenty (20) days from date of bill.

Conservation Costs
See Sheet Nos. 65 & 66.

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

(Continued on Sheet No. 51)

Issued by: Jeffry M. Householder, President

Effective:

RATE SCHEDULE SB
STANDBY SERVICE

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable only to customers which are self-generators with capabilities of serving the customer's full electronic power requirements and that require backup and/or maintenance service on a firm basis. This rate schedule is not applicable to self-generating customers for supplemental service.

Character of Service

Single or three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage. The contract demand shall not exceed the KW capacity of customer's generator.

Monthly Rate

Customer Facilities Charge:

(a) For those customers who have contracted for standby service capacity of less than 500 KW- $108.01.

(b) For those customers who have contracted for standby service of 500 KW or greater- $869.46.

Local Facilities Charge:

(a) For those customers who have contracted for standby service capacity of less than 500 KW- $2.81/KW.

(b) For those customers who have contracted for standby service of 500 KW or greater - $0.70/KW.

Purchased Power Charges

Demand and energy used by the customer in any month shall be charged at the then currently effective rates of the Company's wholesale supplier adjusted for estimated line losses and applicable taxes. Such charges will consist of Coincident Peak (CP) Demand charge and an energy charge. The CP Demand shall be the customer's measured KW coincident in time with that of the Company's maximum monthly demand at the substation serving the system to which the customer is connected. The energy charge shall be applied to the measured KWH during the billing period and shall be based on the actual energy charge (including fuel charges) of the Company's wholesale supplier during the billing period.

The currently effective rates of the Company's wholesale supplier would result in the following demand and energy charges for purchased power after adjustment for estimated line losses and applicable taxes. These are shown for illustrative purposes only. Actual purchased power rates in effect at the time of use shall be used for determining the monthly unit charges.

CP Demand Charge - Each KW of CP Demand	$14.75/KW
Energy Charge - All	4.709¢

(Continued on Sheet No. 53)

Florida Public Utilities Company
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First Revised Sheet No. 56 Attachment 4
Cancels Original Sheet No. 56 Page 9 of 24

RATE SCHEDULE LS
LIGHTING SERVICE

Availability
Available within the territory served by the Company in Calhoun, Jackson and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to any customer for non-metered outdoor lighting service.

Character of Service
Lighting service from dusk to dawn as described herein.

Limitations of Service
Service is limited to lighting by high-pressure sodium vapor or metal halide lamps mounted on company poles as described herein. Company-owned facilities will be installed only on Company-owned poles.

Monthly Rate
When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Type Facility	Lamp Lumens	Size Watts	KWH/Mo. Estimate	Facilities Charge	Maintenance* Charge	Energy Charge	Total Charge
High Pressure Sodium Lights							
Acorn	16,000	150	61	$17.55	$2.22	$2.85	$22.62
ALN 440	16,000	150	61	$25.04	$2.96	$2.85	$30.85
Amer. Rev.	9,500	100	41	$8.62	$2.93	$1.92	$13.47
Amer. Rev.	16,000	150	61	$8.08	$2.97	$2.85	$13.90
Cobra Head	9,500	100	41	$6.47	$1.88	$1.92	$10.27
Cobra Head	22,000	200	81	$8.73	$2.25	$3.80	$14.78
Cobra Head	28,500	250	101	$10.37	$2.97	$4.72	$18.06
Cobra Head	50,000	400	162	$9.68	$2.47	$7.61	$19.76
Flood	28,500	250	101	$10.15	$2.16	$4.72	$17.03
Flood	50,000	400	162	$15.92	$2.03	$7.61	$25.56
Flood	130,000	1,000	405	$19.94	$2.68	$19.00	$41.62
SP2 Spectra	9,500	100	41	$22.13	$2.77	$1.92	$ 26.82
Metal Halide Lights							
ALN 440	16,000	175	71	$23.96	$2.33	$3.35	$29.64
Flood	50,000	400	162	$10.80	$1.98	$7.61	$20.39
Flood	130,000	1,000	405	$18.39	$2.60	$19.00	$39.99
Shoebox	16,000	175	71	$20.23	$2.61	$3.35	$26.19
Shoebox	28,500	250	101	$21.54	$2.92	$4.72	$29.18
SP2 Spectra	9,500	100	41	$21.96	$2.68	$1.92	$26.56
Vertical Shoebox	130,000	1,000	405	$22.70	$2.96	$19.00	$44.66

(Continued on Sheet No. 57)

Issued by: Jeffry M. Householder, President

Effective:

RATE SCHEDULE LS
LIGHTING SERVICE

(Continued from Sheet No. 56)

Charges for other Company-owned facilities:

1)	30' Wood Pole	$ 4.30
2)	40' Wood Pole Std	$ 9.56
3)	18' Fiberglass Round	$ 8.90
4)	13' Decorative Concrete	$ 12.62
5)	20' Decorative Concrete	$ 14.64
6)	35' Concrete Square	$ 14.12
7)	10' Deco Base Aluminum	$ 16.56
8)	30' Wood Pole Std	$ 4.77

For the poles shown above that are served from an underground system, the Company will provide up to one hundred (100) feet of conductor to service each fixture. The customer will provide and install the necessary conduit system to Company specifications.

Purchased Power Charges

Purchased power charges are adjusted annually by the Florida Public Service Commission. For current purchased power costs included in the tariff, see Sheet No. 65 & 66.

Minimum Bill

The above rates times the number of lamps connected.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs

See Sheet No. 65 & 66.

Conservation Costs

See Sheet No. 65 & 66.

Franchise Fee Adjustment

Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

(Continued on Sheet No. 58)

Issued by: Jeffry M. Householder, President

Effective:

RATE SCHEDULE OSL
MERCURY VAPOR LIGHTING SERVICE
(Closed To New Installations)

(Continued from Sheet No. 58)

Availability

Available within the territory served by the Company in Calhoun, Jackson and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable to customer for mercury vapor lighting service.

Character of Service

Lighting service from dusk to dawn as described herein.

Limitations of Service

Service is limited to lighting by mercury vapor lamps of 7,000 or 20,000 initial level of lumens mounted on wood poles, as described herein.

Monthly Rate

When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Lamp Size Lumens	KWH/Mo. Estimate	Facilities Charge	Maintenance* Charge	Energy Charge	Total Charge
7,000	72	$1.25	$1.10	$3.29	$5.64
20,000	154	$1.37	$1.18	$7.09	$9.64

For concrete or fiberglass poles and/or underground conductors, etcetera, the customer shall pay a lump sum amount equal to the estimated differential cost between the special system and the equivalent overhead-wood pole system.

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The above rates times the number of lamps connected.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 60)

Issued by: Jeffry M. Householder, President

Effective:

Florida Public Utilities Company
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First Revised Sheet No. 61
Cancels Original Sheet No. 61

RATE SCHEDULE IS-EXP
INTERRUPTIBLE (EXPERIMENTAL)

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties. This service is limited to a maximum of 4 customers, This Rate Schedule shall expire on February 8, 2015.

Applicability
Applicable to customers eligible for Rate Schedule GSLD with a load factor equal to or exceeding 35% and who have executed a Special Contract approved by the Commission. The company reserves the right to limit the total load and type customer served under this rate. Accounts established under this rate will be limited to premises where the interruption will primarily affect the customer, its employees, agents, lessees, tenants and guests and will not significantly affect members of the general public nor interfere with functions performed for the protection of public health or safety.

Character of Service
Three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point at one voltage. Interruptible service under this rate is subject to interruption during any On-Peak time period that the Company elects to notify customer, with a minimum of two (2) hours notice, that the customer must fully interrupt taking electric power from the Company. The Company is limited to an On-Peak period maximum of 200 hours of required interruption per year per customer.

Monthly Rate
Customer Facilities Charge:
$140.41 per customer per month

Demand Charge:
Each KW of Billing Demand $ 5.72/KW

Base Energy Charge:
All KWH 0.226¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Issued by: Jeffry M. Householder, President

Effective:

RATE SCHEDULE RS
RESIDENTIAL SERVICE

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable for service to a single family dwelling unit occupied by one family or household and for energy used in commonly-owned facilities in condominium and cooperative apartment buildings.

Character of Service
Single-phase service at nominal secondary voltage of 115/230 volts; three-phase service if available.

Limitations of Service
The maximum size of any individual single-phase motor hereunder shall not exceed five (5) horsepower.

The Company shall not be required to construct any additional facilities for the purpose of supplying three-phase service unless the revenue to be derived therefrom shall be sufficient to yield the Company a fair return on the value of such additional facilities.

Monthly Rate
Customer Facilities Charge:

~~$14.00~~ 15.12 per customer per month

Base Energy Charge:

~~1.960~~ 2.117¢/KWH for usage up to 1000 KWH's/month

~~3.210~~ 3.467 ¢/KWH for usage above 1000 KWH's/month

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge.

(Continued on Sheet No. 41)

RATE SCHEDULE GS
GENERAL SERVICE – NON DEMAND

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties And on Amelia Island in Nassau County.

Applicability
Applicable to commercial and industrial lighting, heating, cooking and small power loads aggregating 25 KW or less.

Character of Service
Single or three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point.

Monthly Rate
Customer Facilities Charge:

~~$23.00~~ 24.84 per customer per month

Base Energy Charge:

All KWH ~~2.397~~ 2.589

¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 44)

RATE SCHEDULE GSD
GENERAL SERVICE – DEMAND

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to commercial, industrial and municipal service with a measured demand of 25 KW but less than 500 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 25 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service
Single or three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point at one voltage.

Monthly Rate
Customer Facilities Charge:
~~$68.00~~ 73.45 per customer per month

Demand Charge:
Each KW of Billing Demand $ ~~3.70~~ 4.00/KW

Base Energy Charge
All KWH ~~0.452~~ 0.488¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs
See Sheet Nos. 65 & 66.

(Continued on Sheet No. 46)

Issued by: Jeffry M. Householder, President

Effective: ~~NOV 01 2014~~

RATE SCHEDULE GSLD
GENERAL SERVICE-LARGE DEMAND

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable to commercial, industrial and municipal service with a measured demand of 500 KW but less than 5000 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 500 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service

Three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage.

Monthly Rate

Customer Facilities Charge:

~~$130.00~~ 140.41 per customer per month

Demand Charge:

Each KW of Billing Demand ~~$ 5.30~~ 5.72/KW

Base Energy Charge

All KWH ~~0.209~~ 0.226¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs

See Sheet No. 65 & 66.

(Continued on Sheet No. 48)

Issued by: Jeffry M. Householder, President

Effective: ~~NOV 01 2014~~

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First Revised Sheet No. 49
Cancels Original Sheet No. 49

Attachment 4
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RATE SCHEDULE GSLDT - EXP
GENERAL SERVICE – LARGE DEMAND
TIME OF USE (EXPERIMENTAL)

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties. This service is limited to a maximum of 3 customers. This Rate Schedule shall expire on February 8, 2015.

Applicability
Applicable to commercial, industrial and municipal service with a measured demand of 500 KW but less than 5000 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 500 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service
Single or three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point at one voltage.

Monthly Rate
Customer Facilities Charge:
~~$130.00~~ 140.41 per customer per month

Demand Charge:
Each KW of Maximum Billing Demand ~~$5.30~~ 5.72/KW

Base Energy Charge:
All KWH ~~0.209~~ 0.226¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission normally each year in January. For current purchase power costs included in the tariff see sheet Nos. 65 & 66.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Maximum Billing Demand Charge for the currently effective billing demands.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs
See Sheet Nos. 65 & 66.

(Continued on Sheet No. 50)

Issued by: Jeffry M. Householder, President

Effective: ~~NOV 01 2014~~

Florida Public Utilities Company
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First Revised Sheet No. 50
Cancels Original Sheet No. 50

Attachment 4
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RATE SCHEDULE GSLD 1
GENERAL SERVICE - LARGE DEMAND 1

Availability
Available within the territory served by the Company in Jackson, Calhoun, and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to commercial and industrial services of customers contracting for at least 5,000 kilowatts of electric service.

Character of Service
Three-phase, 60 hertz, electric service delivered and metered at a single point at the available transmission voltage, nominally 69,000 volts or higher.

Monthly Base Rates

Customer Facilities Charge:	~~$805.00~~ $69.46
Base Transmission Demand Charge:	~~$1.50~~ 1.62/KW of Maximum/NCP Billing Demand
Excess Reactive Demand Charge:	~~$0.36~~ 0.39/kVar of Excess Reactive Demand

Purchased Power Charges (See Sheet 52 for descriptions)
The Purchased Power Charges recover Energy and Demand Charges billed to FPUC by FPUC's Wholesale Energy Provider and Wholesale Cogeneration Provider including applicable line losses and taxes. Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For correct purchased power charges included in the tariff, see Sheet No. 70 & 71.

Minimum Bill
The minimum monthly bill is the sum of the Transmission Demand Charge and the Customer Charge plus any Purchased Power Charges attributed to Transmission Demand Fuel Charge.

Terms of Payment
Bills are rendered net and due and payable within twenty (20) days from date of bill.

Conservation Costs
See Sheet Nos. 65 & 66.

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

(Continued on Sheet No. 51)

Issued by: Jeffry M. Householder, President

Effective: ~~NOV 01 2014~~

RATE SCHEDULE SB
STANDBY SERVICE

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable only to customers which are self-generators with capabilities of serving the customer's full electronic power requirements and that require backup and/or maintenance service on a firm basis. This rate schedule is not applicable to self-generating customers for supplemental service.

Character of Service

Single or three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage. The contract demand shall not exceed the KW capacity of customer's generator.

Monthly Rate

Customer Facilities Charge:

(a) For those customers who have contracted for standby service capacity of less than 500 KW- ~~$100.00~~ 108.01.

(b) For those customers who have contracted for standby service of 500 KW or greater- ~~$805.00~~ 869.46.

Local Facilities Charge:

(a) For those customers who have contracted for standby service capacity of less than 500 KW- ~~$2.60~~ 2.81/KW.

(b) For those customers who have contracted for standby service of 500 KW or greater - ~~$0.65~~ 0.70/KW.

Purchased Power Charges

Demand and energy used by the customer in any month shall be charged at the then currently effective rates of the Company's wholesale supplier adjusted for estimated line losses and applicable taxes. Such charges will consist of Coincident Peak (CP) Demand charge and an energy charge. The CP Demand shall be the customer's measured KW coincident in time with that of the Company's maximum monthly demand at the substation serving the system to which the customer is connected. The energy charge shall be applied to the measured KWH during the billing period and shall be based on the actual energy charge (including fuel charges) of the Company's wholesale supplier during the billing period.

The currently effective rates of the Company's wholesale supplier would result in the following demand and energy charges for purchased power after adjustment for estimated line losses and applicable taxes. These are shown for illustrative purposes only. Actual purchased power rates in effect at the time of use shall be used for determining the monthly unit charges.

CP Demand Charge - Each KW of CP Demand	~~$8.84~~ 14.75/KW
Energy Charge - All	~~4.441~~ 4.709¢

(Continued on Sheet No. 53)

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

First Revised Sheet No. 56 Attachment 4
Cancels Original Sheet No. 56 Page 20 of 24

RATE SCHEDULE LS
LIGHTING SERVICE

Availability
Available within the territory served by the Company in Calhoun, Jackson and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to any customer for non-metered outdoor lighting service.

Character of Service
Lighting service from dusk to dawn as described herein.

Limitations of Service
Service is limited to lighting by high-pressure sodium vapor or metal halide lamps mounted on company poles as described herein. Company-owned facilities will be installed only on Company-owned poles.

Monthly Rate
When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Type Facility	Lamp Lumens	Size Watts	KWH/Mo. Estimate	Facilities Charge	Maintenance* Charge	Energy Charge	Total Charge
High Pressure Sodium Lights							
Acorn	16,000	150	61	~~$16.25~~ 17.55	~~$2.06~~ 2.22	~~$2.64~~ 2.85	~~$20.95~~ 22.62
ALN 440	16,000	150	61	~~$23.18~~25.04	~~$2.74~~2.96	~~$2.64~~2.85	~~$28.56~~ 30.85
Amer. Rev.	9,500	100	41	~~$7.98~~8.62	~~$2.71~~2.93	~~$1.78~~1.92	~~$12.47~~ 13.47
Amer. Rev.	16,000	150	61	~~$7.48~~8.08	~~$2.75~~2.97	~~$2.64~~2.85	~~$12.87~~ 13.90
Cobra Head	9,500	100	41	~~$5.99~~6.47	~~$1.74~~ 1.88	~~$1.78~~1.92	~~$9.51~~10.27
Cobra Head	22,000	200	81	~~$8.08~~8.73	~~$2.08~~2.25	~~$3.52~~3.80	~~$13.68~~ 14.78
Cobra Head	28,500	250	101	~~$9.60~~10.37	~~$2.75~~2.97	~~$4.37~~4.72	~~$16.72~~ 18.06
Cobra Head	50,000	400	162	~~$8.96~~9.68	~~$2.29~~2.47	~~$7.05~~7.61	~~$18.30~~ 19.76
Flood	28,500	250	101	~~$9.40~~ 10.15	~~$2.00~~2.16	~~$4.37~~4.72	~~$15.77~~ 17.03
Flood	50,000	400	162	~~$14.74~~15.92	~~$1.88~~2.03	~~$7.05~~7.61	~~$23.67~~ 25.56
Flood	130,000	1,000	405	~~$18.46~~19.94	~~$2.48~~2.68	~~$17.59~~19.00	~~$38.53~~ 41.62
SP2 Spectra	9,500	100	41	~~$20.49~~22.13	~~$2.56~~2.77	~~$1.78~~1.92	~~$24.83~~ 26.82
Metal Halide Lights							
ALN 440	16,000	175	71	~~$22.18~~ 23.96	~~$2.16~~2.33	~~$3.10~~3.35	~~$27.44~~ 29.64
Flood	50,000	400	162	~~$10.00~~10.80	~~$1.83~~1.98	~~$7.05~~7.61	~~$18.88~~ 20.39
Flood	130,000	1,000	405	~~$17,03~~18.39	~~$2.41~~2.60	~~$17.59~~19.00	~~$37.03~~ 39.99
Shoebox	16,000	175	71	~~$18.73~~20.23	~~$2.42~~2.61	~~$3.10~~3.35	~~$24.25~~ 26.19
Shoebox	28,500	250	101	~~$19.94~~21.54	~~$2.70~~2.92	~~$4.37~~4.72	~~$27.01~~ 29.18
SP2 Spectra	9,500	100	41	~~$20.33~~21.96	~~$2.48~~2.68	~~$1.78~~1.92	~~$24.59~~ 26.56
Vertical Shoebox	130,000	1,000	405	~~$21.02~~22.70	~~$2.74~~2.96	~~$17.59~~19.00	~~$41.35~~ 44.66

Issued by: Jeffry M. Householder, President

Effective: ~~NOV 01 2014~~

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

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(Continued on Sheet No. 57)

Issued by: Jeffry M. Householder, President

Effective: ~~NOV 01 2014~~

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

First Revised Sheet No. 57 Attachment 4
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RATE SCHEDULE LS
LIGHTING SERVICE

(Continued from Sheet No. 56)

Charges for other Company-owned facilities:

1)	30' Wood Pole	$ ~~3.98~~ 4.30
2)	40' Wood Pole Std	$ ~~8.85~~ 9.56
3)	18' Fiberglass Round	$ ~~8.24~~ 8.90
4)	13' Decorative Concrete	$ ~~11.68~~ 12.62
5)	20' Decorative Concrete	$ ~~13.55~~ 14.64
6)	35' Concrete Square	$ ~~13.07~~ 14.12
7)	10' Deco Base Aluminum	$ ~~15.33~~ 16.56
8)	30' Wood Pole Std	$ ~~4.42~~ 4.77

For the poles shown above that are served from an underground system, the Company will provide up to one hundred (100) feet of conductor to service each fixture. The customer will provide and install the necessary conduit system to Company specifications.

Purchased Power Charges
Purchased power charges are adjusted annually by the Florida Public Service Commission. For current purchased power costs included in the tariff, see Sheet No. 65 & 66.

Minimum Bill
The above rates times the number of lamps connected.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs
See Sheet No. 65 & 66.

Conservation Costs
See Sheet No. 65 & 66.

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

(Continued on Sheet No. 58)

Issued by: Jeffry M. Householder, President

Effective: ~~NOV 01 2014~~

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

First Revised Sheet No. 59 Attachment 4
Cancels Original Sheet No. 59 Page 23 of 24

RATE SCHEDULE OSL
MERCURY VAPOR LIGHTING SERVICE
(Closed To New Installations)

(Continued from Sheet No. 58)

Availability
Available within the territory served by the Company in Calhoun, Jackson and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to customer for mercury vapor lighting service.

Character of Service
Lighting service from dusk to dawn as described herein.

Limitations of Service
Service is limited to lighting by mercury vapor lamps of 7,000 or 20,000 initial level of lumens mounted on wood poles, as described herein.

Monthly Rate
When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Lamp Size Lumens	KWH/Mo. Estimate	Facilities Charge	Maintenance* Charge	Energy Charge	Total Charge
7,000	72	~~$1.16~~ 1.25	~~$1.02~~ 1.10	~~$3.05~~ 3.29	~~$5.23~~ 5.64
20,000	154	~~$1.27~~ 1.37	~~$1.09~~ 1.18	~~$6.56~~ 7.09	~~$8.92~~ 9.64

For concrete or fiberglass poles and/or underground conductors, etcetera, the customer shall pay a lump sum amount equal to the estimated differential cost between the special system and the equivalent overhead-wood pole system.

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill
The above rates times the number of lamps connected.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 60)

Issued by: Jeffry M. Householder, President

Effective: ~~NOV 01 2014~~

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

First Revised Sheet No. 61
Cancels Original Sheet No. 61

RATE SCHEDULE IS-EXP
INTERRUPTIBLE (EXPERIMENTAL)

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties. This service is limited to a maximum of 4 customers. This Rate Schedule shall expire on February 8, 2015.

Applicability
Applicable to customers eligible for Rate Schedule GSLD with a load factor equal to or exceeding 35% and who have executed a Special Contract approved by the Commission. The company reserves the right to limit the total load and type customer served under this rate. Accounts established under this rate will be limited to premises where the interruption will primarily affect the customer, its employees, agents, lessees, tenants and guests and will not significantly affect members of the general public nor interfere with functions performed for the protection of public health or safety.

Character of Service
Three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point at one voltage. Interruptible service under this rate is subject to interruption during any On-Peak time period that the Company elects to notify customer, with a minimum of two (2) hours notice, that the customer must fully interrupt taking electric power from the Company. The Company is limited to an On-Peak period maximum of 200 hours of required interruption per year per customer.

Monthly Rate
Customer Facilities Charge:
~~$130.00~~ 140.41 per customer per month

Demand Charge:
Each KW of Billing Demand ~~$ 5.30~~ 5.72/KW

Base Energy Charge:
All KWH ~~0.209~~ 0.226¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Issued by: Jeffry M. Householder, President

Effective: ~~NOV 01 2014~~

Item 10

State of Florida

Public Service Commission

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

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

DATE: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Mtenga, Ellis)
Division of Economics (Wu)
Office of the General Counsel (Murphy, Cuello)

RE: Docket No. 20170168-EI-Petition for approval of the second phase of CCR program for cost recovery through the environmental cost recovery clause, by Tampa Electric Company.

AGENDA: 12/12/17 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On July 28, 2017, Tampa Electric Company (TECO or Company) petitioned the Florida Public Service Commission (Commission) to approve the second phase of its Coal Combustion Residuals Compliance Program (CCR Program) for cost recovery through the Environmental Cost Recovery Clause (ECRC). The first phase of TECO's CCR Program was approved in Docket 20150223-EI, and included activities such as dust control, inspections, groundwater monitoring, and engineering evaluations of other compliance measures.[1] TECO has determined

[1]Order No. PSC-16-068-PAA-EI, issued February 9, 2016, in Docket No. 20150223-EI, *In re: Petition for approval of new environmental program for cost recovery through Environmental Cost Recovery Clause, by Tampa Electric Company.*

that the Big Bend Economizer Ash & Pyrites Ponds (EAPP), one of its CCR management units, must be closed in order to comply with the provisions of the CCR Rule.

On April 17, 2015, the United States Environmental Protection Agency (EPA) published its CCR Rule which established the minimum criteria for the safe disposal in new and existing surface impoundments and landfills of CCR generated from the combustion of coal at electric utilities and independent power producers.[2] The effective date of the Rule was October 19, 2015, and the Rule is self-implementing. The second phase of TECO's program was developed in response to the EPA's CCR Rule.

In the 2017 Environmental Cost Recovery Docket, the Commission approved the following stipulation regarding Phase II of the TECO CCR Program:

> Approval of the projected revenues for the costs associated with the Phase II of the CCR Program is conditioned on this Commission's approval of the CCR Program in Docket No. 20170168-EI. To the extent the scope of the CCR Program costs differ from costs of the approved program in Docket No. 20170168-EI, the revenues collected for the CCR Program in Docket No. 20170007-EI shall be subject to true-up.

By Section 366.8255, Florida Statues (F.S.), the Florida Legislature authorized the recovery of prudently incurred environmental compliance costs through the environmental cost recovery clause. The method for cost recovery for such costs was first established by Order No. PSC-94-0044-FOF-EI issued on January 12, 1994.[3] The Commission has jurisdiction over this matter pursuant to Section 366.8255, F.S.

[2]40 C.F.R. Parts 257 and 261 (2015).
[3]Order No. PSC-94-0044-FOF-EI, issued January 12, 1994, in Docket No. 930613-EI, *In re: Petition to establish an environmental cost recovery clause pursuant to Section 366.0825, Florida Statutes by Gulf Power Company.*

Discussion of Issues

Issue 1: Should the Commission approve Tampa Electric Company's petition for approval of the second phase of its proposed CCR Compliance Program for cost recovery through the Environmental Cost Recovery Clause?

Recommendation: Yes. Staff recommends that the Commission approve TECO's second phase of its proposed CCR Compliance Program to comply with the EPA's CCR Rule. The Economizer Ash Closure Project is a compliance activity associated with the Company's previously approved CCR Compliance Program. Staff recommends that the operations and maintenance (O&M) costs associated with this project be allocated to rate classes on an energy basis and capital costs to complete this project should be allocated to appropriate rate classes on a demand basis. (Mtenga,Wu)

Staff Analysis: The EPA's final CCR Rule sets forth the minimum criteria for the safe disposal of CCR in landfills and surface impoundments at sites where electric utilities use the combustion of coal as an energy source to fuel steam generating units, such as TECO's Big Bend Station. The CCR Rule applies to new and existing active landfills and surface impoundments that are used by electric utilities for the purpose of solid waste management of CCR, including CCR units located off the site of the power plant and certain inactive CCR impoundments. Inactive impoundments are those that no longer receive CCR on or after the October 19, 2015, effective date of the final CCR Rule.

The second phase of TECO's CCR Compliance Program and the Economizer Ash Closure Project is substantially similar to the compliance plans filed by TECO in Docket No. 20150223-EI. It is also similar to plans for compliance with the CCR Rule approved for Florida Power & Light Company, Duke Energy Florida, LLC and Gulf Power Company in previous ECRC proceedings.[4] At 40 C.F.R. Part 257.60(a), the CCR rule requires a five-foot separation between the base of any CCR impoundment and the uppermost aquifer. Water level data that was collected during the first phase of the CCR Compliance Program indicate the bottom of the EAPP is significantly less than five feet from the uppermost aquifer. After evaluation of allowable alternatives, TECO decided to perform closure through removal because the project was the most cost effective alternative that satisfied the rule requirements.[5] TECO has proposed the closure of the EAPP by October 19, 2021, with the O&M expenditures for the project beginning in the fourth quarter of 2017.[6] The work to be completed includes dewatering and excavation of the site, CCR transport and disposal, site restoration, engineering, and post closure groundwater monitoring. The estimated cost for the closure project is approximately $30 million, as shown below in Table 1-1.

[4]Docket No. 20150007-EI, Environmental Cost Recovery Clause, Hearing EXH 29, EXH 34, EXH 42.
[5]TECO's response to Staff's First Data Request No. 15.
[6]TECO's response to Staff's First Data Request No. 1.

Table 1-1
Estimated O&M and Capital Costs

Description of Work	Capital ($)	O&M ($)	Total ($)
Dewatering & Excavation	-	2,714,800	2,714,800
CCR Transport & Disposal	-	25,752,000	25,752,000
Engineering	400,000	-	400,000
Site Restoration	1,009,000	-	1,009,000
Post Closure Groundwater Demonstration/Monitoring	-	116,400	116,400
Total	1,409,000	28,583,200	29,992,200

Source: TECO's petition

The costs shown in Table 1-1 above were developed by TECO based on previous experience with similar work performed at the Big Bend Station, discussions with professionals knowledgeable in these areas, and guidance obtained from the CCR Rule. These costs are consistent with costs approved in the TECO CCR Project in Docket No. 20150223-EI. TECO provided details on the projects and the development of estimated costs in its responses to Staff's First Data Request. Table 1-2 below shows the estimated impact of this project on residential customer monthly bills.

Table 1-2
Monthly Bill Impact
(1,000 kWh Bill)

Year	Monthly Impact($)
2018	0.41
2019	0.61
2020	0.43
2021	0.02
2022	0.01

Source: TECO's responses to Staff's First Data Request No. 11

Based on the petition and TECO's responses to Staff's First Data Request, staff recommends that TECO's second phase of its CCR Compliance Program is necessary for compliance with the EPA's CCR Rule. The criteria for ECRC recovery relevant to this docket, established by Order No. PSC-94-0044-FOF-EI, are:

(1) The activities are legally required to comply with governmentally imposed environmental regulation enacted, became effective, or whose effect was triggered after the Company's last test year upon which rates are based; and

(2) None of the expenditures are being recovered through some other cost recovery mechanism or through base rates.

Based on staff's analysis of the docket material, the activities proposed in TECO's petition meet these criteria. Based on the information in the docket file and the CCR Rule, staff recommends these activities are essential projects that would not be necessary but for TECO's obligation to comply with government imposed environmental regulation. The need for these compliance activities was triggered after TECO's last test year upon which rates are currently based. Finally, the costs of the proposed compliance activities are not currently being recovered through some other cost recovery mechanism or through base rates. Staff notes that the reasonableness and prudence of individual expenditures related to the second phase of TECO's CCR Compliance Program will continue to be subject to the Commission's review in future ECRC proceedings.

Conclusion

Staff recommends that the Commission approve TECO's second phase of its proposed CCR Compliance Program to comply with the CCR Rule. The Economizer Ash Closure Project is a compliance activity associated with the Company's previously approved CCR Compliance Program. Staff recommends that the O&M cost associated with this project be allocated to rate classes on an energy basis and capital costs to complete this project be allocated to appropriate rate classes on a demand basis.

Issue 2: Should this docket be closed?

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

Staff Analysis: If no timely protest to the proposed agency action is filed within 21 days, this docket should be closed upon issuance of a Consummating Order, unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the proposed agency action.

Item 11

State of Florida

Public Service Commission

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

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

DATE: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Thompson, Ellis, King)
Office of the General Counsel (Cuello)

RE: Docket No. 20170227-EI – Petition for approval of the Waiver and Scheduling Agreement between Gulf Power Company and Morgan Stanley Capital Group, Inc.

AGENDA: 12/12/17– Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: Pursuant to Section C(2) of the Waiver and Scheduling Agreement, either party may terminate the agreement in the event that a final order is not rendered on or before December 30, 2017.

SPECIAL INSTRUCTIONS: None

Case Background

On May 13, 2015, the Florida Public Service Commission (Commission) approved Gulf Power Company's (Gulf or Utility) petition requesting approval for cost recovery of a negotiated Energy Purchase Agreement (Kingfisher I EPA) with Morgan Stanley Capital Group, Inc. (Morgan Stanley).[1] The Kingfisher I EPA obligates Morgan Stanley to deliver a fixed number of megawatt hours (MWh) to Gulf in each hour of each month of each year throughout the 20 year

[1]Order No. PSC-15-0197-PAA-EI, issued May 13, 2015, in Docket No. 150049-EI, *In re: Petition for approval of energy purchase agreement between Gulf Power Company and Morgan Stanley Capital Group Incorporated.*

term of the agreement. Morgan Stanley's energy delivery commitment is shaped to match the projected hourly and monthly output of a 178 megawatt (MW) portion of the Kingfisher Wind Farm that was constructed in Oklahoma. Annually, Morgan Stanley's energy delivery commitment totals 674,437 MWh.

Morgan Stanley's energy delivery commitment under the Kingfisher I EPA is separated into two tiers: Tier 1 Hourly Energy and Tier 2 Hourly Energy. Tier 1 Hourly Energy is delivered using a dedicated transmission pathway which originates in the Midcontinent Independent System Operator balancing authority area and terminates at the Southern Company/Entergy Interface. Tier 2 Hourly Energy may be delivered from any resource available to Morgan Stanley and to any delivery point on the Southern Company Transmission System, provided that such resource and/or delivery point meets the defined contractual availability and delivery criteria.

Under the Kingfisher I EPA, Gulf is only required to pay for energy which is received from Morgan Stanley on the Southern Companies Transmission System. Energy delivered under the Kingfisher I EPA to the Southern Companies Transmission System is assigned to Gulf at the prices designated in the agreement.

Following execution of the Kingfisher I EPA, Gulf executed a second Energy Purchase Agreement (Kingfisher II EPA) with Morgan Stanley which was approved by the Commission on November 3, 2016.[2] The Kingfisher II EPA is similar to the Kingfisher I EPA, with the primary exception that all energy delivered under the Kingfisher II EPA follows the Tier 2 Hourly Energy model. Therefore, there was no obligation to deliver energy using the Tier 1 Hourly Energy model as there was in the Kingfisher I EPA.

Upon further discussion among the parties, a Waiver and Scheduling Agreement (Waiver Agreement) was executed on October 13, 2017. On October 20, 2017, Gulf filed a petition for approval of the Waiver Agreement with Morgan Stanley. Beginning January 1, 2019, the Waiver Agreement will allow Morgan Stanley to relinquish the Tier 1 Hourly Energy commitment included in the Kingfisher I EPA, making it more comparable to the Kingfisher II EPA by exclusively utilizing Tier 2 Hourly Energy.

The Commission has jurisdiction over this matter pursuant to Sections 366.051, 366.91, and 366.92, Florida Statutes (F.S.).

[2]Order No. PSC-16-0507-PAA-EI, issued November 3, 2016, in Docket No. 160158-EI, *In re: Petition for approval of energy purchase agreement between Gulf Power Company and Morgan Stanley Capital Group Incorporated.*

Discussion of Issues

Issue 1: Should the Commission approve Gulf Power Company's petition for approval of the Waiver and Scheduling Agreement with Morgan Stanley Capital Group, Inc.?

Recommendation: Yes. The Waiver Agreement will result in monthly credits to Gulf from Morgan Stanley, which results in an estimated total net present value (NPV) savings to ratepayers of approximately $17.2 million from 2019 through 2035. Through the Waiver Agreement, energy deliveries under the Kingfisher I EPA will operate in the same manner as the Kingfisher II EPA, previously approved by the Commission. In addition, the core provisions of the Kingfisher I EPA, including total energy delivery amounts, pricing, reliability, security, and risk allocation remain unchanged. Therefore, staff recommends that the Commission approve Gulf's petition for approval of the Waiver Agreement with Morgan Stanley. (Thompson)

Staff Analysis: Gulf's petition requests approval of modifications to an existing contract. The Utility has provided the information required to be submitted along with a request for a contract modification in accordance with Rule 25-17.0836(1), Florida Administrative Code (F.A.C.). As required by Rule 25-17.0836(6), F.A.C., staff should evaluate modifications and concessions of the Utility and developer against both the existing contract and the current value of the purchasing utility's avoided cost.

Efficiency Determination

Morgan Stanley has informed Gulf that it must make a decision on or before January 1, 2018, to either reserve firm transmission service for Tier I Hourly Energy deliveries for an additional five-year period or to allow the reservation to lapse. Regarding the latter, Morgan Stanley is unsure that the pathway will be available in the future. The modification included in the Waiver Agreement is to waive Morgan Stanley's obligation to deliver Tier 1 Hourly Energy from January 1, 2019, through December 31, 2035, under the Kingfisher I EPA. Morgan Stanley will continue to supply Tier 1 Hourly Energy through December 31, 2018, after which it will begin to exclusively supply Tier 2 Hourly Energy for the duration of the Kingfisher I EPA term.

Morgan Stanley currently exclusively supplies Tier 2 Hourly Energy under the Kingfisher II EPA. Gulf has not experienced any difficulties scheduling or facilitating energy under the Kingfisher II EPA or the Kingfisher I EPA, which currently utilizes Tier 1 Hourly Energy and Tier 2 Hourly Energy, demonstrating that the dedicated transmission pathway utilized to deliver Tier 1 Hourly Energy is not necessary for reliability purposes. Therefore, staff recommends that the transition to exclusively utilizing Tier 2 Hourly Energy under the Kingfisher I EPA will not negatively affect the efficiency of the Kingfisher I EPA.

Cost-Effectiveness

The pricing of the Kingfisher I EPA remains unchanged under the Waiver Agreement. Relinquishing Morgan Stanley's obligation to deliver Tier 1 Hourly Energy from 2019 through 2035 will result in $2 million in savings annually to Gulf's ratepayers in the form of a monthly credit to Gulf. The estimated total NPV savings to customers under the Waiver Agreement during this timeframe is approximately $17.2 million. This will ultimately place downward pressure on amounts collected from ratepayers through the Fuel and Purchased Power Cost

Recovery Clause. Seeing as the ratepayers will benefit from approval of the Waiver Agreement, staff recommends that it is cost-effective.

Conclusion

The Waiver Agreement will result in monthly credits to Gulf from Morgan Stanley, which results in an estimated total NPV savings to ratepayers of approximately $17.2 million from 2019 through 2035. Through the Waiver Agreement, energy deliveries under the Kingfisher I EPA will operate in the same manner as the Kingfisher II EPA, previously approved by the Commission. In addition, the core provisions of the Kingfisher I EPA, including total energy delivery amounts, pricing, reliability, security, and risk allocation remain unchanged. Therefore, staff recommends that the Commission approve Gulf's petition for approval of the Waiver Agreement with Morgan Stanley.

Issue 2: Should this docket be closed?

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

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 PAA Order, a Consummating Order should be issued and the docket should be closed.

Item 12

State of Florida

Public Service Commission

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

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

DATE: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Lewis, King)
Division of Accounting and Finance (Mouring, Smith II)
Office of the General Counsel (Murphy)

RE: Docket No. 20150010-WS – Application for staff-assisted rate case in Brevard County by Aquarina Utilities, Inc.

AGENDA: 12/12/17 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Aquarina Utilities, Inc., (Aquarina or Utility) is a Class B utility providing service to approximately 296 water and 311 wastewater customers in Brevard County. Aquarina also provides non-potable water for irrigation to approximately 107 customers.

The Utility filed its application for a staff-assisted rate case on January 2, 2015. By Order No. PSC-16-0583-PAA-WS, issued December 29, 2016, in this docket, the Commission approved a Phase I revenue requirement and rates. The order further stated that implementation of Phase II rates is conditioned upon Aquarina completing certain pro forma plant items within 12 months of the issuance of a consummating order in this docket. Consummating Order No. PSC-17-0031-

CO-WS was issued on January 23, 2017. Therefore, the pro forma plant items were to be completed before January 23, 2018.

The pro forma plant items consisted of the replacement of the water treatment plant's reverse osmosis skid; the wastewater treatment plant's catwalks, blowers, and sand filters; and developing a geographical information system mapping of the distribution and collection systems. Order No. PSC-16-0583-PAA-WS provided that if Aquarina encounters any unforeseen events that will impede the completion of the pro forma plant items, it shall immediately notify the Commission in writing.

On November 9, 2017, the Utility notified staff that it would not be able to meet the deadline for completing the Phase II pro forma plant items. The Utility requested that it be granted an extension until March 1, 2018, to complete the Phase II pro forma plant items. The Commission has jurisdiction pursuant to Sections 367.081, 367.0814, and 367.121, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve Aquarina's request for extension of time to complete its required Phase II pro forma plant items pursuant to Order No. PSC-16-0583-PAA-WS?

Recommendation: Yes. The Commission should approve Aquarina's request for an extension of time to complete its required Phase II pro forma plant items before March 1, 2018. (Lewis)

Staff Analysis: As discussed in the case background, Aquarina was given until January 23, 2018, to complete Phase II pro forma plant items. The Utility is required to submit a copy of the final invoices and cancelled checks for the Phase II pro forma plant items. Once the pro forma plant items are completed, and documentation provided, staff will be able to verify that the pro forma improvements have been made.

By e-mail dated November 8, 2017, Aquarina identified numerous operational issues that have impacted the Utility's ability to complete the pro forma plant items identified in the previously discussed order. The Utility additionally indicated that the reverse osmosis skid has more installation issues than anticipated. Aquarina stated that all items should be completed by March 1, 2018. Staff believes that the events impeding completion of the pro forma plant items were not reasonably foreseeable and recommends that the Commission approve Aquarina's request for an extension of time to complete its required Phase II pro forma plant items.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open for a decision by the Commission on the appropriate Phase II revenue requirement and rates. (Murphy)

Staff Analysis: No. The docket should remain open for a decision by the Commission on the appropriate Phase II revenue requirement and rates.

Item 13

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: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Doherty)
Office of the General Counsel (Mapp)

RE: Docket No. 20170212-EI – Petition for one-year extension of voluntary solar partnership rider and program, by Florida Power & Light Company.

AGENDA: 12/12/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 8-Month Effective Date: 06/01/18 (60-day suspension date waived by the utility)

SPECIAL INSTRUCTIONS: None

Case Background

On October 2, 2017, Florida Power & Light Company (FPL) filed a petition for a one-year extension of its Voluntary Solar Partnership (VSP) program and associated tariff. The VSP program was first approved in Order No. PSC-14-0468-TRF-EI as a pilot program that would terminate on December 31, 2017.[1] The VSP program offers all FPL customers an opportunity, for $9 per month, to participate voluntarily in a program designed to contribute to the construction and operation of solar photovoltaic generation facilities located in communities throughout FPL's service territory. Customers may enroll or cancel their enrollment at any time. FPL's proposed tariff revision, as shown in Attachment A to the recommendation, changes the termination date for service under the VSP program from December 31, 2017 to December 31,

[1] Order No. PSC-14-0468-TRF-EI, issued August 29, 2014, in Docket No. 140070-EI, *In re: Petition for approval of voluntary solar partnership pilot program and tariff, by Florida Power & Light Company.*

2018. The Commission approved similar community solar tariffs for Gulf Power Company[2] and Duke Energy Florida.[3]

FPL waived the 60-day file and suspended provision of Section 366.06(3), Florida Statutes, (F.S.). During the evaluation of the petition, staff issued a data request to FPL for which a response was received on October 23, 2017. On November 27, 2017, FPL filed an amended response to staff's first data request No. 2 to correct certain errors in the calculation. The Commission has jurisdiction in the matter pursuant to Sections 366.05, 366.06, and 366.075, F.S.

[2] Order No. PSC-16-0119-TRF-EG, issued March 21, 2016, in Docket No. 150248-EG, *In re: Petition for approval of community solar pilot program, by Gulf Power Company.*
[3] Order No. PSC-2017-0451-AS-EU, issued November 20, 2017, in Docket No. 20170183-EI, *In re: Application for limited proceeding to approve 2017 second revised and restated settlement agreement, including certain rate adjustments, by Duke Energy Florida, LLC.*

Discussion of Issues

Issue 1: Should the Commission approve the one-year extension of the VSP program?

Recommendation: Yes. The Commission should approve the one-year extension of the VSP program. (Doherty)

Staff Analysis: The VSP program was approved as a voluntary pilot program with customer enrollment beginning in January 2015. However, due to the time needed for FPL to complete billing system modifications, the billing of VSP program participants for the monthly $9 charge did not start until May 2015. A one-year extension of the VSP program tariff will allow FPL to gather additional data regarding the durability of customer interest over a more substantial period of time.

FPL showed, in response to staff's data request, that the first 12 months of the VSP program experienced moderate participation growth, with 2,734 participants (residential and commercial) enrolled by April 2016. In July 2016, FPL implemented adjustments to improve the online enrollment process which resulted in an increase in participants to 11,994 by the end of 2016. As of August 31, 2017, 22,705 participants were enrolled in the VSP program. FPL stated that, on average, the monthly new enrollments have more than offset the number of participants who have elected to unsubscribe.

The VSP program was designed for FPL to use the voluntary contributions to support the revenue requirement associated with constructing and operating the solar facilities so that non-participants are not required to subsidize the solar facilities. As shown in FPL's amended response to staff's first data request No. 2, the voluntary contributions did not cover the revenue requirement in 2015; however; for 2016 and 2017 FPL showed that the revenues received under the VSP program are greater than the revenue requirement of the solar facilities; thus, the net impact to all customers has been positive for 2016 and 2017.

As discussed in the order approving the VSP program, FPL is sizing the solar projects based on the level of participation. FPL currently has seven projects completed, 15 projects are under construction, and 20 projects are ready for construction. FPL stated that the completed and planned solar projects comprise a diverse set of assets, including ground-mount structures, rooftop installations, covered walkways, parking canopies, and interactive tree-like structures.

Conclusion

Staff agrees with FPL that a one-year extension of the tariff will allow FPL to gather additional data regarding customer interest and the long-term viability of the VSP program. At the end of pilot program, FPL will petition the Commission regarding the future of the VSP program. FPL also stated that it is currently developing, for Commission approval within the next year, a new large scale solar program which would provide participants with direct credits on their electric bill associated with the blocks of solar-generated capacity purchased.

Issue 2: Should this docket be closed?

Recommendation: If Issue 1 is approved and a protest is filed within 21 days of the issuance or the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Mapp)

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

VOLUNTARY SOLAR PARTNERSHIP RIDER
(OPTIONAL PILOT PROGRAM)

RATE SCHEDULE: VSP

AVAILABLE:
In all territory served by FPL ("the Company") to customers receiving service under any FPL metered rate schedule. This voluntary solar partnership pilot program ("VSP Program", "the Pilot") provides customers an opportunity to participate in a program designed to construct and operate commercial-scale, distributed solar photovoltaic facilities located in communities throughout FPL's service territory. Service under this rider shall terminate December 31, 2018~~7~~, unless extended by order of the Florida Public Service Commission ("FPSC"), or terminated earlier by the Company upon notice to the FPSC.

APPLICATION:
Available upon request to all customers in conjunction with the otherwise applicable metered rate schedule.

LIMITATION OF SERVICE:
Any customer under a metered rate schedule who has no delinquent balances with the Company is eligible to elect the VSP Program. A customer may terminate participation in the VSP Program at any time and may be terminated from the Pilot by the Company if the customer becomes subject to collection action on the customer's service account.

CHARGES:
Each voluntary participant shall agree to make a monthly contribution of $9.00, in addition to charges applied under the otherwise applicable metered rate schedule. Customer billing will start on the next scheduled billing date upon notification of service request. The VSP Program contribution will not be prorated if the billing period is for less than a full month.

Upon participant's notice of termination, no VSP Program contribution will be assessed in the billing period in which participation is terminated.

TERM OF SERVICE:
Not less than one (1) billing period.

SPECIAL PROVISIONS:
Upon customer request, program participation may continue at a new service address if the customer moves within FPL's service territory.

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

Item 14

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: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Draper, Doherty, Guffey)
Division of Accounting and Finance (Mouring, D. Buys)
Office of the General Counsel (Trierweiler, Cuello, Janjic)

RE: Docket No. 20170179-GU – Petition for rate increase by Florida City Gas.

AGENDA: 12/12/17 – Regular Agenda – Decision on Interim Rates – Participation is at the Discretion of the Commission

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: 12/22/17 (60-Day Suspension Date)
06/23/18 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On October 23, 2017, Florida City Gas (FCG or Company) filed a petition seeking Commission approval of a rate increase, depreciation study, and a request for interim rate relief. FCG is a natural gas local distribution company providing sales and transportation of natural gas, and is a public utility subject to the Commission's regulatory jurisdiction under Chapter 366.02, Florida Statutes (F.S.). As a subsidiary of Southern Company, FCG currently serves approximately 108,000 residential, commercial, and industrial natural gas customers in Miami-Dade, Brevard, St. Lucie, Palm Beach, Hendry, Broward, and Indian River counties. FCG requested an increase of $19.3 million in additional annual revenues. Of that amount, $3.5 million is associated with moving the Company's current investment in a Commission-approved backyard mains and service relocation program, which is being recovered through a separate surcharge on customers' bills, into rate base. The remaining $15.8 million, according to FCG, is necessary for the utility

to earn a fair return on their investment and a requested return on equity of 11.25 percent. The Company based its request on a 13-month average rate base of $299.3 million for the projected test year ending December 31, 2018. The requested overall rate of return is 6.32 percent based on an 11.25 percent return on equity.

The Company requested in its original MFRs an interim increase of $4,871,932. FCG calculated the interim increase based on a 13-month average rate base of $209,312,678 at 5.84 percent cost of capital using a 10.25 percent return on equity. The interim test year is the period ended December 31, 2016.

On November 17, 2017, FCG filed a revised MFR Schedule F-10 to correct certain errors. On November 27, 2017, FCG filed an amended MFR Schedule F to reflect a corrected interim increase request of $4,893,061 based on a cost of capital of 5.85 percent. This is staff's recommendation to suspend the proposed final rates and charges and to address the requested interim rate relief as revised on November 17, 2017 and on November 27, 2017.

FCG's last rate case was in 2003.[1] Pursuant to Section 366.06(4), F.S., FCG requested to proceed in 2003 under the rules governing Proposed Agency Action (PAA). The Commission approved a jurisdictional rate base of $119,897,447 and an annual operating revenue increase of $6,699,655 for the projected test year ended September 30, 2004. The allowed rate of return was found to be 7.36 percent for the test year using an 11.25 percent return on equity.

Pursuant to Sections 366.06(2) and (3), F.S., FCG requested to proceed this rate case using the Commission's hearing process. Accordingly, in compliance with Section 366.06(2), F.S., an administrative hearing has been scheduled for this matter from March 26 - 30, 2018. The Commission has jurisdiction over this request under Sections 366.06 and 366.071, F.S.

[1] Order No. PSC-04-0128-PAA-GU, issued February 9, 2004, in Docket No. 030569-GU, *In re: Application for rate increase by City Gas Company of Florida.*

Discussion of Issues

Issue 1: Should the request for a permanent increase in rates and charges be suspended for FCG?

Recommendation: Yes. Staff recommends that the requested permanent increase in rates and charges be suspended for FCG. (Draper, Doherty, Guffey)

Staff Analysis: Staff recommends that the requested permanent increase in rates and charges be suspended for FCG to allow staff time to complete its review of the Company's MFRs.

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 with 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: Is FCG's proposed interim rate base of $209,312,678 appropriate?

Recommendation: Yes. The appropriate interim rate base for FCG is $209,312,678. (Mouring)

Staff Analysis: In its filing, the Company proposed an interim test year 13-month average rate base of $209,312,678 for the period ended December 31, 2016. Staff has reviewed the rate base adjustments made in the current interim filing for consistency with the Commission-approved adjustments in the Company's last rate case proceeding as well as other applicable dockets.[2] Based on staff's review, it appears that FCG has made the applicable and appropriate adjustments that are consistent with prior Commission Orders. Staff's recommendation of whether FCG is entitled to the proposed interim increase is discussed in Issue 6. If it is determined that interim relief should be granted to FCG in this case, staff agrees that $209,312,678 is the appropriate amount of rate base for the for the historical base year ended December 31, 2016. The calculation is shown on Attachment A to the recommendation.

[2] *Id.*, and PSC-07-0913-PAA-GU, issued November 13, 2007, in Docket No. 060657-GU, *In re: Petition for approval of acquisition adjustment and recognition of regulatory asset to reflect purchase of Florida City Gas by AGL Resources, Inc.*, and PSC-16-0517-TRF-GU, issued November 21, 2016, in Docket No. 160198-GU, *In re: Petition for approval of safety, access, and facility enhancement program (SAFE) true-up and associated cost recovery factors, by Florida City Gas.*

Issue 3: Is FCG's proposed interim return on equity of 10.25 percent and overall cost of capital of 5.85 percent reasonable for the purpose of determining interim rates?

Recommendation: Yes. FCG's proposed return on equity of 10.25 percent and overall cost of capital of 5.85 percent are reasonable for purposes of determining interim rates. (Mouring)

Staff Analysis: For purposes of its corrected interim rate request, FCG used an overall cost of capital of 5.85 percent based on a return on equity (ROE) of 10.25 percent and the capital structure for the historical base year ended December 31, 2016. Pursuant to Section 366.071(2)(a), F.S., the appropriate ROE for purposes of determining an interim rate increase is the minimum of the Company's currently authorized ROE range. Staff believes that both the ROE and the adjustments recognized in the capital structure are consistent with Company's last rate case proceeding as well as other applicable dockets.[3]

Staff agrees that the capital structure for the historical base year ended December 31, 2016, and an ROE of 10.25 percent results in an overall cost of capital of 5.85 percent. Attachment B details the calculation of the Company's overall cost of capital.

[3] *Id.*

Issue 4: Is FCG's proposed interim test year net operating income of $9,221,584 appropriate?

Recommendation: Yes. The appropriate historical base year ended December 31, 2016 net operating income for FCG is $9,221,584. (Mouring)

Staff Analysis: The proposed historical base year net operating income of $9,221,584 is the twelve month amount for the historical base year ended December 31, 2016. Staff has reviewed the net operating income adjustments made in the current interim filing for consistency with the Commission approved adjustments in the Company's last rate case proceeding as well as other applicable dockets.[4] Based on staff's review, it appears that FCG has made the applicable and appropriate adjustments that are consistent with the prior Commission Orders. Staff's recommendation of whether FCG is entitled to the proposed interim increase is discussed in Issue 6. If it is determined that interim relief should be granted to FCG in this case, staff agrees that $9,221,584 is the appropriate amount of net operating income for the historical base year ended December 31, 2016. The calculation is shown on Attachment A.

[4] *Id.*

Issue 5: Is FCG's proposed interim net operating income multiplier of 1.6185 appropriate?

Recommendation: Yes. FCG's proposed interim net operating income multiplier of 1.6185 is appropriate. (Mouring)

Staff Analysis: On revised MFR Schedule F-6, the Company calculated an interim net operating income multiplier of 1.6185 using a 34 percent federal income tax rate and a 5.5 percent state income tax rate. Additionally, the Company applied a 0.500 percent factor for regulatory assessment fees and a 0.4382 percent factor for bad debt expense. Staff has reviewed the Company's calculation of the interim net operating income multiplier and is not proposing any adjustments. Therefore, staff recommends that 1.6185 is the appropriate interim net operating income multiplier. The calculation is shown below.

Table 5-1
Florida City Gas - Interim Net Operating Income Multiplier

Description	
Revenue Requirement	100.0000%
Regulatory Assessment Fee	-0.5000%
Bad Debt Rate	-0.4382%
Net Before Income Tax	99.0618%
State Income Tax @ 5.5%	-5.4484%
Federal Income Tax @ 34%	-31.8286%
Revenue Expansion Factor	61.7848%
NOI Multiplier (100/61.7848)	1.6185

Source: Revised MFR Schedule F-6

Issue 6: Should FCG's requested interim revenue increase of $4,893,061 be granted?

Recommendation: Yes. FCG's requested interim revenue increase of $4,893,061 should be granted. (Mouring)

Staff Analysis: FCG requested a revised interim rate relief of $4,893,061 for the historical base period ended December 31, 2016. This would allow the Company an opportunity to earn an overall rate of return of 5.85 percent and the minimum of the range of return on equity of 10.25 percent. After a determination of the permanent rate increase has been made, the interim rate increase will be reviewed to determine if any portion should be refunded to the ratepayers.

The calculation of the $4,893,061 of interim rate relief is shown below.

Table 6-1
Florida City Gas - Interim Revenue Increase

Description		
Jurisdictional Adjusted Rate Base	$	209,312,678
Overall Rate of Return Requested		5.85%
Jurisdictional Net Operating Income Requested	$	12,244,792
Jurisdictional Adjusted Net Operating Income	$	9,221,584
Revenue Deficiency	$	3,023,208
Net Operating Income Multiplier		1.6185
Interim Revenue Increase	$	4,893,061

Source: Revised MFR Schedule F-7

Issue 7: How should the interim revenue increase for FCG be distributed among the rate classes?

Recommendation: Any interim revenue increase authorized should be applied evenly across the board to all rate classes based on their base rate revenues, as required by Rule 25-7.040, Florida Administrative Code, (F.A.C.), and should be collected on a cents-per-therm basis. The interim rates should be made effective for all meter readings made on or after thirty days from the date of the Commission vote and decision herein. The Company should provide pursuant to Rule 25-22.0406(8), F.A.C., notice to customers of the revised rates with the first bill containing the new rates. The Company should file tariff sheets reflecting the Commission approved interim rates. (Draper, Doherty, Guffey)

Staff Analysis: Attachment C to the recommendation shows the allocation of the $4,893,061 interim increase and the resulting cents-per-therm increases to be applied to the rate classes. The increases were calculated using the methodology contained in Rule 25-7.040, F.A.C., which requires that any increase be applied evenly across the board to all rate classes based on their base rate revenues. Attachment D shows the resulting interim per therm distribution charges for all rate classes.

FCG included revenues from its approved safety, access, and facility enhancement program (SAFE) program to calculate the base rate revenues for each rate class. The SAFE program was approved in Order No. PSC-16-0517-TRF-GU as a surcharge.[5] Rule 25-7.040, F.A.C., specifically states that revenues from the cost of gas should be excluded in the calculation of the interim increase for each rate class, but is silent on surcharges such as the SAFE surcharge. Staff notes that including or excluding the SAFE revenues does not affected the total interim increase, however, it has a minimal impact on the dollar increase and resulting interim rates for each rate class. Since FCG proposed to move the current investment in the SAFE program into rate base, staff agrees with FCG that including the SAFE revenues in the interim calculation is appropriate in this instance.

The interim rates should be made effective for all meter readings made on or after thirty days from the date of the Commission vote and decision herein. The Company should provide pursuant to Rule 25-22.0406(8), F.A.C., notice to customers of the revised rates with the first bill containing the new rates and a copy of the customer notice should be submitted to Commission staff for approval prior to its use. The Company should file tariff sheets reflecting the Commission approved interim rates.

[5] PSC-16-0517-TRF-GU, issued November 21, 2016, in Docket No. 160198-GU, *In re: Petition for approval of safety, access, and facility enhancement program (SAFE) true-up and associated cost recovery factors, by Florida City Gas.*

Issue 8: What is the appropriate security to guarantee the amount subject to refund?

Recommendation: The appropriate security to guarantee the funds collected subject to refund is a corporate undertaking. (D. Buys, Mouring)

Staff Analysis: FCG has requested that all funds collected subject to refund be secured by a corporate undertaking. The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Staff reviewed FCG's 2014, 2015 and 2016 financial statements filed with the Company's Application for Authority to Issue Debt Security in 2016 and 2017 filed with the Commission to determine if FCG can support a corporate undertaking for its potential refund obligation. Based on an estimated six-month collection period of interim rates for FCG, staff has determined the maximum amount of revenues that may need to be protected is $2,452,256. Staff's analysis shows FCG has negative working capital and an unfavorable current ratio. However, FCG's ownership equity, profitability (net income), and interest coverage are sufficient to guarantee any potential refund of the requested interim revenue increase. For all three years, FCG's working capital has been negative and the current ratio has been less than one. However, FCG's equity ratio was 48 percent in 2014 and 2015, and 49 percent in 2016, indicating adequate equity ownership. The Company's interest coverage ratio has declined from 7.83 in 2014 to 4.53 in 2016, indicating that its earnings before interest and tax expense is currently 4.5 times greater than its interest expense. FCG's net income has been on average fourteen times greater than the requested corporate undertaking amount, indicating good profitability. In addition, FCG participates in Southern Company Gas's Utility Money Pool and is authorized by the Commission to make short-term borrowings not to exceed $250 million.

Staff believes FCG has adequate financial resources to support a corporate undertaking in the amount requested. Based on this analysis, staff recommends that a corporate undertaking in the amount of $2,452,256 is acceptable. The preferred limit of the corporate undertaking amount is $8,751,917. This brief financial analysis is only appropriate for deciding if the Company can support a corporate undertaking in the amount requested and should not be considered a finding regarding staff's position on other issues in this proceeding.

Issue 9: Should this docket be closed?

Recommendation: No. This docket should remain open to process the revenue increase request of the Company. (Trierweiler)

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

Florida City Gas
Docket No. 20170179-GU
Interim Rate Base and Net Operating Income
December 31, 2016

	Adjusted Base Year Per Company	Adjustments	Interest Synchronization	Adjusted Base Year Per Staff
Rate Base				
Plant in Service	348,619,750	-		348,619,750
Accumulated Depreciation	(167,595,854)	-		(167,595,854)
Net Plant in Service	181,023,896	-		181,023,896
Acquisition Adjustment	21,656,835	-		21,656,835
Accum. Amort. Acquisition	(8,422,103)	-		(8,422,103)
Construction Work In Progress	19,729,410	-		19,729,410
Net Utility Plant	213,988,038	-		213,988,038
Working Capital Allowance	(4,675,360)	-		(4,675,360)
Total Rate Base	209,312,678	-		209,312,678
Income Statement				
Operating Revenue	50,316,465	-		50,316,465
Operating Expenses:				
Operation & Maintenance	20,261,429	-		20,261,429
Depreciation & Amortization	14,898,337	-		14,898,337
Taxes Other Than Income	2,707,715	-		2,707,715
Income Taxes - Current	413,903	-		413,903
Income Taxes - Deferred	2,813,496	-		2,813,496
Total Operating Expenses	41,094,881	-		41,094,881
Net Operating Income	9,221,584	-		9,221,584
Overall Rate of Return	4.41%			4.41%

Florida City Gas
Docket No. 20170179-GU
Interim Base Year
December 31, 2016

Capital Component	Jurisdictional Capital Structure	Ratio	Cost Rate	Weighted Cost Rate
Long Term Debt	$73,857,708	35.29%	4.75%	1.68%
Short Term Debt	13,071,944	6.25%	1.89%	0.12%
Preferred Stock	-	0.00%	0.00%	0.00%
Common Equity	81,589,680	38.98%	10.25%	4.00%
Customer Deposits	3,901,581	1.86%	2.73%	0.05%
Deferred Income Taxes	36,891,759	17.63%	0.00%	0.00%
Investment Tax Credits	6	0.00%	0.00%	0.00%
Total	$209,312,678	100.00%		5.85%

Attachment C

FLORIDA CITY GAS
ALLOCATION OF INTERIM RATE INCREASE
DOCKET NO. 20170179-GU

		PRESENT BASE RATE REVENUE					INTERIM INCREASE		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
						(4) + (5) + (6)	(7)X(8)	(8) / (7)	(8) / (3) * 100
RATE CODE	BILLS	THERM SALES	CUSTOMER CHARGE	ENERGY CHARGE	SAFE	TOTAL BASE REVENUE	$ INCREASE	% INCREASE	INCREASE IN CENTS PER THERM
GS-1	328,138	2,274,617	$2,625,104	$1,278,631	$231,813	$4,135,548	$421,666	10.20%	18.538
GS-100	604,822	7,691,925	$5,745,809	$4,018,877	$427,281	$10,191,967	$1,039,188	10.20%	13.510
GS-220	271,242	5,715,039	$2,983,662	$2,830,716	$191,283	$6,005,661	$612,346	10.20%	10.715
GS-600	15,895	1,173,620	$190,740	$512,438	$11,200	$714,378	$72,839	10.20%	6.206
GS-1.2K	36,059	10,344,031	$540,885	$3,280,609	$25,426	$3,846,920	$392,237	10.20%	3.792
GS-6K	28,807	25,735,468	$864,210	$7,073,908	$37,474	$7,975,592	$813,203	10.20%	3.160
GL	2,373	14,854	$0	$8,843	0	$8,843	$902	10.20%	6.070
GS-25K	3,880	10,518,645	$310,400	$2,905,039	$5,052	$3,220,491	$328,366	10.20%	3.122
GS-60K	854	7,753,377	$128,100	$2,130,395	$1,114	$2,259,609	$230,393	10.20%	2.972
GS-120K	507	8,079,386	$126,750	$1,610,247	$517	$1,737,514	$177,159	10.20%	2.193
GS-250K	555	23,876,304	$166,500	$4,681,307	$607	$4,848,414	$494,351	10.20%	2.070
GS-1,250K	98	20,598,129	$49,000	$2,995,329	$66	$3,044,395	$310,411	10.20%	1.507
TOTAL	1,293,230	123,775,395	$13,731,160	$33,326,339	$931,833	$47,989,332	$4,893,061	10.20%	

FLORIDA CITY GAS
PRESENT AND INTERIM RATES
DOCKET NO. 20170179-GU

RATE CODE	RATE SCHEDULE	PRESENT RATE	INTERIM INCREASE	INTERIM RATE
GS-1	GENERAL SERVICE - 1			
	CUSTOMER CHARGE	$8.00	N/A	$8.00
	DISTRIBUTION CHARGE (cents/therm)	56.213	18.538	74.751
GS-100	GENERAL SERVICE - 100			
	CUSTOMER CHARGE	$9.50	N/A	$9.50
	DISTRIBUTION CHARGE (cents/therm)	52.248	13.510	65.758
GS-220	GENERAL SERVICE - 220			
	CUSTOMER CHARGE	$11.00	N/A	$11.00
	DISTRIBUTION CHARGE (cents/therm)	49.531	10.715	60.246
GS-600	GENERAL SERVICE - 600			
	CUSTOMER CHARGE	$12.00	N/A	$12.00
	DISTRIBUTION CHARGE (cents/therm)	43.663	6.206	49.869
GS-1.2K	GENERAL SERVICE - 1.2K			
	CUSTOMER CHARGE	$15.00	N/A	$15.00
	DISTRIBUTION CHARGE (cents/therm)	31.715	3.792	35.507
GS-6K	GENERAL SERVICE - 6K			
	CUSTOMER CHARGE	$30.00	N/A	$30.00
	DISTRIBUTION CHARGE (cents/therm)	27.487	3.160	30.647
GL	GAS LIGHTING			
	CUSTOMER CHARGE	$0	N/A	$0
	DISTRIBUTION CHARGE (cents/therm)	59.535	6.070	65.605
GS-25K	GENERAL SERVICE - 25K			
	CUSTOMER CHARGE	$80.00	N/A	$80.00
	DISTRIBUTION CHARGE (cents/therm)	27.618	3.122	30.740
GS-60K	GENERAL SERVICE - 60K			
	CUSTOMER CHARGE	$150.00	N/A	$150.00
	DISTRIBUTION CHARGE (cents/therm)	27.477	2.972	30.449
GS-120K	GENERAL SERVICE - 120K			
	CUSTOMER CHARGE	$250.00	N/A	$250.00
	DISTRIBUTION CHARGE (cents/therm)	18.084	2.193	20.277
	DEMAND CHARGE (per demand charge quantity)	$0.289	N/A	$0.289
GS-250K	GENERAL SERVICE - 250K			
	CUSTOMER CHARGE	$300.00	N/A	$300.00
	DISTRIBUTION CHARGE (cents/therm)	17.191	2.070	19.261
	DEMAND CHARGE (per demand charge quantity)	$0.289	N/A	$0.289
GS-1,250K	GENERAL SERVICE - 1,250K			
	CUSTOMER CHARGE	$500.00	N/A	$500.00
	DISTRIBUTION CHARGE (cents/therm)	12.225	1.507	13.732
	DEMAND CHARGE (per demand charge quantity)	$0.289	N/A	$0.289

Item 15

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: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Doherty, Draper)
Office of the General Counsel (Mapp)

RE: Docket No. 20170193-GU – Petition for approval of transportation service agreement with Florida Public Utilities Company, by Peninsula Pipeline Company, Inc.

AGENDA: 12/12/17 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On September 1, 2017, Peninsula Pipeline Company, Inc. (Peninsula) filed a petition seeking approval of a firm transportation service agreement (Agreement) between Peninsula and Florida Public Utilities Company (FPUC), collectively the parties, for an extension in New Smyrna Beach. Peninsula operates as a natural gas transmission company as defined by Section 368.103(4), Florida Statutes (F.S.).[1] FPUC is a local distribution company (LDC) subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, F.S.

[1] Order No. PSC-06-0023-DS-GP, issued January 9, 2006, in Docket No 050584-GP, *In re: Petition for declaratory statement by Peninsula Pipeline Company, Inc. concerning recognition as a natural gas transmission company under Section 368.101, F.S., et seq.*

In Order No. PSC-07-1012-TRF-GP[2] Peninsula received approval of an intrastate gas pipeline tariff that allows it to construct and operate intrastate pipeline facilities and to actively pursue agreements with gas customers. Peninsula provides transportation service only, and does not engage in the sale of natural gas. Pursuant to Order No. PSC-07-1012-TRF-GP Peninsula is allowed to enter into certain gas transmission agreements without prior Commission approval. However, Peninsula is requesting Commission approval of this Agreement as it does not fit any of the criteria enumerated in the tariff for which Commission approval would not be required.[3] Both Peninsula and FPUC are subsidiaries of Chesapeake Utility Corporation (Chesapeake), and agreements between affiliated companies must be approved by the Commission pursuant to Section 368.105, F.S., and Order No. PSC-07-1012-TRF-GP.

Pursuant to the proposed Agreement (Attachment A to the petition), Peninsula will construct a new natural gas pipeline in the New Smyrna Beach area and relocate an existing gate station that is in a populated area. During its evaluation of the petition, staff issued a data request to both Peninsula and FPUC for which responses were received on October 2, 2017. The Commission has jurisdiction over this matter pursuant to Sections 366.05(1), 366.06, and 368.105. F.S.

[2] Order No. PSC-07-1012-TRF-GP, issued December 21, 2007, in Docket No. 070570-GP, *In re: Petition for approval of natural gas transmission pipeline tariff by Peninsula Pipeline Company, Inc.*
[3] Peninsula Pipeline Company, Inc., Intrastate Pipeline Tariff, Original Vol. 1, Sheet No. 12, Section 4.

Discussion of Issues

Issue 1: Should the Commission approve the Agreement between Peninsula and FPUC?

Recommendation: Yes. The Commission should approve the proposed Agreement between Peninsula and FPUC dated August 25, 2017. (Doherty, Draper)

Staff Analysis: FPUC provides natural gas service to residential and commercial/industrial customers in the New Smyrna Beach area. As discussed in the petition, FPUC is currently experiencing operational pressure issues on its distribution system which have hindered FPUC's ability to provide adequate service to the outer edges of New Smyrna Beach during peak periods. Peak periods occur typically in the winter and cold weather lowers the pressure of gas, causing delivery of gas issues. The pressure issues have also directly impacted economic growth development in both the large commercial and small industrial sectors. Finally, a current FPUC gate station is located inside an active RV park, raising safety concerns.

To address the issues discussed above, FPUC and Peninsula entered into the proposed Agreement. This Agreement will be in effect for an initial period of 20 years and shall be extended for additional 10-year increments. The Agreement will provide resolution to the pressure problems, improve the reliability, and relocate the gate station from the RV park. Specifically, pursuant to the Agreement, Peninsula will undertake two new projects discussed in more detail below.

First, Peninsula will relocate the gate station that is currently inside an RV park to a new site adjacent to the Highway 92 right-of-way just north of the current site. Peninsula provided photos of the gate station and adjacent RV park in Attachment B to the petition.

Second, Peninsula will construct and own a new pipeline, referred to as the New Smyrna Beach Line in the proposed Agreement. The new 14.7 mile pipeline will interconnect with the interstate Florida Gas Transmission (FGT) pipeline's Daytona West gate station on US Highway 92, approximately one mile west of Interstate 95 in Volusia County. The pipeline will travel south where it will interconnect with FPUC's existing pipeline in New Smyrna Beach. The New Smyrna Beach Line is shown in the map in Attachment A to this recommendation as the solid blue line. Peninsula stated that it is required to obtain approvals from the Florida Department of Transportation and the Florida Department of Environmental Protection for the pipeline, which Peninsula expects to receive soon. Construction is expected to be completed in early 2018.

FPUC's existing 4 inch pipeline that has been serving the New Smyrna Beach area will remain in service as a distribution line. The New Smyrna Beach Line will be larger in diameter (8 inches) and will be located entirely within the public rights-of-way. The New Smyrna Beach Line will also operate at a higher delivery pressure than FPUC's existing line to alleviate the existing pressure problems and support growth in the area.

The parties assert that the negotiated monthly reservation charge contained in the Agreement is consistent with a market rate in that they are within the ranges of rates set forth in similar agreements as required by Section 368.105(3)(b), F.S. In response to staff's data request, Peninsula provided a comparison of construction costs (confidential) for other similar

agreements entered into by Peninsula. While construction costs vary for each project due to pipe size, construction conditions, permitting, etc., staff believes that Peninsula's construction and on-going maintenance costs for the proposed new line appear reasonable and comparable to other projects.

FPUC is proposing to recover the payments to Peninsula under the proposed Agreement from its customers through its Purchased Gas Adjustment (PGA) and Swing Service Rider mechanisms consistent with other gas transmission pipeline costs incurred by FPUC. FPUC provided information showing that the impact on the PGA will be minor ($0.042 per therm for 2018). While FPUC will incur costs associated with this service expansion, any new load will help spread the costs over a larger customer base.

The benefit of Peninsula, as opposed to FPUC, constructing the new pipeline, is primarily that Peninsula's construction and ownership of the pipeline will avoid FPUC undertaking the costs and risks for this project, which in turn protects FPUC's ratepayers. Prior to entering into an agreement with Peninsula, FPUC stated that it engaged in a conversation with FGT regarding the possibility of FGT building the new pipeline; however, the conversation did not produce an economically viable solution. In response to staff's data request, FGT's project estimate is higher than Peninsula's cost.

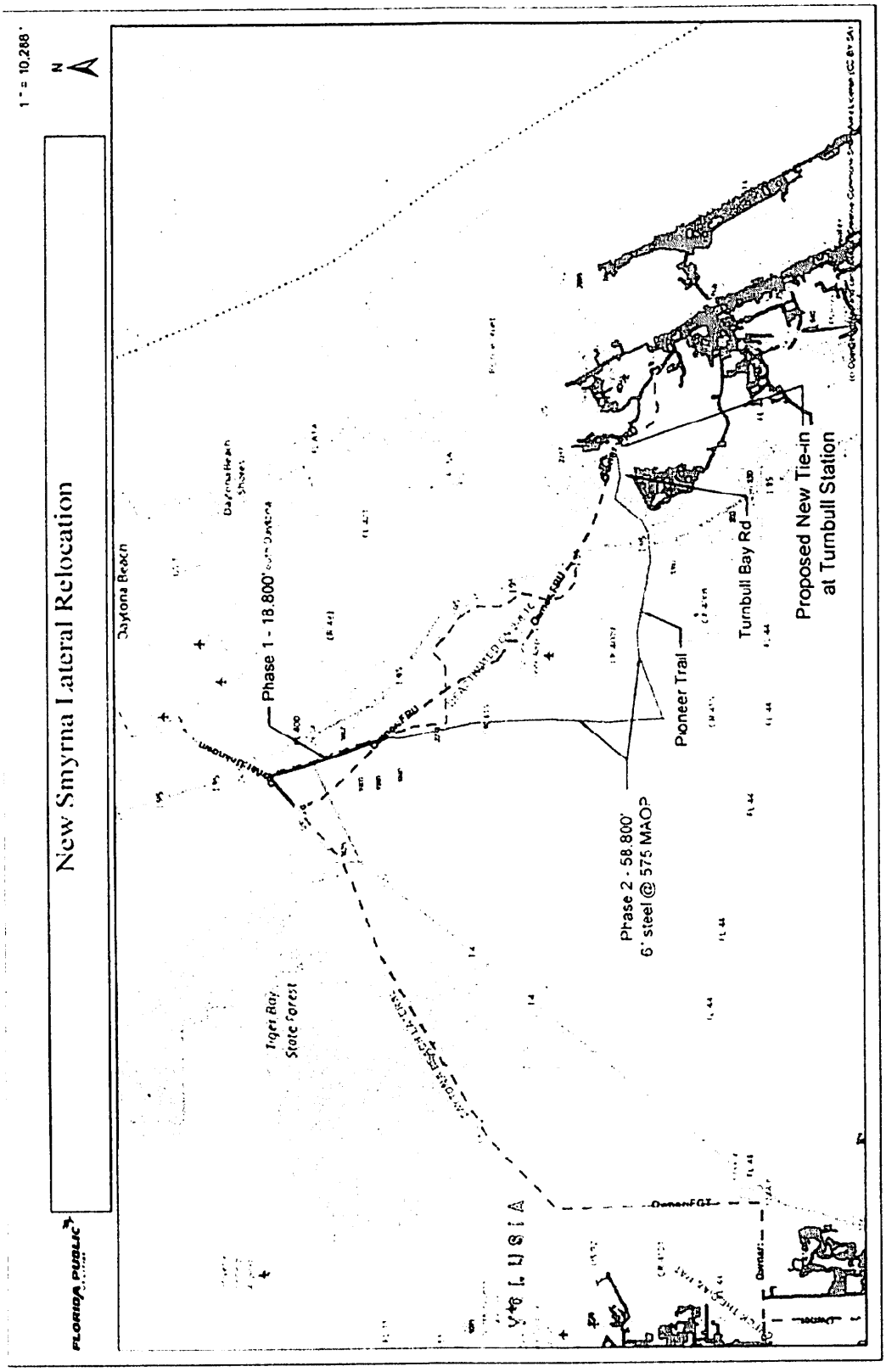
Conclusion

Based on the petition and responses from Peninsula to staff's data request, staff believes the proposed Agreement is cost effective, reasonable, meets the requirements of Section 368.105, F.S., and benefits FPUC's customers. Staff therefore recommends approval of the proposed Agreement between Peninsula and FPUC dated August 25, 2017.

Issue 2: Should this docket be closed?

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

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


New Smyrna Lateral Relocation
1" = 10,288'
N
FLORIDA PUBLIC
Daytona Beach
Phase 1 - 18,800' 6" steel @ 575 MAOP
Phase 2 - 58,800' 6" steel @ 575 MAOP
Poneer Trail
Turnbull Bay Rd
Proposed New Tie-in at Turnbull Station
Tiger Bay State Forest
VOLUSIA

Item 16

\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: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Ollila) J.O. ELD RD
Office of the General Counsel (Trierweiler, Dziechciarz)

RE: Docket No. 20170206-GU – Petition for approval of tariff modifications to accommodate receipt and transportation of renewable natural gas from customers, by Peoples Gas System.

AGENDA: 12/12/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 8-Month Effective Date: 5/19/18 (60-day suspension date waived by the utility)

SPECIAL INSTRUCTIONS: None

Case Background

Peoples Gas System (Peoples or company) is a local distribution company subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, Florida Statutes (F.S.), and serves approximately 365,000 natural gas customers across Florida. On September 19, 2017, Peoples filed a petition for approval of tariff modifications to accommodate the receipt of renewable natural gas (RNG) on the company's distribution system. RNG is biogas that has been processed to meet pipeline quality standards. Biogas sources include wastewater treatment plants, landfills, municipal solid waste, livestock manure, agricultural residues, and energy crops.

According to Peoples, local distribution companies in other states, e.g., SoCalGas in California, have begun to accept natural gas into their systems from customers who produce pipeline-quality natural gas from renewable biomass sources. Exhibit A attached to the petition contains an

article discussing RNG and its applications in other states and Europe. This is the first tariff filing by a Florida natural gas utility giving biogas producers the option of delivering RNG into the utility's distribution system.

In an email, the company waived the 60-day suspension deadline pursuant to Section 366.06(3), F.S. On October 20, 2017, the company filed responses to staff's first data request, including a modification to its proposed new tariff sheet No. 7.404-1. In response to staff's data request, Peoples also withdrew its proposed revisions to tariff sheet Nos. 7.101-5 and 7.101-6 as the changes were not necessary. The proposed tariff sheets are contained in Attachment A. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, F.S.

Discussion of Issues

Issue 1: Should the Commission approve Peoples' proposed tariff modifications?

Recommendation: Yes, the Commission should approve Peoples' proposed tariff modifications, as revised on October 20, 2017, effective December 12, 2017. (Ollila)

Staff Analysis:

Background

In its petition, Peoples stated that it has been approached by potential customers (e.g., landfill operators and wastewater treatment plant owners) who wish to deliver RNG into Peoples' distribution system. The potential projects are waste-to-energy requests for proposals (RFPs) issued by local governments including Hillsborough, Polk, and Volusia Counties, as well as the City of St. Petersburg. According to Peoples, the potential projects would reuse waste gas that now escapes into the atmosphere or is flared (burned off).

The biogas producer could use the RNG onsite or contract with a customer who will purchase the RNG from the biogas producer. Potential customers may include compressed natural gas (CNG) fill stations and industrial customers, or Peoples could purchase the RNG, thus displacing a portion of traditional (geologic) natural gas with RNG.

Proposed Tariff Modifications

Peoples proposed two tariff modifications: (1) modifications to current tariffs to accommodate the receipt of RNG from biogas producers and (2) a proposed new rate schedule for Renewable Natural Gas Service (RNGS) for conditioning services. The two modifications are discussed below.

Modifications to Current Tariffs

Peoples is proposing to modify Rate Schedules GS-3 (50,000 – 249,999 therms per year), GS-4 (250,000 – 499,999 therms per year), and GS-5 (500,000+ therms per year) to add provisions related to Peoples' receipt of RNG into its system. Biogas producers, who contract with Peoples to deliver RNG into Peoples' distribution system, would be billed by Peoples the otherwise applicable base rates for the use of Peoples' distribution system to transport the RNG. While biogas producers would pay tariffed base rates, biogas producers would not pay the company's purchased gas adjustment clause and the energy conservation cost recovery clause. If the RNG is used on-site only by the biogas producer, the biogas producer would not pay Peoples' base rates (i.e., GS-3 through GS-5) since there is no transport of RNG on Peoples' system.

Other proposed modifications to Peoples' current tariffs address gas quality. Peoples describes these tariff modifications as relatively minor since the company believes that the tariff's existing provisions related to gas quality are sufficient. Peoples proposes to add a sentence stating that the company may refuse to accept any gas or RNG tendered by a biogas producer to Peoples if the gas does not meet the quality standards set out in the tariff. According to Peoples, the primary goal of these modifications is to ensure that any RNG delivered into the company's system by a biogas producer does not adversely affect the safety or operation of the system.

New Rate Schedule RNGS

Peoples may provide the necessary services to condition or upgrade the biogas in order to convert the biogas into pipeline quality RNG. The company explained that each RNG project is expected to vary in scope, site conditions, and biogas characteristics such as methane content; the company anticipates that most biogas will require some processing prior to injection into Peoples' system. The upgrading services can also be provided by private companies; in that case, Peoples would only test the quality of the RNG before it enters its system. If a biogas producer contracts with a private entity to provide the upgrading services, the RNGS tariff would not apply.

The proposed new RNGS rate schedule will allow Peoples to recover from biogas producers the cost of upgrading the biogas. The RNGS rate schedule does not contain standard charges, as the services provided will vary based on the steps needed to upgrade the biogas to RNG. The monthly services charge would be equal to a mutually agreed upon percentage (between Peoples and the biogas producer) multiplied by Peoples' gross investment in the facilities necessary to provide biogas upgrading services. The gross investment may include facilities such as blowers, chillers, condensate removal equipment, quality monitoring equipment, etc. Peoples explained that the monthly services charge would be designed to recover the revenue requirement, including the operations and maintenance costs, associated with constructing and operating the biogas processing infrastructure.

Under Peoples' proposal, its RNG service would not include services related to capturing or producing biogas. In addition, title to the biogas, both before and after any conditioning necessary to transform it into RNG, would remain with the biogas producer.

Potential Benefits of RNG

In its petition, Peoples explained that its proposed tariff modifications address the needs of its customers and are responsive to inquiries from owners and developers of biogas sources. Peoples asserted that service under the proposed tariff modifications will cover costs and provide benefits to Peoples' system and its general body of ratepayers while maintaining current safety and operational requirements for the company's gas distribution system. Peoples stated that it believes its proposed tariff modifications are reasonable and consistent with the legislatively expressed state policy of encouraging the use of renewable fuels.

In response to staff's request to discuss the potential benefits to the general body of ratepayers of the proposed RNG tariffs, Peoples stated that the proposed tariff could provide improved environmental compliance and new revenue sources for owners and producers of biogas, which could in turn provide opportunities to stimulate local economies and create jobs. RNG is interchangeable with pipeline gas; therefore, opportunities may be available for Peoples to enhance the diversity of its gas supply. In addition, RNG used in natural gas vehicles furthers the goal of reducing reliance on traditional liquid fuel sources.

Conclusion

After review of the company's petition and its responses to staff's data request, staff believes that the proposed RNG program and tariff provisions are reasonable and will cover the associated cost; therefore, staff recommends approval of the proposed tariff modifications, as revised on October 20, 2017, effective December 12, 2017.

Issue 2: Should this docket be closed?

Recommendation: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Trierweiler)

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

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

~~Second~~ Third Revised Sheet No. 4.101
Cancels ~~First~~ Second Revised Sheet No. 4.101

TECHNICAL TERMS AND ABBREVIATIONS

ABSOLUTE PRESSURE. Atmospheric pressure of 14.73 p.s.i.a. plus gauge.

APPLICATION FOR GAS SERVICE. A request for Gas Service made to the Company by a prospective Customer. Applications for residential Gas Service may be made by telephone or in person at the office of the Company. An application for any other class of Gas Service offered by Company shall be submitted to the Company in writing on the Company's standard form of Application For Gas Service.

AUTHORIZED PAYMENT AGENT. A legal entity designated by the Company as authorized to receive, on behalf of the Company, payment of bills for Gas Service rendered by Company to Customers. A third party with which a Customer may enter into a payment processing arrangement (or to which a Customer may direct that bills for Gas Service be mailed or otherwise delivered) is not an Authorized Payment Agent unless the Company has entered into an agreement with such third party to act as an Authorized Payment Agent of the Company.

BILLING PERIOD. Bills are rendered each month, based on regularly scheduled Meter readings which are approximately 30 days apart.

BIOGAS. Untreated gas produced from agricultural, animal, or municipal waste.

BRITISH THERMAL UNIT. The quantity of heat required to raise the temperature of one pound of water from 59°F. to 60°F. at a constant pressure of 14.73 p.s.i.a.

BTU. British Thermal Unit.

COMMISSION. The Florida Public Service Commission.

COMPANY. Peoples Gas System, a division of Tampa Electric Company, a Florida Corporation.

CUBIC FOOT OF GAS. For Gas delivered at the Standard Delivery Pressure, a Cubic Foot of Gas is the volume of Gas which, at the temperature and pressure existing in the Meter, occupies one cubic foot. For Gas delivered at other than the Standard Delivery Pressure, a Cubic Foot of Gas is that volume of Gas which, at a temperature of 60°F. and at Absolute Pressure of 15.09 pounds per square inch for Panama City Operating Area and 14.98 pounds per square inch for the remainder of PGS's service territory, occupies one cubic foot.

CUSTOMER. Any person or prospective user (not limited to account holder or payor) of the Company's Gas Service, his authorized representative (builder, architect, engineer, electrical contractor, etc.), or others for whose benefit such Gas Service is or is proposed to be supplied (property owner, landlord, tenant, occupant, renter, etc.). When Gas Service is desired at more than one location, the Point of Delivery at each such location shall be considered as a separate Customer.

CUSTOMER'S INSTALLATION. All pipe, fittings, appliances and apparatus of every type (except metering, regulating and other similar equipment which remains the property of the Company) located on the Customer's side of the Point of Delivery and used in connection with or forming a part of an installation for utilizing Gas for any purpose.

FORCE MAJEURE. Any cause, whether of the kind herein enumerated or otherwise, and whether caused or occasioned by or happening on account of the act or omission of Company or Customer or any other person or concern, not reasonably within the control of the Company and which by the exercise of due diligence the Company is unable to prevent or overcome, and such causes shall include but not be limited to:

(1) (a) in those instances where the Company, Customer or a third party is required to obtain servitudes, rights-of-way grants, permits or licenses to enable the Company to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, rights-of-way grants, permits or licenses; and
(b) in those instances where the Company, Customer or a third party is required to furnish

TECHNICAL TERMS AND ABBREVIATIONS (Continued)

materials and supplies for the purpose of constructing or maintaining facilities or is required to secure grants or permissions from any governmental agency to enable such part to fulfill its obligations hereunder, the inability of the party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies, permits and permissions;

(2) a hurricane, storm, heat wave, lightning, freeze, severe weather event, earthquake or other act of God; or

(3) fire, explosion, war, riot, labor strike, terrorism, acts of the public enemy, lockout, embargo, civil disturbance, interference or regulation by federal, state or municipal governments, injunction or other legal process or requirement.

It is understood and agreed that the settlement of strikes, lockouts or other labor difficulties shall be entirely within the discretion of the party having the difficulty.

GAS. Natural Gas or a mixture of gases suitable for fuel, delivered through the Company's distribution system, having a heating value of not less than 1,000 BTU's per cubic foot.

GAS SERVICE. The supplying of Gas (or the transportation of Gas) by the Company to a Customer.

GAS SERVICE FACILITIES. The service line, Meter, and all appurtenances thereto necessary to convey Gas from the Company's Main to the Point of Delivery and which are owned by Company.

HIGH PRESSURE. Gas delivered at any pressure above the Standard Delivery Pressure.

MAIN. The pipe and appurtenances installed in an area to convey Gas to other Mains or to service lines.

METER. Any device or instrument used to measure and indicate volumes of Gas which flow through it.

METER READING DATE. The date upon which an employee of the Company reads the Meter of a Customer for billing purposes.

NORMAL BUSINESS HOURS. 8 a.m. to 5 p.m. Monday through Friday, excluding Federal holidays.

PANAMA CITY OPERATING AREA. The Panama City Operating Area consists of those Counties and Communities identified in Section 6.

POINT OF DELIVERY. The point at which Company's Gas Service facilities are connected to the Customer's Installation, and at which the Customer assumes responsibility for further delivery and use of the Gas. In all cases, the Point of Delivery for Gas to a Customer shall be at the outlet side of the meter or regulator, if any, whichever is farther downstream. The Point of Delivery shall be determined by Company.

RESIDENTIAL. When used to modify the term "Customer," means a Customer whose use of Gas is for residential purposes, regardless of the rate schedule pursuant to which such Customer receives Gas Service provided by Company.

RNG. Renewable Natural Gas, or gas produced from agricultural, animal, or municipal or other waste that, with or without further processing, (a) has characteristics consistent with the Company's compositional and quality standards for Gas, and (b) in the sole view of the Company does not otherwise pose a hazard to inclusion in the Company's distribution lines when co-mingled with Gas.

STANDARD DELIVERY PRESSURE. The Standard Delivery Pressure for Panama City Operating Area shall be 10 inches of water column (.36 p.s.i.g.). The Standard Delivery Pressure for the remainder of PGS service territory shall be 7 inches of water column (.25 p.s.i.g). No adjustment will be made for variations from the normal atmospheric pressure at the Customer's Meter. Gas delivered at Standard Delivery Pressure may vary from three inches to 15 inches of water column.

MEASUREMENT (Continued)

e. Unless determined to be otherwise by a gravity balance the specific gravity of the flowing Gas shall be assumed to be 0.6.

f. When sales or transportation volumes are metered at pressures of 10 p.s.i.g. (pounds per square inch gauge) and over, and where such volumes are also corrected for flowing temperatures other than assumed 60 degrees Fahrenheit, such volumes shall be corrected for deviations from Boyles Law by use of the appropriate supercompressibility factor.

3. Sales and Transportation Unit

a. The sales and transportation unit of the Gas shall be the Therm, being 100,000 BTUs. The number of Therms billed to a Customer shall be determined by multiplying the number of Cubic Feet of Gas delivered at the Standard Delivery Pressure and 60 degrees Fahrenheit, by the total heating value of such gas in BTUs per cubic foot and dividing the product by 100,000.

b. The total heating value of the Gas delivered to the Customer shall be determined as that reported monthly by the Company's Gas transporters, provided such value is applicable to the Gas delivered to the Customer, or such value shall be determined by the Company by use of a calorimeter or other instrument suitable for heating value determination. The total heating value shall be corrected to and expressed as that contained in the Unit of Sales and Transportation Volume defined above.

4. Quality

All Gas delivered or caused to be delivered into the Company's facilities shall conform to the Gas quality specifications set forth in the FERC or FPSC Tariff of the ~~interstate~~ pipeline company that delivers such Gas to a Delivery Point on the Company's system or in the event Gas is delivered to the Company's facilities other than by a ~~n interstate~~ pipeline company, such Gas shall be merchantable and

a. be free of objectionable liquids and solids and be commercially free from dust, gums, gum-forming constituents, or other liquid or solid matter which might become separated from the Gas in the course of transportation through the interstate or intrastate pipeline or the Company's system or which could cause inaccurate measurement;

b. be free from noxious and harmful fumes when burned in a properly designed and adjusted burner;

c. not contain more than 20 grains of total sulfur or 0.25 grains of hydrogen sulfide per 100 cubic feet of Gas;

d. not contain more than 3% by volume of carbon dioxide or nitrogen;

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

First Revised Sheet No. 5.501-4
~~Original~~ Cancels Original Sheet No. 5.501-4

MEASUREMENT (Continued)

e. not contain more than 1% by volume of oxygen;

f. not contain more than 7 pounds of water per 1,000 MCF;

g. have a temperature of not more than 120 degrees Fahrenheit, nor less than 40 degrees Fahrenheit;

h. have a maximum Wobbe value of 1,396

i. have a gross heating value of at least 1,000 BTU per ~~cubit~~ cubic foot of dry Gas but not higher than 1,075 BTU per cubic foot of dry Gas at 60 degrees Fahrenheit and at a pressure of 14.73 pounds per square inch absolute.

To the extent within its control, the Company shall deliver Gas which is free of dangerous or objectionable quantities of impurities such as hydrogen sulfide or other impurities which may cause excessive corrosion of Mains or piping or from noxious or harmful fumes when burned in a properly designed and adjusted burner. This provision is intended to protect the health and safety of the public and in no manner does it guarantee compatibility with the operation of delicate or sensitive machinery, instruments, or other types of apparatus which may be damaged by moisture, grit, chemicals or other foreign substances which may be present in the Gas but which are nevertheless within limits recognized as allowable in good practice.

Company, at its sole option, may refuse to accept any Gas or RNG tendered to Company by a Customer or for its account if such Gas or RNG does not meet the requirements of this paragraph 4 at the time of such tender.

Issued By: ~~William N. Cantrell~~T. J. Szelistowski, President
Issued On: ~~May 10, 2000~~

Effective: ~~June 18, 2000~~

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

~~Third~~ Fourth Revised Sheet No. 7.303-2
Cancels ~~Second~~ Third Revised Sheet No. 7.303-2

GENERAL SERVICE - 3
Rate Schedule GS-3

Availability:

Throughout the service areas of the Company.

Applicability:

Gas delivered to any Customer (except a Customer whose only Gas-consuming appliance or equipment is a standby electric generator) using, and RNG delivered into Company's system by any Customer delivering, ~~-~~50,000 through 249,999 Therms per year. A Customer eligible for service pursuant to this rate schedule is eligible for transportation service under Rider NCTS and may be eligible for transportation service under Rider ITS.

Monthly Rate:

Customer Charge:	$150.00 per month
Distribution Charge:	$0.19670 per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under the Company's Rider NCTS or Rider ITS. Company's Purchased Gas Adjustment Clause shall not apply to bills for Therms of RNG delivered into Company's system.

Minimum Bill: The Customer charge.

Special Conditions:

1. When the Customer receives service under the Company's Natural Choice Transportation Service Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3.

2. Except in the case of Therms of RNG delivered into the Company's system, t~~T~~he rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2.

3. A contract for an initial term of one year may be required as a condition precedent to service under this schedule, unless an extension of facilities is involved, in which case the term of the contract shall be the term required under the agreement for the facilities extension.

4. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.

Issued By: ~~William N. Cantrell~~T. J. Szelistowski, President
Issued On: ~~May 19, 2009~~

Effective: ~~June 18, 2009~~

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

~~Third~~ Fourth Revised Sheet No. 7.303-4
Cancels ~~Second~~ Third Revised Sheet No. 7.303-4

GENERAL SERVICE - 4
Rate Schedule GS-4

Availability:

Throughout the service areas of the Company.

Applicability:

Gas delivered to any Customer (except a Customer whose only Gas-consuming appliance or equipment is a standby electric generator) using, and RNG delivered into Company's system by any Customer delivering, 250,000 through 499,999 Therms per year. A Customer eligible for service pursuant to this rate schedule is eligible for transportation service under Rider NCTS or Rider ITS.

Monthly Rate:

Customer Charge:	$250.00 per month
Distribution Charge:	$0.15215 per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under the Company's Rider NCTS or Rider ITS. Company's Purchased Gas Adjustment Clause shall not apply to bills for Therms of RNG delivered into Company's system.

Minimum Bill: The Customer charge.

Special Conditions:

1. When the Customer receives service under the Company's Natural Choice Transportation Service Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3.

2. Except in the case of Therms of RNG delivered into the Company's system, t~~T~~he rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2.

3. A contract for an initial term of one year may be required as a condition precedent to service under this schedule, unless an extension of facilities is involved, in which case the term of the contract shall be the term required under the agreement for the facilities extension.

4. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.

Issued By: ~~William N. Cantrell~~T. J. Szelistowski, President
Issued On: ~~May 19, 2009~~

Effective: ~~June 18, 2009~~

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

~~Seventh~~ Eighth Revised Sheet No. 7.304
Cancels ~~Sixth~~ Seventh Revised Sheet No. 7.304

GENERAL SERVICE - 5
Rate Schedule GS-5

Availability:

Throughout the service areas of the Company.

Applicability:

Gas delivered to any Customer (except a Customer whose only Gas-consuming appliance or equipment is a standby electric generator) using, and RNG delivered into Company's system by any Customer delivering, a minimum of 500,000 Therms per year or more at one billing location.

A Customer eligible for service under this rate schedule is eligible for transportation service under either Rider NCTS or Rider ITS.

Monthly Rate:

Customer Charge:	$300.00 per month
Distribution Charge:	$0.11321 per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under either the Company's Rider NCTS or Rider ITS. Company's Purchased Gas Adjustment Clause shall not apply to bills for Therms of RNG delivered into Company's system.

Minimum Bill: The Customer charge.

Special Conditions:

1. When the Customer receives service under the Company's Natural Choice Transportation Service Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3.

2. Except in the case of Therms of RNG delivered into the Company's system, t~~T~~he rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2.

3. A contract for an initial term of one year may be required as a condition precedent to service under this schedule, unless an extension of facilities is involved, in which case the term of the contract shall be the term required under the agreement for the facilities extension.

4. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.

Issued By: ~~William N. Cantrell~~T. J. Szelistowski, President
Issued On: ~~May 19, 2009~~

Effective: ~~June 18, 2009~~

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

Original Sheet No. 7.404

RENEWABLE NATURAL GAS SERVICE
Rate Schedule RNGS

Availability:

Throughout the service areas of the Company.

Applicability:

For biogas conditioning/upgrading services for RNG produced by eligible Customers, to be utilized onsite by Customer, or delivered into Company's distribution system for transportation and delivery pursuant to Rate Schedules GS-3, GS-4 or GS-5 to a compressed natural gas station or other point of delivery on Company's system. Renewable Natural Gas Service ("RNG Service") under this Schedule is contingent on arrangements mutually satisfactory to the Customer and Company for the design, location, construction, and operation of conditioning facilities required for the Company's provision of RNG Service.

Monthly Services Charge:

RNG Service is available under the rate schedules referenced under "Applicability" above based on Customer's annual deliveries of RNG into Company's distribution system as determined by Company. The charges, terms and conditions of the applicable rate schedule shall apply unless otherwise provided in this rate schedule. In addition to those charges provided by the rate schedule pursuant to which the Customer delivers RNG to Company, Customer shall pay a Monthly Services Charge, which shall be equal to a mutually agreed percentage multiplied by the Company's Gross Investment, as determined by the Company, in the facilities required to provide RNG Service to the Customer. As used in this schedule, "Gross Investment" means the total installed cost of such facilities, as determined by Company, which facilities may include but are not limited to blowers, chillers, condensate removal equipment, compressors, heat exchangers, driers, gas constituent removal equipment, quality monitoring equipment, storage vessels, controls, piping, metering, propane injection, and any other related appurtenances including any redundancy necessary to provide reliable RNG Service, before any adjustment for accumulated depreciation, a contribution in aid of construction, etc. The agreement between Company and Customer may require a commitment by the Customer to purchase RNG Service for a minimum period of time, to take or pay for a minimum amount of RNG Service, to make a contribution in aid of construction, to furnish a guarantee, such as a surety bond, letter of credit, other means of establishing credit, and/or to comply with other provisions as determined appropriate by the Company.

The Company's provision of RNG Service does not include the provision of electricity, natural gas, or any other fuels required to operate the Company's facilities or to be added to the RNG produced by Customer. Company-provided RNG Service shall not include services related to the capturing or production of biogas or RNG. Ownership of RNG produced by Customer shall remain with Customer before, during and after Company's provision of RNG Service, and Customer shall remain solely responsible for determining the end-user of such RNG.

Issued By: T. J. Szelistowski, President
Issued On: 23

Effective:

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

Original Sheet No. 7.404-1

RENEWABLE NATURAL GAS SERVICE (continued)

If a Customer desires to phase in its deliveries of RNG into Company's system over a period of years the Monthly Services Charge may, in the discretion of Company, be phased-in over the term of the agreement between Customer and Company. The terms of any such phase-in shall be included in the agreement between Customer and Company.

Issued By: T. J. Szelistowski, President
Issued On:

Effective:

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Item 17

+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: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Friedrich, Hudson) SH MF
Office of the General Counsel (Taylor) WDT

RE: Docket No. 20160220-WS – Application for original water and wastewater certificates in Sumter County, by South Sumter Utility Company, LLC.

AGENDA: 12/12/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: 12/11/17 (60-Day Suspension Date Waived by the Utility to 12/12/17)

SPECIAL INSTRUCTIONS: None

Case Background

On October 11, 2016, South Sumter Utility Company, L.L.C. (South Sumter or utility) filed its application for original water and wastewater certificates in Sumter County. Simultaneously, with its application, the utility filed a Motion for Temporary Rule Waiver of Rules 25-30.033(1)(p) and (q) for filing support for rates and charges and tariffs required in the rate setting process. On February 24, 2017, the Commission granted the utility's request for a temporary waiver and Original Certificate Nos. 669-W and 571-S for its water and wastewater systems.[1]

On October 12, 2017, the utility filed its petition to establish initial rates and charges. Section 367.081(6), Florida Statutes (F.S.), provides that the Commission may, for good cause, withhold consent of implementation of the requested rates within 60 days after the date the rate request is

[1]Order No. PSC-17-0059-PAA-WS, issued February 24, 2017, in Docket No. 20160220-WS, *In re: Application for original water and wastewater certificates in Sumter County, by South Sumter Utility Company, LLC*

filed. The original 60-day statutory deadline for the Commission to suspend the utility's initial rates and charges is December 11, 2017. However, by letter dated November 15, 2017, the utility agreed to extend the statutory time frame by which the Commission is required to address the suspension of South Sumter's initial rates and charges to December 12, 2017. This recommendation addresses the suspension of the utility's requested final rates. The Commission has jurisdiction pursuant to Section 367.081(6), F.S.

Discussion of Issues

Issue 1: Should the utility's initial water and wastewater rates and charges be suspended?

Recommendation: Yes. The utility's initial water and wastewater rates and charges should be suspended. (Friedrich)

Staff Analysis: Pursuant to Section 367.091(6), F.S., the Commission may withhold consent to operation of any or all portions of new rate schedules by a vote to that effect within 60 days, giving a reason or statement of good cause for withholding consent. Staff is recommending that the tariff be suspended to allow staff sufficient time to review the application and gather all pertinent information to present the Commission an informed recommendation on the proposed tariff. In efforts for staff to gather additional information related to this case, the utility and staff participated in an informal conference call on November 11, 2017 and staff's first data request was sent on November 22, 2017. Staff believes that this reason is a good cause consistent with the requirement of Section 367.091(6), F.S. Based on the above, the utility's initial water and wastewater rates and charges should be suspended

Issue 2: Should this docket be closed?

Recommendation: This docket should remain open pending the Commission's final action on the utility's request to establish its original water and wastewater rates. (Taylor)

Staff Analysis: This docket should remain open pending the Commission's final action on the utility's request to establish its original water and wastewater rates.

Item 18

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: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Bruce, Hudson)
Division of Accounting and Finance (Golden, Galloway)
Division of Engineering (Buys)
Office of the General Counsel (Murphy)

RE: Docket No. 20130265-WU – Application for staff-assisted rate case in Charlotte County by Little Gasparilla Water Utility, Inc.

AGENDA: 12/12/17 – Regular Agenda – Proposed Agency Action Except Issues 3 and 4 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Table of Contents

Case Background

Little Gasparilla Water Utilities, Inc., (Little Gasparilla or Utility) is a Class B water Utility serving approximately 444 customers on Little Gasparilla Island in Charlotte County. The Utility's service area is on a private island, which consists primarily of vacation homes.

The Utility filed an application for a staff-assisted rate case in the instant docket on November 4, 2013. According to Little Gasparilla's 2016 annual report, total gross revenues were $399,196, and total operating expenses were $409,016, resulting in a net loss of $9,820. By Order No. PSC-14-0626-PAA-WU, issued October 29, 2014, the Commission approved Phase I rates and the Utility was given until December 3, 2015, to complete the Phase II pro forma construction of a new building and meter replacements (Phase II pro forma projects). However, the Utility encountered financing issues and requested an extension of time to complete the Phase II pro forma projects. By Order No. PSC-16-0023-FOF-WU, issued January 12, 2016, the Commission approved the Utility's request for an extension of time to complete the required Phase II pro forma projects by June 3, 2016.

On May 19, 2016, the Utility requested a second extension of approximately six months to complete the Phase II pro forma projects. Little Gasparilla's reason for the delay in completing the Phase II pro forma projects was due to Charlotte County's potential action to repeal its mandatory water connection ordinance and the effect that it would have on the Utility's ability to borrow funds to finance the Phase II pro forma plant projects. By Order No. PSC-16-0023-FOF-WU, issued July 25, 2016, the Utility was given until December 15, 2016, to complete the pro forma plant items. In addition, Little Gasparilla was required to provide proof that a simplified employee pension plan (SEP) had been established and that contributions to the fund had begun prior to Commission approval of the Phase II rate increase. In response to Staff's Fourth Data Request, the Utility provided proof the SEP had been established.

On December 4, 2016, the Utility requested a third extension through February 28, 2017, to complete the pro forma projects due to the length of time to close the loan to complete the projects, coupled with the holidays, which added more time to assemble the building. The projects were substantially completed in February 2017, and the Utility subsequently provided staff with the required documentation on April 28, 2017. On August 14, 2017, and November 8, 2017, the Office of Public Counsel (OPC) filed letters of concern that are addressed in staff's recommendation. The purpose of this recommendation is to address Phase II rates.

The Commission has jurisdiction pursuant to Sections 367.081, 367.121, and 367.0814, Florida Statutes.

Discussion of Issues

Issue 1: What is the appropriate Phase II revenue requirement, return on equity, and overall rate for Little Gasparilla?

Recommendation: The appropriate revenue requirement is $413,652, resulting in an annual increase of $69,252 for water (20.11 percent). The appropriate return on equity (ROE) is 11.16 percent with a range of 10.16 percent to 12.16 percent. The appropriate overall rate of return is 6.55 percent. (Golden, P. Buys, Galloway)

Staff Analysis: By Order No. PSC-14-0626-PAA-WU, issued October 29, 2014, the Commission approved the following four pro forma projects in the instant docket: (1) a subaqueous pipeline and county interconnection to replace the Utility's aging reverse osmosis water treatment plant (WTP) and begin purchasing bulk water from Charlotte County Utilities (CCU); (2) an extension of the Utility's service lines to the north end of the island to provide water service to 67 additional lots; (3) construction of a new utility building on the site of the retired reverse osmosis treatment plant, to serve as a workshop, storage facility, and utility office; and (4) a meter replacement program to replace the Utility's aging water meters with remote-read meters.[1] The subaqueous pipeline and county interconnection, and the north line extension were scheduled to be completed prior to the effective date of the Phase I rates, and, therefore, were included in the Phase I revenue requirement. The building construction and meter replacement program were scheduled to begin in 2015 after completion of the first two projects, and, therefore, were approved for consideration in a Phase II revenue requirement.

By Order No. PSC-14-0626-PAA-WU, the Commission found each of the requested pro forma projects to be prudent. The reverse osmosis WTP was nearing the end of its useful life and was no longer adequately removing chlorides from the source water. The Commission found the interconnection with CCU to be prudent because: (1) the costs are reasonable when compared to the costs to repair the existing WTP, (2) the quality of the water will improve, and (3) because reverse osmosis plants are more expensive to operate and maintain than other types of WTP, the Utility is expected to realize long-term cost benefits.[2] The project included the construction of an 8-inch subaqueous pipeline that would deliver water from CCU on the mainland to the island. Little Gasparilla's responsibility for the entire pipeline would begin at the master meter located on the mainland. Also, the north line extension was necessary at that time to provide water service to 10 residents on the north end of the island who are located in the Utility's certificated service territory and who had already requested service, and would also enable the Utility to provide service to the remaining lots on the north end of the island that were not yet connected to the Utility's distribution system.[3]

The Commission also found that the construction of the new building is prudent, reasonable, and allows the Utility to serve its customers better.[4] The Florida Department of Environmental

[1]In Docket No. 20130265-WU, *In re: Application for staff-assisted rate case in Charlotte County by Little Gasparilla Water Utility, Inc.*
[2]Order No. PSC-14-0626-PAA-WU, page 3.
[3]Order No. PSC-14-0626-PAA-WU, page 8.
[4]Order No. PSC-14-0626-PAA-WU, page 22.

Protection (DEP) had noted in two Sanitary Survey Reports that the WTP building was deteriorating and that it would be beneficial to address the issue as part of the overall maintenance plan for the facility. Because of the poor condition of the building, the Utility proposed to demolish it and build a new structure on the site. The new building would serve as a workshop, storage facility for repair parts and other equipment, house meter testing equipment, serve as a Utility office, and also include restroom facilities, which did not previously exist at the WTP. At that time, the Utility rented office space on the mainland, which meant that any customers who wanted to visit the Utility office in person would have to do so on the mainland instead of on the island. The Utility indicated that no customers ever visited the mainland office, further illustrating the inconvenience of the mainland location for the customers. Also, the only restrooms available to Utility personnel and others visiting the Utility premises, such as regulatory agency employees, were the public restrooms located at the Hide A Way Beach pool area. The Commission determined that having equipment storage and testing equipment on the island could reduce repair time because the Utility would not have to transport equipment and repair parts to the island. Also, the new building was proposed to be constructed on top of the concrete water tank that would be retired upon completion of the subaqueous pipeline and county interconnection, thereby utilizing the existing land that the Utility currently owns.

In 2013, the Utility's water meters were already approximately 27 years old and in need of replacement. Little Gasparilla proposed to switch to remote-read meters for better meter accuracy, leak detection, and abnormal usage detection. The Utility noted that it sometimes had to estimate a meter reading because the meter was under water, and that this issue would be resolved by using remote read meters. Little Gasparilla proposed to replace 100 existing meters per year for four years. The Commission found Little Gasparilla's proposed four-year meter replacement program prudent and reasonable, and that it would reduce the amount of excessive unaccounted for water (EUW) for the Utility.[5] It was anticipated that the new building construction and the first year of the meter replacement program would be completed at the same time. Consequently, the Commission determined that it would be appropriate to only include the first year of the meter replacement program in order to avoid any unnecessary delays in the Utility's implementation of the Phase II rate increase, which is primarily needed to recover the cost of the new building.

At the September 22, 2014 Agenda Conference, the Commission approved Phase I rates that included estimated pro forma plant additions of $679,775 for the subaqueous pipeline and county interconnection and $86,200 for the north line extension, for a combined total of $765,975. Staff also recommended a Phase II revenue requirement that included $403,500 for the utility building construction and $29,915 for the first year of the meter replacement program, for a total of $433,415. However, due to concerns raised about the cost of the new building, the Commission approved the projects, but determined that a final decision on the amount of the Phase II revenue requirement and rates would be made after the Utility completed the Phase II pro forma projects and the costs were evaluated. In addition, the Commission ordered that if the approved Simplified Employee Pension (SEP) Plan was not implemented, the Phase II rates would be reduced by the expense established for that purpose. The Commission requested and Little

[5]Order No. PSC-14-0626-PAA-WU, pages 5 and 6.

Gasparilla's owner agreed to continue to work with the architects and bidders to try to reduce the cost of the building.[6]

Phase I Documentation

On December 16, 2014, the Utility advised staff that it had encountered a minor set back with the directional bore for the subaqueous pipeline. The drill head had to be replaced, which caused a total of six days delay in December. The entire directional bore was 3,750 feet across the bay and 90 feet deep. The drilling was already at 2,000 feet when the decision was made to pull the pipe because the drill would not steer. The drilling delay then triggered another delay in December when the work was put on hold for two weeks because the barge would not deliver during the holiday season. The drilling delays also caused delays in the testing and clearance from the county and the DEP. The Utility also experienced another unexpected change related to the directional drill work. The contractor for the project advised that per the plan the project fell short of the length needed to not impact the mangrove area, and that an additional 100 feet of drilled pipe had to be added at the contract price of $135 per foot per the sub-contractor for that part of the project, for an additional cost of $13,500. The contractor also issued a change order to include those costs, as well as additional work that became necessary during the subaqueous pipeline and north line extension projects, which increased the initial cost estimates. The change order also included items such as the cost of construction water that was necessary to test and flush the pipeline, professional services associated with onsite monitoring of the directional drill project, and land clearing.

On February 19, 2015, Little Gasparilla advised Commission staff that the subaqueous pipeline and county interconnection were completed on February 14, 2015. The Utility also advised staff that the north line extension could not reach completion because one land owner would not let the Utility cross his property. This prevented the Utility from completing the last 300 feet of the main line and one fire hydrant. The Utility was also unable to complete the additional service lines that would be needed to connect customers to the main line. At that time, the Utility still had six homes requesting service that it was unable to serve without completing the line extension. As a result, the Utility found it necessary to start the eminent domain process to obtain the necessary easement to cross that parcel of land. The attorney representing the Utility in the eminent domain proceeding provided an estimated cost of at least $27,250, which included the land appraisal cost, attorneys' fees, court filing fees, and the newspaper publication of the law suit. The attorney advised that the estimate did not include the amount of possible compensation to the property owner for the taking of the easement or other fees. Further, the attorney advised that under Florida eminent domain law, the taking agency must pay the land owner's attorney fees and costs to defend the eminent domain suit, and they were unable to determine those costs at that time. The Utility later advised staff on November 13, 2015, that the Utility had proceeded successfully with the eminent domain in order to install service lines to some customers requesting service. A detailed discussion on the eminent domain is included later in this recommendation.

Based on staff's review of the Utility's supporting documentation for the Phase I work that was completed as of February 19, 2015, staff determined that the Utility had completed $774,977 of

[6]Document No. 05879-14, filed on October 15, 2014, in Docket No. 20130265-WU, Transcript for Commission Conference Agenda Item No. 12, pages 66 and 67.

the plant additions related to the pro forma projects. Staff excluded $677 for non-utility costs and $125 for an unrelated main repair from the Phase I totals for rate implementation purposes. The adjusted total for completed Phase I work is $774,175, which surpassed the Commission's approved Phase I pro forma plant additions of $765,975 by $8,200 or 1.07 percent, which was deemed sufficient to implement the Phase I rates. Upon 100 percent completion of the subaqueous pipeline and county interconnection project, the Utility's actual project cost exceeded the original estimates by approximately five percent or $33,000. Also, at that time, the Utility had incurred approximately $61,000 of the original estimated $86,200 north line extension project cost, representing approximately 71 percent completion of the project. Because the majority of the Phase I pro forma project costs are related to the subaqueous pipeline project, the remaining $25,000 that was not spent on the north line extension during Phase I only represents approximately 3.3 percent of the total Phase I pro forma costs. Although the Utility was not able to complete the north line extension project at that time, the Utility was allowed to implement the Phase I rates upon completion of the subaqueous pipeline and county interconnection because the total expenditures on that project plus the completed portion of the north line extension exceeded the total pro forma project costs approved by the Commission for Phase I.

It is not uncommon for the final costs and timing of pro forma projects to differ from the original bids and estimates. Based on Commission practice, such differences are typically handled in one of two ways. First, a utility may be permitted to implement the approved rates once it has expended the necessary total funds, provided that the Utility supplies the necessary supporting documentation for the costs incurred and payments made, all costs are verified to be related to an approved project, and the Utility has provided sufficient justification for any variances from the original estimates. Second, in those instances where the final project costs differ materially from the Commission approved costs, staff may file a recommendation requesting that the Commission either increase or decrease the originally approved revenue requirement. In the instant case, the 1.07 percent in additional expenditures above the Commission approved pro forma costs for Phase I was not deemed sufficient to warrant a recalculation of the Phase I revenue requirement at that time, especially in light of the fact that staff would be returning to the Commission with another recommendation after the Phase II pro forma projects were completed. Further, delaying the implementation of the Phase I rate increase until the north line extension could be completed would have had a detrimental impact on the Utility's ability to begin making payments on the loans that it secured for the construction of the subaqueous pipeline and county interconnection.

As he agreed at the September 22, 2014 Agenda Conference, Little Gasparilla's owner worked to reduce the cost of the utility building. The additional time spent by the Utility on the redesign efforts contributed to some delays in the Utility's loan application process. The Utility also experienced some delays related to zoning and construction permitting. However, the most significant delays in the Utility's completion of the Phase II projects for the utility building construction and meter replacement program were due to the uncertainty of Charlotte County's decision on its mandatory water connection ordinance and the impact on Little Gasparilla's ability to obtain funding for the projects. The Charlotte County ordinance required that residents connect to a centralized water system within one year of availability, which would result in residents of Little Gasparilla Island being required to connect to the Utility's water system. A

number of island residents receive water through other means, such as cisterns, and are opposed to being required to connect to the Utility's water system. Charlotte County decided not to repeal the mandatory water connection ordinance, but added a five-year grace period for residents who applied for the exception to the mandatory connection. The exception to the mandatory connection requirement expires on January 1, 2021.

According to the Charlotte County ordinance, the existing residents who did not apply or were not approved for the exception to the mandatory connection requirement are expected to connect to the Utility's water system. The additional connections would pay Little Gasparilla's approved service availability charges, which would potentially increase the financial ability of the Utility to pay its existing and any additional loans. However, due to the length of time it took Charlotte County to make its decision, the Utility was required to revise projections that had been previously submitted, as loans are approved based on projections and the Small Business Administration's (SBA) guaranty. The funding for the meter replacement project was tied to the building construction loan, preventing the Utility from moving forward on the meter replacement project as well. The Utility was unable to proceed with the Phase II projects until the funding was approved. The Utility kept staff informed of the progress throughout this process. As discussed in the case background, Little Gasparilla also requested, and was granted, several extensions on the time to complete the Phase II projects.

Phase II Documentation

On April 28, 2017, Little Gasparilla provided supporting documentation showing completion of the utility building construction and a portion of the meter replacement project, as well as additional work completed on the north line extension.[7] On August 14, 2017, the Office of Public Counsel (OPC) filed a letter listing its concerns with the Utility's Phase II documentation.[8] On September 18, 2017, the Utility provided additional documentation and clarification in response to Staff's Sixth Data Request, which also included information to address OPC's concerns.[9] In its response, the Utility provided documentation supporting $428,223 in project related costs, and confirmation of the Utility's $18,637 investment in the SEP Plan that was approved in Phase I. Staff believes the Utility has provided sufficient documentation to support that it established and has maintained the SEP Plan, therefore, no further action is required for the SEP Plan in this docket. OPC also indicated in its August 14, 2017 letter that it believes the Utility has met its burden to prove that the accounts were opened and the Utility was paying contributions into the accounts, and that no further action needs to be taken.

OPC subsequently filed a letter on November 8, 2017, in which it expressed continued concern about the Utility's request for recovery of costs related to obtaining easements for the pro forma projects, and requested that the Commission exclude these costs unless it can be determined that the costs were prudently incurred.[10] In addition, OPC has objected to the inclusion of any other costs related to the north line extension in the Phase II revenue requirement. Staff believes OPC's concern is due in part to a misunderstanding between the parties about the amount of

[7]Document No. 04515-2017.
[8]Document No. 07052-2017.
[9]Document No. 07734-2017.
[10]Document No. 09623-2017.

work that remained to be done on the north line extension following implementation of the Phase I rates. As discussed above, the Utility was allowed to implement the Phase I rates upon completion of the subaqueous pipeline and county interconnection because the total expenditures on that project and the completed portion of the north line extension exceeded the total pro forma project costs approved by the Commission for Phase I, and the implementation of the rate increase was necessary to enable the Utility to begin making payments on the loans secured to pay for the pipeline construction. Consequently, the construction costs incurred on the north line extension project during Phase II are not new costs, but rather a continuation of the original project that could not be completed during Phase I due to the easement issues. Therefore, staff believes it would be appropriate to include the north line extension project costs that were completed during Phase II. Further, staff believes the Commission has the discretion to consider both cost increases or decreases that occur during the completion of an approved pro forma project. Even in cases where the Phase II revenue requirement is approved at the same time as the Phase I revenue requirement, staff would have the ability to file an additional recommendation requesting the Commission's approval of an increase or decrease in the previously approved revenue requirement if it was determined that the final project costs were materially different than the projected costs.

Staff agrees with OPC that the costs associated with the eminent domain were not anticipated when the Phase I revenue requirement was approved by the Commission, but believes it would also be appropriate to include the prudently incurred easement costs related to the pro forma projects. Staff asked the Utility what steps it took to obtain the easement prior to initiating the eminent domain proceedings and why other options, such as re-routing the line, were not possible. In its September 18, 2017 data response, Little Gasparilla responded that it had pleaded with the property owner for years to allow the Utility to cross his property. Also, the property owner owns the land from the beach to the bay, therefore, the Utility has no other option except going through his property. After the Utility retained an attorney and incurred the associated costs, the property owner agreed to grant the easement if the Utility would pay his attorney fees as well.

Staff has reviewed the property records available on the Charlotte County Property Appraiser's Web site and verified that the property owner does own a continuous piece of land that runs the entire width of the island from the gulf beach side to the opposite side of the island on the bay. Staff agrees that it would be impossible for the Utility to extend service to the rest of the north end of the island without an easement through that piece of property. Staff notes that it is common for utilities to obtain land easements to facilitate the construction of facilities and provision of service to customers. Staff believes the Utility took steps to minimize the costs associated with obtaining the easements that were necessary for the completion of the pro forma projects, and only resorted to using the eminent domain proceeding when it became obvious that the project could not proceed without it. Several of the other easements were obtained at no cost other than the recording and deed fees.

Further, Section 367.111(1), Florida Statutes (F.S.), requires that each utility shall provide service to the area described in its certificate of authorization within a reasonable time. Therefore, staff believes the Utility acted prudently in taking the necessary actions to obtain the easements required for completion of its pro forma projects and remain in compliance with

Section 367.111, F.S. For these reasons, staff believes it would be appropriate to allow the Utility's requested easement costs to be included in the Phase II revenue requirement with the exception of some minor recommended adjustments discussed below. In addition, addressing the additional pro forma costs in a single case saves additional rate case expense to the customers because the Utility will not need to file another rate case or limited proceeding to seek recovery of these items. Staff's recommended adjustments to the Phase II rate base are discussed below.

Utility Plant in Service (UPIS)

The Utility requested recovery of $26,064 in costs related to obtaining easements for the pro forma projects, comprised of $21,175 for the eminent domain proceedings and $4,889 for several other easements. As discussed above, staff verified that the north line extension could not be completed without the easement that was obtained through the eminent domain proceedings because the land owner owns the entire parcel of land stretching the width of the island from the beach to the bay. The eminent domain costs include $7,000 in court ordered payments, $11,675 in attorneys' fees, and $2,500 in land appraisal fees. The attorneys' fees cover legal work related to the eminent domain proceeding from February 2015 through August 2015. The Utility's final payment related to the proceedings was completed almost two years ago in December 2015. Also, staff notes that the $21,175 related to the eminent domain is lower than the attorney's initial estimate of at least $27,250 provided in 2015, demonstrating the Utility's efforts to minimize the costs related to this easement.

The remaining $4,889 in easement costs includes four other easements related to the north line extension, one easement related to the county interconnection, one easement to provide service to a new customer, and some easement clearing work related to the new utility building construction. Staff removed $500 for the new customer easement because this service was not related to one of the pro forma projects. Also, staff removed $2,500 for an easement related to the north line extension because the easement has not been executed yet. In addition, staff believes it would be appropriate to include the $1,200 for the easement clearing work related to the new building construction, but it would be more appropriate to identify this cost as part of the building costs rather than easement costs. Based on these adjustments, staff recommends that it would be appropriate to include a total of $21,864 ($26,064 - $500 - $2,500 - $1,200 = $21,864) in easement costs related to the approved pro forma projects in the Phase II revenue requirement. Therefore, staff increased UPIS by $54 to reflect the addition of easement costs related to the subaqueous pipeline and county interconnection project to Account 309, and by $21,810 to reflect the addition of easement costs related to the north line extension project to Account 331, representing a total of $21,864 in pro forma project related easement costs. In addition, staff increased UPIS by $1,200 to reflect the addition of easement clearing costs that are related to the new utility building construction to Account 304.

Staff notes that the Commission received consumer correspondence from one island resident on November 27, 2017, asserting that the Utility had illegally crossed 100 feet of their property with a 2-inch line without permission, an easement, or court ruling.[11] The resident stated that they had been in a legal battle with the Utility over this issue for nearly two years. The resident also requested that the Commission not allow legal fees related to this issue. Staff has verified that the

[11]Document No. 10122-2017, filed on 11/28/2017.

Utility did not request recovery of any costs related to any possible land issues with this resident. A representative of the Utility advised staff that this resident is not currently a customer of the Utility and that Little Gasparilla has not incurred any legal costs related to this resident. Therefore, no adjustments are necessary to the Phase II costs related to this concern.

As discussed above, the Utility incurred approximately $61,000 of the original estimated $86,200 north line extension project costs, representing approximately 71 percent completion of the project during Phase I. In order to accurately reflect the portion of the work that was completed during Phase I and the additional work that was completed during Phase II, several adjustments are necessary. Staff decreased Account 331 by $25,023 to remove the portion of the project costs that were included in the Phase I revenue requirement, but were not completed during Phase I. In addition, staff decreased UPIS by $125 to remove an unrelated water main repair from the Phase I costs reflected in Account 331. As of September 2017, the Utility indicated that all 6-inch lines and all fire hydrants have been installed, which includes 300 linear feet of line running north to south and an additional 200 linear feet of laterals representing a total of 500 linear feet of line added during Phase II. Therefore, staff increased Account 331 by $9,426 to reflect the work that was completed on the north line extension during Phase II after the easements were obtained.

The Utility advised in its data response that an additional 150 linear feet of 2-inch pipe will still need to be run to connect a new home that is under construction and four other homes on the north end of the island. However, the four homes received exemptions from Charlotte County's mandatory water connections until 2021. Little Gasparilla has a five-year permit from DEP for the north line extension project, and anticipates that the remaining 150 linear feet of line will be completed in 2018.[12] The Utility will need to request recovery of any additional costs that are incurred to complete the remaining 150 linear feet of the north line extension in a future rate proceeding. Little Gasparilla has now completed $70,478 of the original proposed cost of $86,200. Adding the associated easement cost increases the north line extension project cost to $92,288, which is $6,089 over the previously approved project cost of $86,200. However, staff believes the increase is warranted because the easements were critical to the completion of this project and the Utility's ability to provide service to all the lots on the north end of the island when it becomes mandatory.

Similarly, additional adjustments are necessary to accurately reflect the final cost of the subaqueous pipeline and county interconnection project that was completed in Phase I. As discussed above, the Utility encountered some unexpected issues in the construction of the subaqueous pipeline that resulted in delays and increased costs. Staff believes it would be appropriate to allow recovery of the additional costs because the additional work was necessary to the completion of the project. Accordingly, staff increased UPIS by $33,102 to reflect the additional costs that were incurred above the previously estimated and approved project costs to Account 309. In addition, the contractor established an account with the CCU for the purpose of purchasing construction water to test the subaqueous pipeline prior to placing the pipeline into service. A Utility representative advised staff that the $1,500 deposit that was paid by the contractor to CCU was refunded to the contractor after the project was completed. Therefore,

[12]See Document No. 07734-2017.

staff decreased UPIS by $1,500 to remove the refunded deposit from Account 309. In addition, staff decreased UPIS by $677 to remove non-utility costs from Account 309.

Staff made the following adjustments to Account 304 to reflect the final cost of the new utility building. Specifically, staff increased UPIS by $355,218 to reflect the addition for the new utility building. The Utility incurred additional legal fees for work to resolve issues related to the impact of Charlotte County's mandatory water connection ordinance on Little Gasparilla's financing for the pro forma utility building construction project. Staff believes it would be appropriate to allow recovery of these legal fees as part of the project costs because the legal assistance was necessary to finalize the Utility's financing for the pro forma projects. Therefore, staff increased UPIS by $3,645. The Utility's documentation also included $216 in legal fees that are related to rate case expense rather then the project costs, and will be discussed further in the operation and maintenance expense section below. In addition, staff decreased UPIS by $250 to remove a non-related cost.

Based upon a review of the Utility's federal income tax information provided in Phase I, staff determined that UPIS should be decreased by $52,151 to reflect the retirement of the original cost of the utility building. The final cost of the new building includes $29,179 for the demolition and removal of the water treatment plant building and contents. At the September 22, 2014 Agenda Conference, OPC expressed concern about the accounting treatment of the demolition and removal costs. Staff agreed with OPC that it would be appropriate to record the demolition and removal costs in accumulated depreciation. Accordingly, staff has decreased UPIS by $29,179 to reclassify the building demolition and removal costs to accumulated depreciation.

At the September 22, 2014 Agenda Conference, OPC also expressed concern that some of the engineering costs related to the building had been included in both Phase I and II, resulting in an overstatement of the estimated cost of the new utility building. Staff agreed that some of the costs had been inadvertently included in both phases and should be adjusted. A single engineering firm provided the engineering and design services for the subaqueous pipeline and county interconnection project, the north line extension project, and the new utility building project. In order to avoid any possible duplication of engineering costs between the phases, the actual engineering costs that were incurred have been included in either Phase I or II based on the paid invoices and completion dates.

As discussed above, Little Gasparilla's owner agreed at the September 22, 2014 Agenda Conference to continue to work with the architects and bidders to try to reduce the cost of the building. In order to reduce costs, Little Gasparilla redesigned the building eliminating the second floor, which was initially included to store records. The completed construction includes dormers for aesthetic purposes to blend in with the surrounding properties, but the completed building only includes one floor. The Utility also eliminated the proposed restroom facilities, which avoided the cost of installing a septic system. Also, the original cost projections were based on other new construction taking place on the island. Little Gasparilla changed the plans from conventional framed construction to a prefabricated construction that could better serve all possible needs for the next 30 years.[13] For comparison purposes, the new utility building was initially projected to cost $403,500 based on the lowest bid provided, prior to application of any

[13]Document No. 07734-2017.

of the adjustments proposed at the September 22, 2014 Agenda Conference. The actual cost of the building is $359,813. Reclassifying the $29,179 in demolition and removal costs to accumulated depreciation, as discussed above, results in a final cost of $330,364 for ratesetting purposes. Staff notes that the Utility incurred an additional $10,300 in engineering costs related to a change order that was necessary to address concerns about how the building structure would be attached to the existing concrete water tank foundation, which offset some of the savings realized with the design changes.

As discussed above, the Commission approved a meter replacement project for Phase II. In its September 18, 2017 data response, the Utility reported that it had completed 75 meter replacements as of September 1, 2017.[14] The Utility also indicated that it was planning to work on the meter replacements during the off season months of September through December, and hoped to complete a total of 225 remote read meter replacements by the end of this year. Further, the Utility is working toward having all of the meter replacements completed within a year. In November 2017, staff informally requested an update on the status of the meter replacement project. Little Gasparilla indicated that it had completed 131 meter replacements as of November 14, 2017. The Utility initially proposed to replace 100 meters per year for four years at a total project cost of $104,915, including $84,915 in equipment costs and $20,000 in labor costs. Further, the total cost was anticipated to be split over four years based on $29,915 for the first year and $25,000 each for the remaining three years.

The first year's cost included the additional equipment and software needed to read the meters, as well as training. The original estimate included the purchase of all the meters and equipment from one vendor. The Utility subsequently found another vendor to provide the meter bases at a lower cost. In addition, the Utility determined that the plastic meter bases work better in the island's corrosive environment. The remote read registers, equipment, software, and training were still purchased from the original vendor. Also, the Utility began ordering replacement and new installation meters two years ago that would adapt to the new meter replacement program allowing the Utility to save replacing 100 of the meter bases once the remote read meter replacements began. Specifically, the Utility continued to install traditional registers for new customer meter installations pending finalization of the project funding, but used the new plastic meter bases with the traditional registers so that the register will be the only part that needs to be replaced to convert those meters to the remote read system. The Utility reported that this saves approximately $24.50 per meter base, for a total projected savings of $2,450.

Little Gasparilla provided documentation including orders totaling $60,476 for meter replacement equipment from the two vendors, and completed payments of $56,094. Little Gasparilla has added additional customers since the original estimates were prepared, making it necessary to purchase more meter replacement equipment than was included in the original estimates. The Utility's actual purchase includes an additional 50 remote read registers and 50 less meter bases than were used in the original bid. For cost comparison purposes, staff has revised the Utility's actual cost to only reflect the 400 meter replacements that were included in the original estimate, resulting in a total equipment cost of $55,535. Compared to the original bid of $84,915, the Utility's modifications to its meter replacement program have resulted in a

[14]Document No. 07734-2017.

savings of $29,380 in equipment costs over the original bid. As noted above, the Utility has completed 131 meter replacements. Therefore, staff increased Account 334 by $56,094 to reflect the meter installation project costs that have been paid for through September 2017. Also, based on a pro-rated share of the Phase I test year meter account balance and number of test year meters, staff decreased UPIS by $6,826 to reflect retirement of the 131 replaced meters. Although the Utility has reduced the overall cost of the meter replacement program by $29,380 compared to the original estimate to replace 400 meters, the Utility has completed more than one years' worth of equipment purchases and meter installations resulting in a higher cost during Phase II than the one year of expense that was initially planned. Specifically, the Utility has already completed payments for $56,094 of equipment and labor, which is $26,179 higher than the first year cost of $29,915. However, staff believes it is appropriate to recognize the portion of the project that has been completed to date, particularly in consideration of the Utility's accelerated schedule to complete the meter replacements and the Utility's commitment to the program by securing a loan that would enable the Utility to complete the project more quickly.

By Order No. PSC-14-0626-PAA-WU, the Commission approved a Phase I UPIS balance of $1,655,176. Based on the above, the net increase to plant for these projects following the application of applicable retirements is $364,816, resulting in a UPIS balance of $2,019,992.

Both the OPC and some customers have expressed concern that the Utility's Phase II documentation includes costs that are not related to the pro forma projects or that appear to be non-utility expenditures. Staff believes it will be beneficial to provide additional clarification about how the documentation provided by the Utility was used in this case. It is not uncommon for utilities to purchase items for multiple projects at the same time for efficiency or to occasionally purchase a personal item, such as a bottle of water or snack. Typically, Commission staff will review the documentation provided by a utility in a rate proceeding and remove any non-utility items that were not already excluded by the utility. Little Gasparilla's Phase II documentation includes a number of invoices that include a combination of pro forma project costs, other utility costs, and some non-utility expenditures. At first glance it may appear that the Utility is requesting to recover the full amount on each invoice. However, a closer look reveals that the Phase II documentation filed by the Utility includes handwritten notes on the combined invoices to identify the portion of each invoice that relates to one of the pro forma projects. For example, the documentation includes 14 invoices for the Utility's services and items purchased from Eldred's Marina located on the island. The total for the invoices equals $3,502. However, the Utility has identified the specific charges on each invoice that relate to pro forma projects and is only requesting that $960 of the total $3,502 be included in the pro forma project costs. Based on staff's review, the non-utility items of concern were not included in the pro forma project costs requested by the Utility, and therefore, no further adjustment is necessary.

In addition, concerns were raised that some of the work on the pro forma projects was performed by affiliated companies. Utilities are not prohibited from hiring affiliated companies to perform utility work. However, it is important that the work performed by the affiliated company be provided at a comparable cost to work performed by a non-affiliated company, and that the work performed is not already included in the salaries or wages of utility employees. In its data response, the Utility provided additional bids and information that demonstrate that the affiliated companies are performing the work at a lower cost than would be performed by the non-

affiliated company. In one example, the Utility hired an affiliated company to perform the meter replacement work. In response to staff's request, the Utility obtained a recent quote from a non-affiliated company that shows an estimated cost for replacing the meters that is $25 higher per meter, resulting in an additional cost of $11,250 over the affiliated company's bid for replacing 450 meters. Based on staff's review, it appears that the Utility has taken steps to reduce the costs of these projects and that the work performed by the affiliated company is not included in any of the employees' work duties that were previously identified in the first phase of this rate proceeding.

Accumulated Depreciation

By Order No. PSC-14-0626-PAA-WU, the Commission approved an accumulated depreciation balance of $697,656 for Phase I. Staff increased this account by $15,061 to reflect the accumulated depreciation for the pro forma additions and retirements. Also, staff decreased this account by $52,151 to reflect the retirement of the replaced utility building. As noted above, staff reclassified the building demolition and removal costs to accumulated depreciation per staff's prior agreement with OPC's requested accounting treatment. Consequently, staff decreased this account by $29,179 to reflect the building demolition and removal costs. Finally, staff decreased this account by $6,826 to reflect the retirement of the 131 replaced meters. Staff's adjustment is a net decrease of $73,095, resulting in a recommended accumulated depreciation balance of $624,561 for Phase II.

Working Capital

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses of the Utility. By Order No. PSC-14-0626-PAA-WU, the Commission approved a Phase I working capital allowance of $26,205. 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 for Phase II. Applying this formula, staff recommends an incremental working capital allowance of $3,473 ($27,786/8), resulting in a total working capital allowance of $29,678 for Phase II.

Rate Base Summary

By Order No. PSC-14-0626-PAA-WU, the Commission approved a rate base of $538,123 for Phase I. Based on the above, staff's total adjustment to rate base is an increase of $441,384. Therefore, staff recommends a rate base of $979,508 for Phase II.

Capital Structure

The Utility previously arranged financing for several of the pro forma projects and those adjustments were incorporated into the Phase I capital structure. Based on that information, the Utility's Phase I capital structure reflected equity of $82,000 and total debt of $1,422,738. Some of the pro forma projects were financed through a combination of bank loans, SBA loans, and Utility equity. Staff increased equity by $120,884 to reflect the Utility's equity investment in all of the projects. Staff also decreased long-term debt by $54,460 to remove a test year bank loan that has been paid off by the Utility. In addition, staff increased long-term debt by $46,025 and $1,600 to reflect the actual final amount of the bank and SBA loans that were previously added to the Phase I capital structure to reflect the proposed financing for the subaqueous pipeline construction and north line extension projects. During the construction of the subaqueous

pipeline, the Utility also secured an additional loan for $45,000. However, that loan has since been paid off and replaced with a smaller loan of $25,150. Therefore, staff increased long-term debt by $25,150.

The Utility financed the construction of the new utility building with a combination of a bank loan, SBA loan, and Utility equity investment similar to the Phase I financing. Staff increased long-term debt by $138,358 and $109,000 to reflect the addition of those loans to the Utility's capital structure. In order to facilitate a faster schedule for the meter replacement project, the Utility secured an additional loan for $62,400 to pay for a portion of the project. Staff increased long-term debt by $62,400 to reflect the addition of this loan to the Utility's capital structure. In addition, staff increased short-term debt by $49,000 to reflect a promissory note that the Utility secured to pay for additional project related costs. Staff's adjustments reflect a $120,884 increase to equity and a $377,073 net increase to debt, for a total increase of $497,957. The resulting capital structure reflects equity of $202,884 and total debt of $1,799,810. The $109,000 SBA loan required a separate payment of approximately $4,756 in loan closing costs. Amortizing the loan closing costs over the 11.5 year term of the associated debt account increases the effective interest rate of this loan from 4.75 percent to 5.64 percent. Staff notes that the 11.5 year term was applied because this loan is scheduled to be combined with the $138,358 bank loan in January 2018, which has an 11.5 year term. In addition, the $62,400 bank loan resulted in separately paid closing costs of approximately $2,264. Amortizing the loan closing costs over the 7 year term of the associated debt account increases the effective interest rate from 5.50 percent to 5.94 percent.

The Utility's capital structure has been reconciled with staff's recommended rate base for Phase II. The appropriate ROE is 11.16 percent based upon the Commission-approved leverage formula currently in effect.[15] Staff recommends an ROE of 11.16 percent, with a range of 10.16 percent to 12.16 percent, and an overall rate of return of 6.55 percent. The ROE and overall rate of return are shown on Schedule No. 2.

Operation and Maintenance (O&M) Expense

Staff's recommended adjustments to the O&M expense accounts that are affected by the completion of the pro forma projects are discussed below.

Excessive Unaccounted for Water Expense Adjustments

In Order No. PSC-14-0626-PAA-WU, the Commission found that Little Gasparilla had unaccounted water of 17 percent for the test year ended September 30, 2013. This resulted in a 7 percent excessive unaccounted for water (EUW) adjustment to purchased water, purchased power, and chemical expenses for the test year. The Commission noted in its order that, based on the Utility's assertion, the EUW could be the result of flushing that was not recorded and old meters that were not registering properly.[16]

[15]Order No. PSC-17-0249-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.*

[16]Order No. PSC-14-0626-PAA-WU, issued October 29, 2014, in Docket No. 20130265-WU, *In re: Application for staff-assisted rate case in Charlotte County by Little Gasparilla Water Utility, Inc.*

As discussed above, the Commission approved a meter replacement project for Phase II, and Little Gasparilla completed 131 of the meter replacements as of November 14, 2017. In response to a staff data request, Little Gasparilla provided data on its purchased water, gallons sold, and water used for other uses (such as flushing) for the year 2016 and January to August of 2017.[17] Based on this data, unaccounted for water has decreased to 4 percent for 2016 and 4.8 percent for part of 2017. Staff commends the Utility for keeping records of the estimated amount of water used for flushing and attributed to leaks.

Therefore, staff recommends removing the previously approved 7 percent EUW expense adjustments as it appears Little Gasparilla has taken the steps necessary to correct the problem. Based on Commission practice, the previously approved EUW adjustments would continue to be applied to the Utility's future price index and pass through rate adjustments until the Utility has another rate proceeding that includes a comprehensive unaccounted for water review. Therefore, staff believes it is important to recognize the Utility's correction of the EUW in this proceeding to prevent the continuation of future EUW adjustments that are no longer necessary. Accordingly, staff increased the following accounts to reverse the 7 percent EUW adjustments previously approved by Order No. PSC-14-0626-PAA-WU: (1) increased Account No. 610 - Purchased Water by $3,803; (2) increased Account No. 615 - Purchased Power by $280; and (3) increased Account No. 618 - Chemicals by $38.

Rent Expense (640)

With the completion of the new utility building, the Utility has moved its office from the mainland to the new building on the island. Consequently, staff decreased rent expense by $3,510 to remove office rent for the Utility's mainland office space that was included in the Phase I revenue requirement.

Insurance Expense (655)

The Utility was required to obtain additional insurance on the new office building, including wind and flood insurance, as a condition of its building loans. Because the actual insurance premiums on the completed building are notably higher than the 2014 estimates, staff believes it will be beneficial to discuss the reason for the increase. In 2014, it was estimated that the total insurance expense for the new utility building would increase to $7,000, resulting in an increase of $3,272 over the Utility's 2013 test year insurance expense of $3,728. However, the Utility's insurance provider advised that for the 2017/2018 term the premiums have increased and the insurance carrier will no longer include the wind coverage in the package policy, requiring a separate wind policy. The most significant premium increase is for the flood policy which increased from a premium of $2,297 for the 2015/2016 term to a premium of $7,879 for the 2017/2018 term. The Utility was not required to carry the separate flood insurance policy during the 2016/2017 term while the building construction was covered under a separate builder's insurance policy that was discontinued when the construction was completed. The insurance provider advised that the new building is no longer eligible for grandfathering and that actuarial rates must be used for rating, contributing to the significant increase in the flood insurance premium. The current policy includes a $50,000 deductible.

[17]Document No. 07734-2017.

Based on these changes, the total insurance expense for the new utility building is $14,672, resulting an in increase of $10,944 over the 2013 test year expense of $3,728. However, the insurance provider advised that if the SBA does not accept the $50,000 deductible, the $7,879 flood insurance premium will increase to either $12,641 with a $10,000 deductible, or $16,054 with a $1,250 deductible. Efforts are still underway to request the SBA's approval of the $50,000 deductible. Therefore, based on the current premiums as of November 2017, staff has increased the insurance expense by $10,944 to reflect the increase in insurance on the new building going forward.

Regulatory Commission Expense (665)

Traditionally, when the Commission approves a rate increase using a phased approach, all of the rate case expense is included in the Phase I revenue requirement. This process is more efficient and also eliminates the need for a second four-year rate reduction in the same rate proceeding. Accordingly, the rate case expense that the Commission approved in Phase I included the cost of the future Phase II customer notice and a small amount of legal fees related to tariff and noticing work. However, due to the unique circumstances in the instant case, the Utility incurred additional rate case expense following implementation of the Phase I rate increase.

In its November 8, 2017 letter, OPC proposed that a notice should be provided to the customers before the recommendation for Phase II rates is filed to allow customer comments to be incorporated into staff's recommendation. OPC also stated that a customer meeting on quality of service issues should be held given it has been three years since the Phase I rates were approved. Consistent with current Commission practice in rate proceedings that use a phased approach, staff does not believe a second customer meeting is necessary. The customers were previously noticed about the proposed pro forma projects and proposed rate increases for both Phase I and Phase II in the Staff Report and staff's PAA recommendation that were issued previously in this docket. Although the type of notice proposed by OPC is not required by Rule 25-22.0407, F.A.C., Little Gasparilla voluntarily agreed to provide a notice advising its customers that a recommendation for the Phase II rate increase would be presented at the Commission's December 12, 2017 Agenda. The Utility provided a notice to the customers on November 16, 2017. As of November 30, 2017, the Commission had received comments from two customers who objected to the rate increase, but did not express any concerns about the quality of service. Staff believes it would be appropriate to include the cost of this additional notice in the Utility's rate case expense.

Also, the cost of the future Phase II rate increase notice that was included in the Phase I rate case expense was calculated based on 372 customers in the 2013 test year. Since that time, Little Gasparilla has added approximately 84 new customers, which will result in an additional $62 in noticing costs. Staff believes it would be appropriate to include this incremental increase in the noticing cost since the notice is required by Rule 25-22.0407, F.A.C., and must be provided to all customers who are receiving service when the notice is sent. Staff is also recommending that the Utility be required to provide notice of the four-year rate reduction to its customers when the rates are reduced to remove the amortized rate case expense. For noticing, staff estimated $488 for postage expense, $199 for printing expense, and $50 for envelopes. This results in $737 for the Phase II noticing requirements. It should be noted that the noticing cost is the only

recommended expense in this recommendation that was updated based on the current number of customers.

In addition, the Utility has incurred an additional $3,100 in rate case related legal fees for additional legal services provided during Phase II. Some concern has been expressed about allowing recovery for services such as requesting an extension of time to complete the pro forma projects. In a typical case where the Phase II rate increase is approved at the same time as the Phase I increase, such additional legal fees would likely be recovered as part of a utility's recurring contractual services – legal expense. However, Little Gasparilla's Phase I increase did not include an allowance for any recurring legal expenses. Consequently, the Utility will be unable to recover the rate case related legal expenses that it incurred to complete the second phase of this case unless a specific adjustment is included. Staff has reviewed the additional rate case expense to ensure that there is no duplication of any legal fees previously included in the Phase I rate case expense or any other legal expenses related directly to the pro forma projects. Staff believes the requested legal fees are reasonable and should be approved.

By Order No. PSC-14-0626-PAA-WU, the Commission approved annual regulatory commission expense of $3,546 for Phase I, which included $200 to reflect the five-year amortization of the Utility's grandfather certificate filing fee, and $3,346 to reflect the four-year amortization of the Phase I rate case expense. The grandfather certificate filing will not be fully amortized until February 2020, and the Phase I rate case expense will not be fully amortized until February 2019. If the Commission approves a Phase II rate increase and includes additional rate case expense, the incremental Phase II rate case expense will be amortized separately from the Phase I rate case expense, and will be fully amortized in early 2021. As will be discussed in Issue 3, staff is recommending that an additional four-year rate reduction be approved in this case to remove the incremental Phase II rate case expense at the end of the four-year amortization period. Based on the above, staff recommends an incremental increase in rate case expense of $3,837 ($737 + $3,100 = $3,837), which amortized over four years is $959.

Post Phase I Price Index and Pass Through Rate Adjustments

Since the Phase I rates were implemented, Little Gasparilla also received approval of four price index and three pass through rate adjustments for 2014 through 2017. The pass through rate adjustments were necessary to reflect the increase in Little Gasparilla's purchased water expense due to increases in CCU's water rates. Little Gasparilla's revenues were increased by a total of $14,848 for the price index and pass through adjustments. Because staff's recommended revenue requirement for Phase II is built upon the previously approved Phase I revenue requirement, an additional adjustment is necessary to reflect the increase in expenses associated with the approved price index and pass through rate adjustments. Consistent with Commission practice, the price index and pass through adjustment included the Commission's previously approved 7 percent EUW adjustment. As discussed above, staff is recommending that the EUW adjustment be eliminated because the Utility has corrected the issue. Therefore, staff believes the $424 in total EUW reductions that were applied to Little Gasparilla's 2014 through 2017 price index and pass through rate adjustments should also be removed to reflect the appropriate expenses going forward. Consequently, staff has increased the Utility's 2013 test year approved operating expenses by a total of $15,272 ($14,848 + $424 = $15,272) to reflect the operating expense increases that were associated with the price index and pass through adjustments approved from

2014 through 2017, and reversal of the EUW adjustments. Staff recommends that an increase of $15,272 be reflected in the Utility's O&M expenses to retain the price index and pass through rate adjustments that Little Gasparilla has received since the Phase I rate increase went into effect.

Operation and Maintenance Expense (O&M Summary)

By Order No. PSC-14-0626-PAA-WU, the Commission approved O&M expense of $209,637 for Phase I. Based on the above adjustments, O&M expense should be increased by $27,786 for Phase II, resulting in total O&M expense of $237,423 for Phase II. Staff's recommended adjustments to O&M expense are shown on Schedule Nos. 3-A through 3-C.

Other Operating Expenses and Operating Expense Summary

Staff has adjusted depreciation expense to reflect the pro forma additions and retirements, resulting in an increase of $15,061. Also, staff has increased taxes other than income (TOTI) by $5,928 to reflect the increase in utility property taxes associated with the net plant additions, and by $3,116 to reflect RAFs of 4.5 percent on the change in revenues, for a total TOTI increase of $9,044. Staff's total adjustment to operating expenses, including additional RAFS, is $51,891, resulting in total operating expenses of $349,494.

Conclusion

The Utility's Phase II revenue requirement should be $413,652, resulting in an annual increase of $69,252 or 20.11 percent over the recommended Phase I revenue requirement, annualized to reflect the Utility's current rates based on the price index and pass through adjustments that have been approved since the Utility's Phase I rates were implemented. The appropriate return on equity (ROE) is 11.16 percent with a range of 10.16 percent to 12.16 percent. The appropriate overall rate of return is 6.55 percent. Phase II rate base is shown on Schedule Nos. 1-A and 1-B. The capital structure for Phase II is shown on Schedule No. 2. The revenue requirement is shown on Schedule Nos. 3-A and 3-B. The resulting rates are shown on Schedule No. 4.

Issue 2: What are the appropriate water rates for Phase II?

Recommendation: The Phase II rate increase of 20.16 percent for water should be applied to the existing rates as shown on Schedule No. 4. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice. (Bruce)

Staff Analysis: Since the implementation of Phase I rates, the utility has had four price index and three pass through rate adjustments for 2014 through 2017. In order to determine the appropriate percentage price increase to the existing rates, staff annualized revenues using the existing rates, which became effective October 1, 2017, and the billing determinants as of 2014, used to set Phase I rates. This would result in an increase of 20.16 percent for water over the existing rates. The calculation is shown below.

Table 2-1
Determination of Percentage Service Rate Increase

	Water
Annualized Revenues	$344,400
Less: Miscellaneous Revenues	$980
Annualized Service Revenue Requirement	$343,460
Phase II Revenue Increase	$69,252
% Service Rate Increase (Line 4/Line 3)	20.16%

Staff recommends that the Phase II rate increase of 20.16 percent for water should be applied to the existing rates as shown on Schedule No. 4. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 3: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816?

Recommendation: The water rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period. 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 Little Gasparilla 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. (Bruce, Golden) (Final Agency Action)

Staff Analysis: Little Gasparilla's water rates should be reduced immediately following the expiration of the four-year rate case expense recovery period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense, the associated return on working capital, and the gross-up for RAFs which is $1,012.[18] Using the Utility's current revenues, expenses, and customer base, the reduction in revenues will result in the rate decrease shown on Schedule No. 4. As discussed in Issue 1, the rate case expense approved by the Commission in Phase I will be fully amortized in February 2019. If approved by the Commission, the incremental increase in rate case expense for Phase II will be fully amortized in early 2021, requiring a second four-year rate reduction for this docket.

Little Gasparilla should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility also should be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. If Little Gasparilla 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.

[18]Commission staff included the return on rate case expense in working capital because the docket was filed prior to the July 1, 2016, repeal of Section 367.0816, F.S., that formerly established the guidelines for recovery of rate case expense in SARCs.

Issue 4: Should the recommended rates be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. 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 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 Clerk's office no later than the 20th of every 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. (Golden) (Final Agency Action)

Staff Analysis: This recommendation proposes an increase in 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. 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 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 $46,168. 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.
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.
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.

The Utility should maintain a record of the amount of the bond, 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 Clerk's office no later than the 20th of every 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 5: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and the customer notice have been filed by the utility and approved by staff. When the tariff and notice actions are complete, this docket may be closed administratively. (Murphy, Bruce)

Staff Analysis: No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and the customer notice have been filed by the utility and approved by staff. When the tariff and notice actions are complete, this docket may be closed administratively.

LITTLE GASPARILLA WATER UTILITY, INC. **SCHEDULE NO. 1-A**
TEST YEAR ENDED 9/30/2013 **DOCKET NO. 20130265-WU**
SCHEDULE OF WATER RATE BASE (PHASE II)

	DESCRIPTION	PHASE I APPROVED BY COMMISSION	STAFF ADJUSTMENTS TO UTILITY BALANCE	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	$1,655,176	$364,816	$2,019,992
2.	LAND & LAND RIGHTS	52,475	0	52,475
3.	NON-USED AND USEFUL COMPONENTS	(110,295)	0	(110,295)
4.	CIAC	(479,873)	0	(479,873)
5.	ACCUMULATED DEPRECIATION	(697,656)	73,095	(624,561)
6.	AMORTIZATION OF CIAC	92,092	0	92,092
7.	WORKING CAPITAL ALLOWANCE	26,205	3,473	29,678
8.	WATER RATE BASE	$538,123	$441,384	$979,508

LITTLE GASPARILLA WATER UTILITY, INC. **SCHEDULE NO. 1-B**
TEST YEAR ENDED 9/30/2013 **DOCKET NO. 20130265-WU**
ADJUSTMENTS TO RATE BASE (PHASE II)

		WATER
	UTILITY PLANT IN SERVICE	
1.	To reflect pro forma plant addition for easements for county interconnect to Account 309.	54
2.	To reflect pro forma plant addition for easements for north line extension to Account 331	21,810
3.	To reflect pro forma easement clearing costs for new utility building to Account 304.	1,200
4.	To reflect actual cost incurred during Phase I for north line extension project to Account 331.	(25,023)
5.	To reflect removal of an unrelated water main repair from Account 331.	(125)
6.	To reflect plant addition for north line extension after obtained easements to Account 331.	9,426
7.	To reflect actual cost for subaqueous pipeline and interconnection to Account 309.	33,102
8.	To remove the refunded construction water deposit from Account 309.	(1,500)
9.	To reflect removal of non-utility items from Account 309.	(677)
10.	To reflect pro forma plant addition for new utility building to Account 304.	$355,218
11.	To reflect pro forma legal fees for new utility building to Account 304.	3,645
12.	To reflect removal of non-project related expense.	(250)
13.	To reflect retirement of plant replaced by utility building.	(52,151)
14.	To reclassify building demolition/removal cost to accumulated depreciation.	(29,179)
15.	To reflect completed pro forma drive-by meter change out program to Account 334.	56,094
16.	To reflect completed retirement of replaced meters.	(6,826)
	Total	$364,816
	ACCUMULATED DEPRECIATION	
1.	To reflect accumulated depreciation on pro forma additions and retirements.	($15,061)
2.	To reflect retirement of replaced utility building.	$52,151
3.	To reflect building demolition/removal costs.	$29,179
4.	To reflect retirement of replaced meters.	$6,826
	Total	$73,095
	WORKING CAPITAL ALLOWANCE	
	To reflect 1/8 of test year O&M expenses.	$3,473

LITTLE GASPARILLA WATER UTILITY, INC.
TEST YEAR ENDED 09/30/13
SCHEDULE OF CAPITAL STRUCTURE (PHASE II)

SCHEDULE NO. 2
DOCKET NO. 130265-WU

	CAPITAL COMPONENT	PHASE I PER COMM.	STAFF ADJUST-MENTS	TEST YEAR BALANCE PER STAFF	ADJSUTMENTS TO RECONCILE RATE BASE	RECONCILED CAPITAL STRUCTURE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	COMMON STOCK	$1,000	$0	$1,000					
2.	OTHER COMMON EQUITY	81,000	120,884	201,884					
	TOTAL COMMON EQUITY	$82,000	$120,884	$202,884	($103,655)	$99,230	10.13%	11.16%	1.13%
3.	LONG TERM DEBT - BB&T	$54,460	($54,460)	$0	$0	$0	0.00%	6.75%	0.00%
4.	LONG TERM DEBT - Promissory Notes	$608,775	0	608,775	(311,026)	297,749	30.40%	8.00%	2.43%
5.	LONG TERM DEBT - Stonegate Bank	$405,000	46,025	451,025	(230,431)	220,594	22.52%	4.75%	1.07%
6.	LONG TERM DEBT - Stonegate/SBA	$324,000	1,600	325,600	(166,351)	159,249	16.26%	4.75%	0.77%
7.	LONG TERM DEBT - John Deere	$30,503	0	30,503	(15,584)	14,919	1.52%	2.31%	0.04%
8.	LONG TERM DEBT - Stonegate Bank	$0	25,150	25,150	(12,849)	12,301	1.26%	4.00%	0.05%
9.	LONG TERM DEBT - Stonegate Bank	$0	138,358	138,358	(70,688)	67,670	6.91%	4.75%	0.33%
10.	LONG TERM DEBT - Stonegate/SBA	$0	109,000	109,000	(55,689)	53,311	5.44%	5.64%	0.31%
11.	LONG TERM DEBT - Stonegate Bank	$0	62,400	62,400	(31,880)	30,520	3.12%	5.94%	0.19%
12.	SHORT-TERM DEBT - Promissory Note	$0	49,000	49,000	(25,034)	23,966	2.45%	10.00%	0.24%
	TOTAL LONG TERM DEBT	1,422,738	$377,073	$1,799,810	($919,532)	$880,278	89.87%		
13.	CUSTOMER DEPOSITS	$0	$0	$0	$0	$0	0.00%	2.00%	0.00%
14.	TOTAL	$1,504,738	$497,957	$2,002,694	($1,023,186)	$979,508	100.00%		6.55%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	10.16%	12.16%
OVERALL RATE OF RETURN	6.45%	6.67%

LITTLE GASPARILLA WATER UTILITY, INC.
TEST YEAR ENDED 9/30/2013
SCHEDULE OF WATER OPERATING INCOME (PHASE II)

SCHEDULE NO. 3-A
DOCKET NO. 20130265-WU

		PHASE I APPROVED BY COMMISSION	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**OPERATING REVENUES**	$331,416	$12,984	$344,400	$69,252 20.11%	$413,652
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$209,637	$27,786	$237,408	$0	$237,423
3.	DEPRECIATION (NET)	41,943	15,061	57,004	0	57,004
4.	AMORTIZATION	0	0	0	0	0
5.	TAXES OTHER THAN INCOME	46,023	5,928	51,951	3,116	55,067
6.	INCOME TAXES	0	0	0	0	0
7.	**TOTAL OPERATING EXPENSES**	$297,602	$48,775	$346,378	$3,116	$349,494
8.	**OPERATING INCOME/(LOSS)**	$33,814		($1,978)		$64,158
9.	**WATER RATE BASE**	$538,123		$979,508		$979,508
10.	**RATE OF RETURN**	6.28%		(0.20%)		6.55%

LITTLE GASPARILLA WATER UTILITY, INC. **SCHEDULE NO. 3-B**
TEST YEAR ENDED 9/30/2013 **DOCKET NO. 20130265-WU**
ADJUSTMENTS TO OPERATING INCOME (PHASE II)

		WATER
	OPERATING REVENUES	
	To reflect annualized service revenues.	$12,984
	OPERATION AND MAINTENANCE EXPENSES	
1.	Purchased Water (610)	
	To reverse 7% EUW adjustment approved by Order No. PSC-14-0626-PAA-WU.	$3,803
2.	Purchased Power (615)	
	To reverse 7% EUW adjustment approved by Order No. PSC-14-0626-PAA-WU.	$280
3.	Chemicals (618)	
	To reverse 7% EUW adjustment approved by Order No. PSC-14-0626-PAA-WU.	$38
4.	Rents (640)	
	To reflect reduction in office rent after construction of new utility building.	($3,510)
5.	Insurance Expense (655)	
	To reflect pro forma increase in insurance expense for new utility building.	$10,944
6.	Regulatory Commission Expense (665)	
	To reflect 4-year amortization of Phase II rate case expense ($3,837/4).	$959
7.	Post Phase I Price Index and Pass Through Rate Adjustments	
	To reflect total 2014-2017 index and pass through O&M expense increases	$15,272
	TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	$27,786
	DEPRECIATION EXPENSE	
	To reflect depreciation expense for pro forma plant additions and retirements.	$15,061
	TAXES OTHER THAN INCOME	
	To reflect pro forma increase to utility property taxes on net pro forma plant.	$5,928

LITTLE GASPARILLA WATER UTILITY, INC. **SCHEDULE NO. 3-C**
TEST YEAR ENDED 9/30/2013 **DOCKET NO. 20130265-WU**
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE (PHASE II)

	PHASE I PER COMM.	STAFF ADJUST-MENTS	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	$22,665	$0	$22,665
(603) SALARIES AND WAGES - OFFICERS	70,710	0	70,710
(604) EMPLOYEE PENSIONS AND BENEFITS	11,672	0	11,672
(610) PURCHASED WATER	50,522	3,803	54,325
(615) PURCHASED POWER	3,720	280	4,000
(616) FUEL FOR POWER PRODUCTION	1,512	0	1,512
(618) CHEMICALS	504	38	542
(620) MATERIALS AND SUPPLIES	2,000	0	2,000
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	4,660	0	4,660
(635) CONTRACTUAL SERVICES - TESTING	1,929	0	1,929
(636) CONTRACTUAL SERVICES - OTHER	9,257	0	9,257
(640) RENTS	5,910	(3,510)	2,400
(650) TRANSPORTATION EXPENSE	6,359	0	6,359
(655) INSURANCE EXPENSE	8,708	10,944	19,652
(665) REGULATORY COMMISSION EXPENSE	3,546	959	4,505
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSE	5,962	0	5,962
POST PHASE I PRICE INDEX/PASS THROUGHS	0	15,272	15,272
	$209,637	$27,786	$237,423

LITTLE GASPARILLA WATER UTILITY, INC. **SCHEDULE NO. 4**
TEST YEAR ENDED SEPTEMBER 30, 2013 **DOCKET NO. 20130265-WU**
MONTHLY WATER RATES (PHASE II)

	UTILITY'S CURRENT RATES *	STAFF RECOMMENDED PHASE II RATES	4 YEAR RATE REDUCTION
Residential and General Service			
Base Facility Charge by Meter Size			
5/8" x 3/4"	$64.98	$78.08	$0.16
3/4"	$97.47	$117.12	$0.24
1"	$162.45	$195.20	$0.40
1-1/2"	$324.90	$390.40	$0.80
2"	$519.84	$624.64	$1.27
3"	$1,039.68	$1,249.28	$2.55
4"	$1,624.50	$1,952.00	$3.98
6"	$3,249.00	$3,904.00	$7.97
Charge per 1,000 gallons - Residential and General Service	$6.28	$7.55	
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
3,000 Gallons	$83.82	$100.73	
6,000 Gallons	$102.66	$123.38	
8,000 Gallons	$115.22	$138.48	

* The utility had a price index which became effective October 1, 2017.

Item 19

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: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Bruce) AB PAD 8+GS WRT
Office of the General Counsel (Trierweiler) JSC

RE: Docket No. 20170223-SU – Application for establishment of wastewater allowance for funds prudently invested (AFPI) charges in Highlands, Lake, Marion, Pasco and Pinellas Counties, by Utilities, Inc. of Florida.

AGENDA: 12/12/17 – Regular Agenda – Tariff Filing – Participation is at the Discretion of the Commission

COMMISSIONERS ASSIGNED: All Commissioners (EO)

PREHEARING OFFICER: Administrative

CRITICAL DATES: 12/15/17 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

Utilities, Inc. of Florida (UIF or Utility) is a Class A utility providing water and wastewater services to 27 systems in the following counties: Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole. The utility reported in its 2015 annual report, water operating revenues in the amount of $2,350,825 and $1,396,201 for wastewater.

On October 16, 2017, the utility filed an application to establish allowance for funds prudently invested (AFPI) wastewater charges for LUSI, Labrador, Lake Placid, Mid County, and UIF-Marion systems, including tariff sheets reflecting the requested charges. UIF is requesting the wastewater AFPI charges as a result of the Commission finding in Order No. PSC-2017-0361-FOF-WS that the previously mentioned wastewater systems were less than 100 percent used and useful.

Section 367.081 (6), Florida Statutes (F.S.), provides that the Commission may, for good cause, withhold consent of implementation of the requested rates within 60 days after the date the rate request is filed. This recommendation addresses the suspension of UIF's proposed tariff sheets. The Commission has jurisdiction pursuant to Section 367.091(6), F.S.

Discussion of Issues

Issue 1: Should the Commission suspend UIF's proposed tariff to establish AFPI charges for LUSI, Labrador, Lake Placid, Mid County, and UIF-Marion wastewater systems?

Recommendation: Yes. UIF's proposed tariff to establish AFPI charges for LUSI, Labrador, Lake Placid, Mid County, and UIF-Marion wastewater systems should be suspended. (Bruce)

Staff Analysis: Pursuant to Section 367.091(6), F.S., the Commission may withhold consent to operation of any or all portions of new rate schedules by a vote to that effect within 60 days, giving a reason or statement of good cause for withholding its consent. Staff is recommending that the tariff be suspended to allow staff sufficient time to review the application and gather all pertinent information to present the Commission an informed recommendation on the proposed tariffs. Staff believes that this reason is a good cause consistent with the requirement of Section 367.091(6) F.S. Based on the above, UIF's proposed tariff to establish AFPI charges for LUSI, Labrador, Lake Placid, Mid County, and UIF-Marion wastewater systems should be suspended.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open pending the Commission's final action on the UIF's requested approval to establish AFPI wastewater charges. (Trierweiler)

Staff Analysis: No. The docket should remain open pending the Commission's final action on the UIF's requested approval to establish AFPI wastewater charges.

Item 20

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: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Bruce)
Division of General Counsel (Janjic)

RE: Docket No. 20170244-WS – Request for approval of amendment to tariff for miscellaneous service charges in Lake County by Lakeside Waterworks, Inc.

AGENDA: 12/15/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED:

PREHEARING OFFICER: Administrative

CRITICAL DATES: 1/14/18 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

Lakeside Waterworks, Inc. (Lakeside or utility) is a Class C water and wastewater utility serving approximately 185 water customers and 171 wastewater customers in Lake County. The utility's 2016 annual report indicates total gross revenues of $64,036 for water and $57,680 for wastewater.

On November 14, 2017, the utility filed an application for approval of a tariff amendment to increase miscellaneous service charges in Lake County, which includes tariff sheets reflecting the requested charges. This recommendation addresses the utility's request to increase miscellaneous service charges in Lake County. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes (F.S).

Discussion of Issues

Issue 1: Should the Commission approve Lakeside's proposed tariff to increase miscellaneous service charges in Lake County?

Recommendation: Yes. The miscellaneous service charges identified in Table 1-5 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, Florida Administrative Code (F.A.C.). In addition, the approved charges 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. (Bruce)

Staff Analysis: Lakeside's current miscellaneous service charges were approved in Docket No. 120317-WS.[1] Section 367.091, F.S., authorizes the Commission to change miscellaneous service charges. Lakeside's request to increase 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. The cost justification provided by the utility reflects the same labor and transportation costs relied on to set the LP Waterworks, a sister company, miscellaneous service charges. [2] The calculations for the recommended charges for miscellaneous services are shown in Tables 1-1 through 1-4. Table 1-5 displays the utility's current and staff's recommended miscellaneous service charges rounded up to the nearest tenth.

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 Lakeside's water and wastewater systems of $31.10 for normal hours and $36.20 for after hours. The calculations are shown in Table 1-1.

[1] Order No. PSC-13-0425-PAA-WS, issued September 18, 2013, in Docket No. 120317-WS, *In re: Application for approval to transfer water and wastewater system Certificate Nos. 567-W and 494-S in Lake County from Shangri-La by the Lake Utilities, Inc. to Lakeside Waterworks, Inc.*

[2] Order No. PSC-2017-0334-PAA-WS, issued August 23, 2017, in Docket No. 20160222-WS, *In re: Application for staff-assisted rate case in Highlands County by LP Waterworks.*

Table 1-1
Initial Connection Charge Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Administrative Labor ($28/hr x 1/4 hr)	$7.00	Administrative Labor ($28/hr x 1/4 hr)	$7.00
Field Labor ($30.42/hr x 1/3 hr)	$10.14	Field Labor ($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: Utility's Cost Justification

Normal Reconnection Charge

A normal reconnection charge is levied for the transfer 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 Lakeside's water and wastewater systems of $57.10 for normal hours and $64.70 for after hours. The calculations are shown in Table 1-2.

Table 1-2
Normal Reconnection Charge Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Administrative Labor ($28/hr x1/4hr x 2)	$14.00	Administrative Labor ($28/hr x1/4hr)	$14.00
Field Labor ($30.42/hr x 1/4 hr x 2)	$15.21	Field Labor ($45.63/hr x 1/4hr x 2)	$22.82
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	$64.64

Source: Utility's Cost Justification

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 Lakeside's water system of $57.10 for normal hours and $64.70 for after hours. However for Lakeside's wastewater system, this charge should remain at actual cost pursuant to Rule 25-30.460(1)(c), F.A.C. The calculations are shown in Table 1-3.

Table 1-3
Violation Reconnection Charge Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Administrative Labor ($28/hr x1/4hr x 2)	$14.00	Administrative Labor ($28/hr x1/4hr x 2)	$14.00
Field Labor ($30.42/hr x 1/4 hr x 2)	$15.21	Field Labor ($45.63hr x 1/4 hr x 2)	$22.82
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	$64.64

Source: Utility's Cost Justification

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 a 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. The calculations are shown in Table 1-4.

Table 1-4
Premises Visit Charge Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Administrative Labor ($28.00/hr x1/4hr)	$7.00	Administrative Labor ($28.00/hr x1/4hr)	$7.00
Field Labor ($30.42/hr x 1/3 hr)	$10.14	Field Labor ($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: Utility's Cost Justification

Conclusion

Based on the aforementioned, the miscellaneous service charges identified in Table 1-5 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 charges 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 1-5
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 2: Should this docket be closed?

Recommendation: The docket should remain open pending staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. If a protest is filed within 21 days of the issuance date of the Order, the tariff should remain in effect with the charge held subject to refund pending resolution of the protest. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notice of the charge has been given to customers, the docket should be administratively closed. (Janjic, Bruce)

Staff Analysis: The docket should remain open pending staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. If a protest is filed within 21 days of the issuance date of the Order, the tariff should remain in effect with the charge held subject to refund pending resolution of the protest. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notice of the charge has been given to customers, the docket should be administratively closed.