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Commission Conference Agenda
February 4, 2020

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Item 1

State of Florida



Public Service Commission

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

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

DATE: January 23, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Office of the General Counsel (Lherisson) *BZ*
Division of Engineering (Wooten, Ellis) *HW* *JSC* *POE*

RE: Docket No. 20190199-WS – Application for quick-take amendment of Certificate Nos. 278-W and 225-S to add territory in Seminole County, by Utilities, Inc. of Florida.

AGENDA: 02/04/20 – Regular Agenda – Proposed Agency Action – Rule Waiver – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 03/09/20 (90-Day Rule Waiver Statutory Deadline)

SPECIAL INSTRUCTIONS: None

Case Background

On November 5, 2019, Utilities, Inc. of Florida (UIF or Utility) filed a Petition for Partial Variance or Waiver of Rule 25-30.030(5)(b), Florida Administrative Code (Petition). UIF is a Class A water and wastewater utility currently serving approximately 34,000 water and/or wastewater customers¹ throughout 27 systems in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties. UIF is a wholly owned subsidiary of Utilities, Inc., and its rates and charges were last approved by the Florida Public Service Commission (Commission) in Docket No. 20160101-WS.² UIF is seeking a waiver of Rule 25-

¹ Document No. 10737-2019.

² Order No. PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket 20160101-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida.*; amended by Order No. PSC-2017-0361A-FOF-WS, issued

30.030(5)(b), Florida Administrative Code (F.A.C.), in connection with UIF's Application for Quick Take Amendment³ of Certificates 278-W and 225-S in Seminole County (Application). The Utility is seeking to add 24 single family connections to UIF's water and wastewater systems in Seminole County, and is seeking a waiver of the rule requirement to notify its current 34,000 customers of the quick-take amendment.

Pursuant to Section 120.542(6), Florida Statutes (F.S.), notice of this rule waiver Petition was Published in the Florida Administrative Register on November 20, 2019. In accordance with Rule 28-104.003(1), F.A.C., interested persons were given 14 days after the publication of the notice to submit written comments. No written comments were received, and the time for such has expired. On December 26, 2019, Commission staff sent a data request to the Utility, to which responses were received on that same day.

This recommendation addresses the Utility's Rule Waiver Petition; issues relating to the Utility's Application will be addressed in a subsequent recommendation. The Commission has jurisdiction in this matter pursuant to Sections 367.071 and 120.542, F.S.

October 4, 2017; see also remanded Order No. PSC-2019-0363-PAA-WS, issued August 27, 2019; consummated by Order No. PSC-2019-0388-CO-WS, issued September 20, 2019.

³ A quick take amendment is designed to provide water and/or wastewater service quickly for areas that serve less than 25 equivalent residential connections (ERCs), there is no other utility in the area of the proposed territory that is able to provide reasonably adequate service, the customer has demonstrated to the utility that service is necessary, and the utility has filed an application to extend its service area. See 25-30.036(3), F.A.C.

Discussion of Issues

Issue 1: Should the Commission approve Utilities, Inc. of Florida's request for a partial waiver of Rule 25-30.030(5)(b), F.A.C.?

Recommendation: Yes, the Utility has demonstrated that the underlying purpose of the statute will be or has been achieved by other means, and that strict application of Rule 25-30.030(5)(b), F.A.C., would place a substantial hardship on the Utility. Therefore, staff recommends that the Commission approve Utilities, Inc. of Florida's request for a partial waiver or waiver of Rule 25-30.030(5)(b), F.A.C. Staff further recommends that the Utility should be required to place a notice of its quick take application on its website to provide all UIF customers notice of the Utility's proposed actions. (Lherisson)

Staff Analysis: On November 5, 2019, UIF filed a Petition seeking a partial waiver of Rule 25-30.030(5)(b), F.A.C., which requires that notice of the quick take amendment be provided by regular mail or personal service to each customer and owner of property located within the existing service area and the service area to be served, extended, deleted, or transferred. The waiver is sought in connection with UIF's application for a quick take amendment of UIF's Certificates 278-W and 225-S in Seminole County, Florida, to add 24 single family connections to UIF's water and wastewater systems. On December 9, 2019, UIF provided notice by regular U.S. mail to water and wastewater utilities in Seminole County, governmental agencies in Seminole County, the Office of Public Counsel, and the Commission.⁴ On December 30, 2019, UIF filed an affidavit that notice of UIF's Application was published twice weekly in the Sanford Herald, a newspaper of general circulation within Seminole County, Florida.⁵ UIF seeks to waive Rule 25-30.030(5)(b), F.A.C., that requires notice to be provided to all customers and property owners within its existing service area.

Section 120.542(2), F.S., authorizes the Commission to grant variances or waivers from agency rules where the petitioner subject to the rule has demonstrated that the purpose of the underlying statute will be or has been achieved by other means, and that a strict application of the rule would cause the applicant substantial hardship or would violate the principles of fairness. "Substantial hardship" as defined in this section means demonstrated economic, technological, legal, or other hardship. A violation of the "principles of fairness" occurs when the literal application of a rule affects a particular person in a manner significantly different from the way it affects other similarly situated persons who are subject to the rule.

The underlying statutory provision pertaining to the above-mentioned rule is Section 367.045, F.S. This statute requires, in part, that notice of the Utility's application be provided to its consumers who would be substantially affected by the requested amendment. This provision has the effect of alerting current customers of the Utility that additional customers may be added to the system, and of potential impacts that could affect their current rates or quality of service. It also prescribes how and in what manner utility customers may submit objections or request a formal evidentiary hearing on the merits of the application.

⁴ Document No. 11251-2019.

⁵ Document No. 11497-2019.

In its response to Commission Staff's First Data Request, the Utility states that its water and wastewater systems consist of over 34,000 customers and the application would only add 24 single family residences to the systems. UIF asserts that the impact of adding only 24 single family residences would be de minimis, and would have an insignificant impact on existing customers of UIF. Additionally, UIF has already provided all other notices required by Rule 25-30.030, F.A.C., including providing notice by regular mail to the affected governing body of Seminole County and municipalities therein, and the Office of Public Counsel.

UIF also asserts that strict application of Rule 25-30.030(5)(b), F.A.C., would place a substantial economic hardship on the Utility. UIF contends that the personnel, paper, printing, envelopes, and postage required to mail individual notices to its approximately 34,000 customers would cost over \$16,000. The customers to be added to UIF's customer base if its Application is approved would be a de minimis percentage of the Utility's customer base. UIF argues that the economic cost far outweighs any benefit that the Utility's 34,000 existing customers would receive.

Based on the foregoing analysis and the information provided within UIF's petition and its response to Staff's First Data Request, staff believes that UIF has met the requirements of Section 120.542, F.S., and has demonstrated that the purpose of the underlying statute will be or has been achieved by other means, and that the strict application of Rule 25-30.030(5)(b), F.A.C., would place a substantial hardship on the Utility.

However, given the number of customers within UIF's customer base, staff believes it is important to maintain transparency and ensure that all customers receive full notice of the Utility's proposed actions. Therefore, staff recommends approval of the Utility's request for partial waiver of Rule 25-30.030(5)(b), F.A.C., with the following conditions: UIF should place a notice of its Application on its website, which should provide a date certain by when substantially affected persons may timely file an objection to the quick take amendment. This date should be 30 days from the date the notice is published on the website. This notice should remain on the Utility's website for a period of 30 days, and customers should have the right to file an objection with the Office of Commission Clerk until the date specified within the notice. Prior to posting, Commission staff should approve the location and wording of the notice to be published.⁶

⁶ See Order No. PSC-2017-0387-PAA-SU, issued October 11, 2017, in Docket No. 20170174-SU, *In re: Application for transfer of assets of exempt utility, amendment of Certificate No. 465-S, and petition for partial variance or waiver of Rule 25-30.030(5)(b), F.A.C. by Utilities, Inc. of Florida.*

Issue 2: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. This docket should remain open pending the Commission's final decision regarding the Utility's Application for quick take amendment of Certificate Nos. 278-W and 225-S to add territory in Seminole County. (Lherisson)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. This docket should remain open pending the Commission's final decision regarding the Utility's Application for quick take amendment of Certificate Nos. 278-W and 225-S to add territory in Seminole County.

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: January 23, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Sewards, M. Andrews, D. Buys, Mouring)
Division of Economics (Hampson) *CH*
Office of the General Counsel (Schrader, Lherisson) *KS*

RE: Docket No. 20190222-EI – Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Dorian and Tropical Storm Nestor, by Duke Energy Florida, LLC. *MA DBB NM ALM BE*

AGENDA: 02/04/2020 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: 03/01/2020 (Requested Implementation Date)

SPECIAL INSTRUCTIONS: None

Case Background

On December 19, 2019, Duke Energy Florida, LLC (DEF or Company) filed a petition for a limited proceeding seeking authority to recover a total of \$171.3 million for the incremental restoration costs related to Hurricane Dorian and Tropical Storm Nestor. This amount includes \$2.1 million for interest and the regulatory assessment fee gross-up. In its petition, DEF requests approval of an interim storm restoration recovery charge to commence with the first billing cycle of March 2020.

DEF filed its petition pursuant to the provisions of the Second Revised and Restated 2017 Settlement Agreement (2017 Settlement) approved by the Commission in Order No. PSC-2017-

0451-AS-EU.¹ Pursuant to the 2017 Settlement, DEF can recover storm costs, without a cap on the level of charges on customer bills, on an interim basis beginning 60 days following the filing of a petition for recovery. DEF proposes to implement an interim charge for a 12-month period effective March 2020. The interim charge results in an increase of \$5.34 per 1,000 kilowatt hour (kWh) on a residential bill.

On December 31, 2019, White Springs Agricultural Chemicals, Inc. filed a petition to intervene.² On January 7, 2020, the Office of Public Counsel filed a petition to intervene.³

The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, 366.06, and 366.076, Florida Statutes.

¹ 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.*

² Document No. 00028-2020

³ Document No. 00099-2020

Discussion of Issues

Issue 1: Should the Commission authorize DEF to implement an interim storm restoration recovery charge?

Recommendation: Yes, the Commission should authorize DEF to implement an interim storm restoration recovery charge. Once the total actual storm costs are known, DEF should be required to file documentation of the total storm costs for Commission review and true-up of any excess or shortfall. (Sewards)

Staff Analysis: As stated in the Case Background, DEF filed a petition for a limited proceeding seeking authority to recover a total of \$171.3 million for the incremental restoration costs related to Hurricane Dorian and Tropical Storm Nestor. The \$171.3 million includes \$2.1 million for interest and regulatory assessment fee gross-up. The petition was filed pursuant to the provisions of the 2017 Settlement approved by the Commission in Order No. PSC-2017-0451-AS-EU. Pursuant to Paragraph 38 of the 2017 Settlement, DEF can begin recovery of storm costs, without a cap, 60 days following the filing of a petition for recovery. DEF has requested an interim storm restoration recovery charge to implement for a 12-month period, effective the first billing cycle of March 2020 and continuing through February 2021.

In its petition, DEF asserts that it incurred total retail recoverable costs of approximately \$171.3 million as a result of Hurricane Dorian and Tropical Storm Nestor. DEF further asserts that this amount was calculated in accordance with the Incremental Cost and Capitalization Approach (ICCA) methodology prescribed in Rule 25-6.0143, Florida Administrative Code.

The approval of an interim storm restoration recovery charge is preliminary in nature and is subject to refund pending further review once the total actual storm restoration costs are known. After the actual costs are reviewed for prudence and reasonableness, and are compared to the actual amount recovered through the interim storm restoration recovery charge, a determination will be made whether any over/under recovery has occurred. The disposition of any over/under recovery, and associated interest, would be considered by the Commission at a later date.

Based on a review of the information provided by DEF in its petition, staff recommends that the Commission authorize DEF to implement an interim storm restoration recovery charge, subject to refund. Once the total actual storm costs are known, DEF should be required to file documentation of the storm costs for Commission review and true-up of any excess or shortfall. Staff emphasizes that this recommendation is only for interim recovery charges and is not a confirmation or endorsement of the prudence of DEF's forecasted costs and plans. This recommendation only allows DEF to begin recovery on an interim basis in accordance with the 2017 Settlement. This interim recovery is subject to refund following a hearing or formal proceeding where the veracity and prudence of DEF's actual restoration costs can be fully vetted.

Issue 2: Should the Commission approve DEF's proposed Hurricane Dorian and Tropical Storm Nestor interim storm cost recovery surcharges and associated tariffs?

Recommendation: Yes. The Commission should approve DEF's proposed Hurricane Dorian and Tropical Storm Nestor interim storm cost recovery surcharges and associated tariffs, as effective with the first billing cycle of March 2020, subject to a final true-up. (Hampson)

Staff Analysis: DEF is seeking approval of interim storm cost recovery surcharges associated with Hurricane Dorian and Tropical Storm Nestor as shown in proposed Tariff Sheet Nos. 6.105 and 6.106 (Attachment A to this recommendation). The surcharges will be applicable to all rate classes. Tariff Sheet No 6.105 shows the proposed interim storm cost recovery surcharges and Tariff Sheet No. 6.106 defines the storm cost recovery surcharge.

DEF explains that it has allocated the storm cost recovery amount to the rate classes consistent with the rate design approved in the 2017 Settlement. The calculation is shown in Appendix A on page 6 of DEF's petition. For residential customers, the surcharge is 0.534 cents per kilowatt-hour (kWh), which equates to \$5.34 on a 1,000 kWh residential bill. The storm cost recovery surcharge will be included in the non-fuel energy charge on customer bills.

Conclusion: Staff recommends that the Commission should approve DEF's proposed Hurricane Dorian and Tropical Storm Nestor interim storm cost recovery surcharges and associated tariffs, effective with the first billing cycle of March 2020, subject to a final true-up.

Issue 3: What is the appropriate security to guarantee the amount collected subject to refund through the interim storm restoration recovery charge?

Recommendation: The appropriate security to guarantee the funds collected subject to refund is a corporate undertaking. (D. Buys)

Staff Analysis: Staff recommends 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 DEF's financial statements to determine if the Company can support a corporate undertaking to guarantee the funds collected for recovery of incremental storm restoration costs related to Hurricane Dorian and Tropical Storm Nestor. DEF's 2016, 2017, and 2018 financial statements were used to determine the financial condition of the Company. DEF's financial performance demonstrates adequate levels of ownership equity, profitability, and interest coverage, but marginal liquidity due to negative working capital. However, the Company participates in Duke Energy Corporation's (DEF's parent company) money pool and has access to additional funds if needed.

DEF requested a 12-month collection period from March 2020 to February 2021 for Interim Storm Cost Recovery Charges of \$171.2 million related to Hurricane Dorian and Tropical Storm Nestor. By Order No. PSC-2019-0268-PCO-EI, the Commission approved DEF's request for Interim Storm Cost Recovery Charges of \$223.5 million for recovery of costs incurred due to Hurricane Michael to be collected during a 12-month period from July 2019 to June 2020.⁴ In that Order, the Commission approved DEF's Second Implementation Stipulation whereby DEF agreed to use the annual tax reform benefits resulting from the Tax Cuts and Jobs Act of 2017 as a direct offset to avoid implementing a separate cost recovery of storm damage costs that customers would have otherwise been obligated to pay.⁵ With the addition of the Interim Storm Cost Recovery Surcharges for Hurricane Dorian and Tropical Storm Nestor in the instant docket, the cumulative interim amount subject to refund would be \$394.8 million through February 2021. However, the interim amount held subject to refund for Hurricane Michael is being offset by income tax savings and not billed to the ratepayers.

Staff believes DEF has adequate resources to support a corporate undertaking in the amount requested. Based on this analysis, staff recommends that a corporate undertaking of \$171.2 million is acceptable. This brief financial analysis is only appropriate for deciding if the Company can support a corporate undertaking in the amount proposed and should not be considered a finding regarding staff's position on other issues in this proceeding.

⁴Order No. PSC-2019-0268-PCO-EI, issued July 1, 2019, in Docket No. 20190110-EI, *In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Michael and approval of second implementation stipulation, by Duke Energy Florida, LLC.*

⁵ *Id.*

Issue 4: Should this docket be closed?

Recommendation: No, this docket should remain open pending final reconciliation of actual recoverable Hurricane Dorian and Tropical Storm Nestor storm costs with the amount collected pursuant to the interim storm restoration recovery charge. The disposition of any over or under recovery, and associated interest, should be considered by the Commission at a later date. (Schrader, Lherisson)

Staff Analysis: No, this docket should remain open pending final reconciliation of actual recoverable Hurricane Dorian and Tropical Storm Nestor storm costs with the amount collected pursuant to the interim storm restoration recovery charge. The disposition of any over or under recovery, and associated interest, should be considered by the Commission at a later date.



SECTION NO. VI
EIGHTY-SEVENTH REVISED SHEET NO. 6.105
CANCELS EIGHTY-SIXTH REVISED SHEET NO. 6.105

Page 1 of 3

RATE SCHEDULE BA-1
BILLING ADJUSTMENTS

Applicable:

To the Rate Per Month provision in each of the Company's filed rate schedules which reference the billing adjustments set forth below.

COST RECOVERY FACTORS										
Rate Schedule/Metering Level	Fuel Cost Recovery ⁽¹⁾			ECCR ⁽²⁾		CCR ⁽³⁾		ECRC ⁽⁴⁾	ASC ⁽⁵⁾	SCRS ⁽⁶⁾
	Levelized ¢/ kWh	On-Peak ¢/ kWh	Off-Peak ¢/ kWh	¢/ kWh	\$/ kW	¢/ kWh	\$/ kW	¢/ kWh	¢/ kWh	¢/ kWh
RS-1, RST-1, RSL-1, RSL-2, RSS-1 (Sec.)		4.308	2.921	0.339	-	1.200	-	0.079	0.235	0.534
< 1000	3.067									
> 1000	4.067									
GS-1, GST-1										
Secondary	3.350	4.308	2.921	0.327	-	1.147	-	0.079	0.222	0.444
Primary	3.317	4.266	2.892	0.324	-	1.136	-	0.078	0.220	0.440
Transmission	3.283	4.222	2.863	0.320	-	1.124	-	0.077	0.218	0.435
GS-2 (Sec.)	3.350	-	-	0.226	-	0.690	-	0.075	0.135	0.207
GSD-1, GSDT-1, SS-1*										
Secondary	3.350	4.308	2.921	-	1.09	-	3.60	0.076	0.175	0.320
Primary	3.317	4.266	2.892	-	1.08	-	3.56	0.075	0.173	0.317
Transmission	3.283	4.222	2.863	-	1.07	-	3.53	0.074	0.172	0.314
CS-1, CST-1, CS-2, CST-2, CS-3, CST-3, SS-3*										
Secondary	3.350	4.308	2.921	-	0.46	-	1.38	0.072	0.120	0.518
Primary	3.317	4.266	2.892	-	0.46	-	1.37	0.071	0.119	0.513
Transmission	3.283	4.222	2.863	-	0.45	-	1.35	0.071	0.118	0.508
IS-1, IST-1, IS-2, IST-2, SS-2*										
Secondary	3.350	4.308	2.921	-	0.95	-	3.00	0.073	0.144	0.199
Primary	3.317	4.266	2.892	-	0.94	-	2.97	0.072	0.143	0.197
Transmission	3.283	4.222	2.863	-	0.93	-	2.94	0.072	0.141	0.195
LS-1 (Sec.)	3.181	-	-	0.103	-	0.147	-	0.070	0.027	0.379
*SS-1, SS-2, SS-3										
Monthly										
Secondary	-	-	-	-	0.106	-	0.349	-	-	-
Primary	-	-	-	-	0.105	-	0.346	-	-	-
Transmission	-	-	-	-	0.104	-	0.342	-	-	-
Daily										
Secondary	-	-	-	-	0.050	-	0.166	-	-	-
Primary	-	-	-	-	0.050	-	0.164	-	-	-
Transmission	-	-	-	-	0.049	-	0.163	-	-	-
GSLM-1, GSLM-2	See appropriate General Service rate schedule									

(1) Fuel Cost Recovery Factor:

The Fuel Cost Recovery Factors applicable to the Fuel Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. These factors are designed to recover the costs of fuel and purchased power (other than capacity payments) incurred by the Company to provide electric service to its customers and are adjusted to reflect changes in these costs from one period to the next. Revisions to the Fuel Cost Recovery Factors within the described period may be determined in the event of a significant change in costs.

(2) Energy Conservation Cost Recovery Factor:

The Energy Conservation Cost Recovery (ECCR) Factor applicable to the Energy Charge under the Company's various rate schedules is normally determined annually by the Florida Public Service Commission for twelve-month periods beginning with the billing month of January. This factor is designed to recover the costs incurred by the Company under its approved Energy Conservation Programs and is adjusted to reflect changes in these costs from one period to the next. For time of use demand rates the ECCR charge will be included in the base demand only.

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE:



SECTION NO. VI
TWENTY-EIGHTH REVISED SHEET NO. 6.106
CANCELS TWENTY-SEVENTH REVISED SHEET NO. 6.106

Page 2 of 3

**RATE SCHEDULE BA-1
BILLING ADJUSTMENTS**
(Continued from Page 1)

(3) Capacity Cost Recovery Factor:

The Capacity Cost Recovery (CCR) Factors applicable to the Energy Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. This factor is designed to recover the cost of capacity payments made by the Company for off-system capacity and is adjusted to reflect changes in these costs from one period to the next. For time of use demand rates the CCR charge will be included in the base demand only.

(4) Environmental Cost Recovery Clause Factor:

The Environmental Cost Recovery Clause (ECRC) Factors applicable to the Energy Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. This factor is designed to recover environmental compliance costs incurred by the Company and is adjusted to reflect changes in these costs from one period to the next.

(5) Asset Securitization Charge Factor:

The Asset Securitization Charge (ASC) Factors applicable to the Energy Charge under the Company's various rate schedules represent a Nuclear Asset-Recovery Charge approved in a financing order issued to the Company by the Florida Public Service Commission and are adjusted at least semi-annually to ensure timely payment of principal, interest and financing costs of nuclear asset-recovery bonds from the effective date of the ASC until the nuclear asset-recovery bonds have been paid in full or legally discharged and the financing costs have been fully recovered. As approved by the Commission, a Special Purpose Entity (SPE) has been created and is the owner of all rights to the Nuclear Asset-Recovery Charge. The Company shall act as the SPE's collection agent or servicer for the Nuclear Asset-Recovery Charge. The Nuclear Asset-Recovery Charge shall be paid by all existing or future customers receiving transmission or distribution service from the Company or its successors or assignees under Commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from alternative electric suppliers following a fundamental change in regulation of public utilities in this state.

(6) Storm Cost Recovery Surcharge Factor:

In accordance with a Florida Public Service Commission ruling, the Storm Cost Recovery Surcharge (SCRS) factor is applicable to the Energy Charge under the Company's various rate schedules for the billing months of March 2020 through February 2021. This surcharge is designed to recover storm-related costs incurred by the Company related to Hurricane Dorian and Tropical Storm Nestor in 2019.

Gross Receipts Tax Factor:

In accordance with Section 203.01(1)(a)1 of the Florida Statutes, a factor of 2.5641% is applicable to electric sales charges for collection of the state Gross Receipts Tax.

Right-of-Way Utilization Fee:

A Right-of-Way Utilization Fee is applied to the charges for electric service (exclusive of any Municipal, County, or State Sales Tax) provided to customers within the jurisdictional limits of each municipal or county governmental body or any unit of special-purpose government or other entity with authority requiring the payment of a franchise fee, tax, charge, or other imposition whether in money, service, or other things of value for utilization of rights-of-way for location of Company distribution or transmission facilities. The Right-of-Way Utilization Fee shall be determined in a negotiated agreement (i.e., franchise and other agreements) in a manner which reflects the Company's payments to a governmental body or other entity with authority plus the appropriate Gross Receipts Taxes and Regulatory Assessment Fees resulting from such additional revenue. The Right-of-Way Utilization Fee is added to the charges for electric service prior to the application of any appropriate taxes.

Municipal Tax:

A Municipal Tax is applied to the charge for electric service provided to customers within the jurisdictional limits of each municipal or other governmental body imposing a utility tax on such service. The Municipal Tax shall be determined in accordance with the governmental body's utility tax ordinance, and the amount collected by the Company from the Municipal Tax shall be remitted to the governmental body in the manner required by law. No Municipal Tax shall apply to fuel charges in excess of 0.69¢/kWh.

Sales Tax:

A State Sales Tax is applied to the charge for electric service provided to all non-residential customers and equipment rental provided to all customers (unless a qualified sales tax exemption status is on record with the Company). The State Sales Tax shall be determined in accordance with the State's sales tax laws. The amount collected by the Company shall be remitted to the State in the manner required by law. In those counties that have enacted a County Discretionary Sales Surtax, such tax shall be applied and paid in a like manner. An additional tax factor is applied to the charge for electric service consistent with the applicability of State Sales Tax as described in this paragraph, in accordance with Section 203.01(1)(a)3 and (b)4 of the Florida Statutes.

(Continued on Page No. 3)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE:



SECTION NO. VI
ORIGINAL SHEET NO. 6.107

Page 3 of 3

**RATE SCHEDULE BA-1
BILLING ADJUSTMENTS**
(Continued from Page 2)

Governmental Undergrounding Fee:

Applicable to customers located in a designated Underground Assessment Area within a local government (a municipality or a county) that requires the Company to collect a Governmental Undergrounding Fee from such customers to recover the local government's costs of converting overhead electric distribution facilities to underground facilities. The Governmental Undergrounding Fee billed to a customer's account shall not exceed the lesser of (i) 15 percent of a customer's total net electric service charges, or (ii) a maximum monthly amount of \$30 for residential customers and \$50 for each 5,000 kilowatt-hour increment of consumption for commercial/industrial customers, unless the Commission approves a higher percentage or maximum monthly amount. The maximum monthly amount shall apply to each line of billing in the case of a customer receiving a single bill for multiple service points, and to each occupancy unit in the case of a master metered customer. The Governmental Undergrounding Fee shall be calculated on the customer's charges for electric service before the addition of any applicable taxes.

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL
EFFECTIVE:

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: January 23, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (M. Watts) *MT 24*
Office of the General Counsel (Schrader) *KS JSC*

RE: Docket No. 20190122-WU – Request for cancellation of Certificate No. 626-W by B&C Water Resources, L.L.C.

AGENDA: 02/04/20 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

B&C Water Resources, L.L.C. (B&C) was granted water Certificate No. 626-W in 2004.¹ B&C is a Class C utility that provides water service to five customers in Baker and Union Counties through wells located in areas leased by individual hunt clubs.

In 2017, the Commission approved B&C's application for the transfer of majority organizational control of B&C in Baker and Union Counties on the parent level from Plum Creek Manufacturing Holding Company (Plum Creek) to Weyerhaeuser NR Company (WNR).² The

¹Order No. PSC-04-1256-PAA-WU, issued on December 20, 2004, in Docket No. 20041040-WU, *In re: Application for certificate to operate water utility in Baker and Union Counties by B&C Water Resources, L.L.C.*

²Order No. PSC-17-0225-FOF-WS, issued on June 14, 2017, in Docket No. 20170238-WU, *In re: Application of B&C Water Resources, L.L.C. and D&E Water Resources, L.L.C. for transfer of majority organizational control.*

transfer of majority organization control occurred pursuant to the merger of Plum Creek, of which B&C was a wholly-owned subsidiary, into WNR.

On May 31, 2019, WNR filed a request to cancel Certificate No. 626-W, stating that B&C does not currently provide water service to customers for compensation, and has no plans for doing so in the future. WNR believes that, under the circumstances which it currently operates, described in Issue 1, it does not meet the definition of a utility given in Section 367.021, Florida Statutes (F.S.).

In its 2018 annual report, B&C reported providing service to one residential and six general service customers. In its response to staff's July 18, 2019 data request, B&C reported that the reference to a residential customer in its annual report was erroneous, and that it now provides water for only five hunt clubs. B&C also reported in its 2018 annual report that it received water revenues of \$0. The net loss for 2018 was \$23,877. This recommendation addresses the cancellation of Certificate No. 626-W since B&C is no longer operating as a utility as defined by Section 367.021(12), F.S. The Commission has jurisdiction over this matter pursuant to Section 367.011, F.S.

Discussion of Issues

Issue 1: Should Certificate No. 626-W, held by B&C Water Resources, L.L.C. be canceled?

Recommendation: Yes. Certificate No. 626-W should be canceled effective the date the order becomes final. (M. Watts)

Staff Analysis: B&C was originally organized to provide water service to future customers created by prospective real estate development in the service area. Initially, B&C only provided water through individual wells to hunting lodges located on its property. The hunting lodges were leased by individual hunt clubs. Due to the economic downturn in 2008, the real estate development never materialized. Thus, the hunt clubs remain the only users of the water from B&C's wells. B&C stated in its request for cancellation that it has determined that there are no realistic market objectives supporting the purpose for which B&C was originally organized as a utility.

Section 367.021(12), F.S., defines a utility as,

...a water or wastewater utility and, except as provided in Section 367.022, F.S., includes every person, lessee, trustee, or receiver owning, operating, managing, or controlling a system, or proposing construction of a system, who is providing, or proposes to provide, water or wastewater service to the public for compensation.

Currently, the hunt clubs lease land from WNR's parent company, Weyerhaeuser Company. Since the hunt clubs exist within discrete areas of Weyerhaeuser Company's land, the members of each hunt club use a single well for small-volume, infrequent cleaning associated with their seasonal hunting activities. The water is accessed at the well through the pump and is only used for cleaning animals. There is no distribution system providing water to the lodges, and the hunters do not use the water for personal consumption. The hunt clubs are currently not charged for the use of the water, either directly or indirectly through their leases.

The Utility is current with filing its annual reports and has no outstanding fines. B&C has remitted its 2019 and 2020 regulatory assessment fees.

Since B&C receives no compensation for the water it provides, it no longer meets the definition of a utility as provided in Section 367.021(12), F.S. Therefore, Certificate No. 626-W should be canceled effective the date the order becomes final.

Issue 2: Should this docket be closed?

Recommendation: If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the issuance of the order, a consummating order should be issued and the docket should be closed. (Schrader)

Staff Analysis: If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the issuance of the order, a consummating order should be issued and the docket should be closed.

Item 4

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: January 23, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (M. Watts, Knoblauch) *MA EK TS*
Division of Accounting and Finance (Norris, Sowards) *ALM*
Division of Economics (Ramos) *MR SA*
Office of the General Counsel (Schrader) *KS*

RE: Docket No. 20190147-WS – Application for certificates to provide water and wastewater service in Brevard County by River Grove Utilities, Inc.

AGENDA: 02/04/20 – Regular Agenda – Proposed Agency Action for Issues 2 through 7 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: 02/13/20 (Statutory deadline for original certificate pursuant to Section 367.031, Florida Statutes)

SPECIAL INSTRUCTIONS: None

Case Background

River Grove Utilities, Inc. (River Grove or Utility) is located in Brevard County, Florida. Based on its application, the Utility provides water and wastewater service to 168 residential customers, two offices, and two clubhouses within the River Grove Mobile Home Village. According to the Florida Department of Environmental Protection (DEP) documents, the water and wastewater systems were built in the 1970s to service the mobile home park. Since that time, River Grove Mobile Home Village, Inc. (RGMHV) has included the cost of providing water and wastewater service to the residents of the mobile home park (MHP) in the rent. Therefore, pursuant to Section 367.022(5), Florida Statutes (F.S.), RGMHV has been exempt from Florida Public Service Commission (Commission) regulation.

In 2014, the potable water system began experiencing problems meeting drinking water standards for color, total dissolved solids, and total trihalomethanes. Alternative water treatment methods were considered, but it was determined that the least costly alternative would be to connect to the Brevard County's Barefoot Bay water system and purchase bulk water service from Barefoot Bay. In 2016, the DEP issued a consent order that directed RGMHV to take the actions necessary to effect the interconnection with Barefoot Bay, and gave it a two-year time frame to complete. RGMHV sought funding through a DEP state revolving fund program for the water main extension required to interconnect the two systems. After some delays with the funding and permitting, the interconnection was completed in March 2019. RGMHV created River Grove Utilities, Inc. to own and operate the water and wastewater systems, function as a utility separate from the mobile home park, and bill for water and wastewater service. River Grove installed individual water meters at each lot and proposed to collect revenues based on metered usage.

Pursuant to Section 367.031, F.S., the Commission shall grant or deny an application for a certificate of authorization within 90 days after the official filing date of the completed application. The application was deemed complete on November 15, 2019, which is considered the official filing date.

This recommendation addresses the application for original water and wastewater certificates and the appropriate rates and charges for the Utility. The Commission has jurisdiction pursuant to Sections 367.031 and 367.045, F.S.

Discussion of Issues

Issue 1: Should the application for water and wastewater certificates by River Grove be approved?

Recommendation: Yes. Granting the application is in the public interest and River Grove should be granted Certificate Nos. 674-W and 575-S to serve the territory described in Attachment A, effective the date of the Commission's vote. The resultant order should serve as River Grove's water and wastewater certificates and it should be retained by the Utility. (M. Watts, Knoblauch, Sowards)

Staff Analysis: On July 25, 2019, River Grove filed its application for original water and wastewater certificates in Brevard County, Florida. Upon review, staff determined the original filing was deficient and sent a deficiency letter on August 16, 2019. Staff also sent data requests to the Utility seeking additional information. River Grove corrected the deficiencies on November 15, 2019, which is considered the official filing date for the application. The Utility's application is in compliance with the governing statutes, Sections 367.031 and 267.045, F.S.

Notice

On October 24 and November 15, 2019, River Grove filed proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code (F.A.C.). One customer filed a letter in opposition to the rates on November 8, 2019. Staff reached out to the customer by telephone, leaving a voicemail, and by letter, to ask whether he wished to merely note his objection or to request an administrative hearing. The customer did not respond to these inquiries. No other protest was filed during the protest period and the time for filing objections has passed.

Land Ownership and Service Territory

River Grove provided adequate service territory and system maps, and a territory description as required by Rule 25-30.033, F.A.C. The legal description of the service territory is appended to this recommendation as Attachment A. The application contained a copy of the warranty deed for the wastewater treatment plant site that will be executed and recorded upon the Commission's approval of the application.

Financial and Technical Ability

Rule 25-30.033(1)(h) and (i), F.A.C., requires a statement providing the financial and technical ability of the applicant to provide service, a detailed financial statement, and a list of all entities upon which the applicant is relying to provide funding along with those entities' financial statements. As a new business entity, River Grove is relying upon the financial backing of its parent, RGMHV. The existing water and wastewater infrastructure has been owned and operated by RGMHV since the 1970s. The Commission has traditionally allowed reliance on the parent's

financial ability in similar situations.¹ The Commission's reasoning has been the logical vested interest of a parent in the financial stability of its subsidiary. The application contains RGMHV's most recent financial statements. Additionally, the application includes the loan agreement for the Florida Department of Environmental Protection State Revolving Fund (SRF) loan, which financed the construction of the Utility's interconnection with Barefoot Bay to purchase bulk water. Staff believes that RGMHV's financial statements demonstrate adequate and stable funding reserves for the Utility. Therefore, staff recommends that River Grove has demonstrated that it will have access to adequate financial resources to operate the Utility.

Regarding technical ability, the Utility stated in its application that it has owned and operated the subject water and wastewater systems since the 1970s. River Grove also stated that its systems will be operated consistent with an operations agreement with U.S. Water Services Corporation. Following the interconnection with Barefoot Bay, River Grove appears to have no outstanding compliance issues on file with the DEP, and is current with its monitoring requirements.

Conclusion

Based on the foregoing, staff recommends that granting River Grove's application is in the public interest. River Grove should be granted Certificate Nos. 674-W and 575-S to serve the territory described in Attachment A, effective the date of the Commission's vote. The resultant order should serve as River Grove's water and wastewater certificates and it should be retained by the Utility.

¹Order Nos. PSC-2017-0059-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.*; PSC-2013-0484-FOF-WS, issued October 15, 2013, in Docket No. 20130105-WS, *In re: Application for certificates to provide water and wastewater service in Hendry and Collier Counties, by Consolidated Services of Hendry & Collier, LLC.*; and PSC-2012-0224-PAA-WS, issued April 30, 2012, in Docket No. 20090445-WS, *In re: Application for original certificates for proposed water and wastewater system and request for initial rates and charges in Indian River, Okeechobee, and St. Lucie counties by Grove Land Utilities, LLC.*

Issue 2: What are the appropriate water and wastewater rates and return on investment for River Grove?

Recommendation: The recommended monthly water and wastewater rates, as shown on Schedule No. 4 attached to this recommendation, are reasonable and should be approved. 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. The approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. A return on equity of 10.55 percent, with a range of plus or minus 100 basis points, should also be approved. (Ramos, Sowards, M. Watts, Knoblauch)

Staff Analysis: Within its application, the Utility provided the appropriate information pursuant to Rule 25-30.033(1)(p), F.A.C., to support its proposed rates and charges. In the instant case, the Utility's water and wastewater facilities are currently in operation. Therefore, the requested rates and charges in the application are based on actual operating costs of the existing systems. This is consistent with the Commission's policy for setting initial rates and charges.

Rate Base

Consistent with Commission practice in applications for original certificates, rate base is identified only as a tool to aid in setting initial rates and is not intended to formally establish rate base. The Utility's proposed water and wastewater rate base calculations, as well as staff adjustments, are described below.

The Utility proposed plant in service balances, inclusive of land, of \$1,141,146 for water and \$41,676 for wastewater in its filing. The filing indicated a land balance of \$2,250 for the water system and \$2,250 for the wastewater system. However, the wastewater balance of Account No. 351—Organization also included the land balance. As such, staff has made an adjustment to decrease wastewater plant in service by \$2,250 to remove the duplicative costs.

As part of its proposed plant in service, the Utility proposed \$1,045,994 for its Potable Water Main Extension Project for interconnection with the Barefoot Bay water system. Based on updated information provided by the Utility, staff has made an adjustment to decrease water plant in service by \$44,559 to remove duplicative costs.

Based on the adjustments above, staff recommends a reduction to River Grove's projected plant in service of \$44,559 for water and \$2,250 for wastewater. As such, staff recommends an adjusted projected plant in service, inclusive of land, of \$1,096,587 for water and \$39,426 for wastewater.

River Grove proposed an accumulated depreciation balance of \$37,492 for water and \$17,873 for wastewater. The Utility's projection is based on the accumulated depreciation of existing plant, as well as the use of a half-year convention for the requested pro forma projects. As the pro forma projects were completed in March 2019, staff believes it is reasonable to include a full year of accumulated depreciation in rate base.

Additionally, a corresponding adjustment should be made to the water system to reflect adjustments to plant in service, as discussed above. Based on the above, staff recommends increasing accumulated depreciation by \$18,737 for the water system and \$216 for the wastewater system. As such, staff recommends an accumulated depreciation balance of \$56,229 for water and \$18,089 for wastewater.

In its filing, River Grove proposed Contributions In Aid of Construction (CIAC) balances of \$837,564 for water and \$0 for wastewater. The CIAC balance for water includes estimated potential principal forgiveness in the amount of \$776,848, as identified in the SRF loan agreement between the DEP and RGMHV. According to the loan agreement, the DEP is authorized to allow principal forgiveness on loans funded by the Federal Drinking Water Act for projects that meet the requirements of the Act. Also, the CIAC for water includes a balance of \$60,716, based on a proposed service availability charge of \$353 per customer for meter installation. However, through correspondence with staff, the Utility indicated that all meters were already installed and that the proposed service availability charge would be collected prospectively if there is development of the adjacent property. As such, staff made an adjustment to decrease CIAC for water by \$60,716. Based on the above, staff recommends CIAC balances of \$776,848 for water and \$0 for wastewater.

River Grove proposed an accumulated amortization of CIAC balance of \$11,633 for water and \$0 for wastewater. Staff recommends the inclusion of a full year of accumulated amortization of CIAC collected related to the pro forma projects, consistent with the recommended adjustment to accumulated depreciation, discussed above. Additionally, staff recommends an adjustment to recognize the removal of the meter installation charges. These adjustments result in an increase of \$9,946 to accumulated amortization of CIAC for the water system. As such, staff recommends an accumulated amortization of CIAC balance of \$21,579 for water and \$0 for wastewater.

The Utility calculated a working capital allowance of \$15,124 for water and \$18,189 for wastewater based on one-eighth of the estimated operation and maintenance (O&M) expense for each system. Staff recommends an increase of \$1,513 for water and a decrease of \$6,206 for wastewater, to reflect staff's recommended adjustments to O&M expense discussed below. Staff's recommended adjustments result in a working capital allowance of \$16,637 for water and \$11,983 for wastewater.

In total, River Grove proposed a rate base of \$292,847 for water and \$41,992 for wastewater. Based on the adjustments discussed above, staff recommends that the rate base be increased \$8,879 for water and decreased \$8,672 for wastewater. As such, staff recommends an adjusted rate base of \$301,726 for water and \$33,320 for wastewater should be approved. Rate base calculations for the water and wastewater systems are shown on Schedule Nos. 1-A and 1-B, respectively. Staff's adjustments are shown on Schedule No. 1-C.

Cost of Capital

The Utility's application contained a schedule of the Utility's capital structure. River Grove projected long-term debt of \$229,209, which consisted of the SRF loan balance that was not included in the principal forgiveness. The Utility also projected common equity of \$54,964 consisting of paid in capital from RGMHV. River Grove also made an adjustment to reduce common equity by \$2,100 to reconcile proposed total capital with the Utility's requested rate

base. However, it is Commission practice to reconcile all investor sources of capital, which includes long-term debt, to the approved rate base.² This methodology results in pro rata adjustments to decrease long-term debt by \$1,513 and common equity by \$363.

River Grove proposed a return of equity (ROE) of 10.93 percent, based on the leverage formula in effect at the time of filing. However, staff recommends the Utility's ROE be based on the current leverage formula in effect. Using the current leverage formula, the ROE should be 10.55 percent.³ As such, staff recommends an overall cost of capital of 2.52 percent. The appropriate ROE for River Grove is 10.55 percent, with a range of plus or minus 100 basis points, as shown on Schedule No. 2.

Net Operating Income

River Grove calculated net operating income (NOI) of \$7,416 for water and \$1,063 for wastewater. Based on staff's adjustments above, staff calculated an NOI of \$7,614 for water and an NOI of \$841 for wastewater. The calculated NOI for the water and wastewater systems are shown on Schedule Nos. 3-A and 3-B, respectively.

Operation and Maintenance Expense

The Utility proposed total O&M expenses of \$120,994 for water and \$145,513 for wastewater. Staff believes adjustments are necessary, as addressed below.

Salaries and Wages Expense – Employees

River Grove projected salaries and wages – employees expense of \$0 for water and \$68,533 for wastewater. In response to staff's first data request, the Utility updated its request to a total of \$176,800, or \$88,400 for each system. River Grove stated that the updated request includes two positions. The first position would be a superintendent/mechanic employee, with a salary of \$83,200, responsible for meter reading, general operations monitoring, oversight of the contract operator, and day-to-day maintenance. The second position would be a part-time director, with a salary of \$93,600, responsible for oversight of operations, maintenance, and administration. Staff notes that the Utility has also requested contractual services expense for billing, meter reading, reporting to the Commission, and handling phone calls for the Utility.

Staff agrees that the requested superintendent/mechanic position is reasonable for day-to-day operations of the Utility. Staff requested an explanation of how the Utility developed the salary estimate for this position, and the Utility only provided an hourly rate with no further explanation. In order to gauge the reasonableness of the requested salary, staff reviewed the American Water Works Association 2018 Utility Salary Compensation Survey for Small Water and Wastewater Utilities and identified a position, Small System Manager, which is representative of the requested superintendent/mechanic position's duties. The mid-point of the range for this salary is \$68,521. As such, staff believes the Utility's original salary request of

²Order No. PSC-2018-0591-PAA-WS, issued December 19, 2018, in Docket No. 20180063-WS, *In re: Application for limited proceeding rate increase in Polk County by Orchid Springs Development Corporation*; Order No. PSC-2018-0552-PAA-WU, issued December 19, 2018, in Docket No. 20180022-WU, *In re: Application for staff-assisted rate case in Lake County by Pine Harbour Waterworks, Inc.*

³Order No. PSC-2019-0267-PAA-WS, issued July 1, 2019, in Docket No. 20190006-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.*

\$68,533 is an appropriate projection for this position. However, staff recommends allocating the salary to both systems, per the Utility's updated request. As such, staff recommends that the requested superintendent position, with a salary of \$68,533, allocated equally between the water and wastewater systems (\$34,267 per system), should be approved.

Staff believes the responsibilities of the requested director position would be duplicative of those assigned to the superintendent, as well as the functions attributed to contractual services. As a result, staff recommends that the requested director position should not be approved.

Based on the above, staff has calculated an adjustment from the Utility's original request to increase salaries and wages – employees expenses by \$34,267 for the water system, and to decrease the expense by \$34,267 for the wastewater system. This results in a recommended salaries and wages – employees expense of \$34,267 for the water system and \$34,267 for the wastewater system.

Purchased Power Expense

River Grove projected 2019 wastewater purchased power expense of \$17,954, based on the average of this expense for 2015, 2016 and 2017. In response to staff's data request, River Grove provided documentation showing purchased power expenses incurred in 2018. Given the variance of purchased power expenses from year-to-year, staff believes the use of a four-year average based on 2015 to 2018 is appropriate. Additionally, the Utility included a 2.48 percent increase to account for inflation of expenses. As the four-year averages are based on costs incurred from 2015 to 2018, staff believes this is a reasonable adjustment given that it is comparable to the 2019 Price Index percentage of 2.36 percent authorized by the Commission. Based on the above, staff has calculated an adjustment to decrease purchased power expenses by \$925 for the wastewater system. This results in recommended purchased power expenses of \$17,029 for the wastewater system.

Materials and Supplies, Transportation, and Insurance Expense

River Grove projected materials and supplies, transportation, and insurance expenses based on an average of allocated costs incurred in 2015, 2016, and 2017. The Utility only projected materials and supplies expense for the wastewater system. In response to a staff data request, the Utility provided documentation showing costs incurred in 2018. As discussed above, staff believes the use of a four-year average based on 2015 to 2018, including a 2.48 percent increase for inflation of expenses, is appropriate. Based on the above, staff has calculated an adjustment to decrease these expenses by a total of \$672 for the water system and \$1,494 for the wastewater system.

Contractual Services Expense

The Utility proposed contractual services expenses of \$42,619 for the water system and \$43,718 for the wastewater system. River Grove's contractual services expense is comprised of administrative fees, customer billing and collections fees, lab fees, and meter reading software maintenance fees.

River Grove estimated administrative fees of \$21,738, split evenly between the water and wastewater systems at \$10,869 each. Additionally, the Utility estimated meter reading software maintenance fees of \$950 for the water system only. Staff believes these proposed fees are reasonable. Based on the above, staff recommends total administrative fees of \$21,738, split

evenly between the water and wastewater systems at \$10,869 each. Further, staff recommends total maintenance fees of \$950 for the water system only.

The Utility projected total customer billing and collection fees of \$61,600, split evenly between the water and wastewater systems at \$30,800 each. The total fees are comprised of meter reading costs of \$20,640, billing and collection costs of \$30,960, and a cost of \$10,000 for annual reporting to the Commission. In its initial response to staff's first data request, the Utility stated these administrative services would be provided by RGMHV. In a subsequent response, River Grove stated its proposed customer billing and collection fees were based on an agreement with the company Rents. However, the Utility was unable to provide a written contract or agreement between the Utility and Rents. Given the relatively large amount of the fees for a utility of River Grove's size, staff reviewed the reasonableness of the requested expenses as discussed below.

River Grove estimated monthly meter reading costs at \$10 per customer for a total of \$20,640 annually ($172 \times \10×12). In Order No. PSC-2016-0537-PAA-WU, the Commission determined a meter reading charge of \$3.06 per customer to be reasonable.⁴ Staff believes this is an appropriate proxy to use as it was based on a quote for meter reading services from an independent third party. Additionally, to account for inflation of expenses since the issuance of the abovementioned Order, staff increased the charge to \$3.20 using the Commission-approved price index percentages for water and wastewater utilities. Based on the above, staff has calculated meter reading costs of \$6,608 ($172 \times \3.20×12).

The Utility estimated monthly billing and collection costs at \$15 per customer for a total of \$30,960 annually ($172 \times \15×12). To determine a reasonable monthly billing and collection charge, staff reviewed the cost justification River Grove provided for late fees included in Exhibit 23B of its application. The Utility listed clerical labor, supervisor labor, printing supplies, and postage at a total of \$7.60 per late fee. Staff believes this is a reasonable starting point to use for general billing and collection activities. Staff used the clerical labor, printing supplies, and postage components to formulate a recurring monthly per customer charge. Clerical labor per customer would include the time to create and send bills, to collect and process payments, as well as provide for possible communication with customers for billing questions or issues. This results in monthly billing and collection costs of \$5.60 per customer. Based on the above, staff has calculated billing and collection costs at \$11,558 ($172 \times \5.60×12).

River Grove included an annual cost of \$10,000 for reporting to the Commission. Staff reviewed recent cases that have come before the Commission involving Class C utilities of similar size to review the reasonableness of this request. Staff located 2019 invoices from an independent third party, which included the preparation and review of annual reports. The invoices reflected the expense for several Class C utilities, with a range of approximately \$143 to \$285. As such, staff believes it is appropriate to limit River Grove's request to the top of the range. Staff recommends \$285 as an appropriate annual cost for reporting to the Commission.

⁴Order No. PSC-2016-0537-PAA-WU, issued November 23, 2016, in Docket No. 20150181-WU, *In re: Application for staff-assisted rate case in Duval County by Neighborhood Utilities, Inc.*

Based on the above, staff recommends total customer billing and collection fees of \$18,452 (\$6,608 + \$11,558 + \$285), split evenly between the water and wastewater systems at \$9,226 each.

River Grove projected lab fees of \$2,049 for the wastewater system. The Utility based its proposed lab fees on an average of costs incurred in 2015, 2016, and 2017. In response to a staff data request, the Utility provided documentation showing costs incurred in 2018. As discussed above, staff believes the use of a four-year average based on 2015 to 2018, including a 2.48 percent increase for inflation of expenses, is appropriate. Based on the above, staff recommends total lab fees of \$2,129.

The Utility also provided a signed updated contract with U.S. Water Services Corporation for operations of the wastewater treatment plant. Although the cost of this contract was not included in the Utility's calculation, staff believes it should be included in contractual services as the company is performing necessary functions to operate the wastewater treatment plant. As such, staff recommends that \$8,937 should be included in contractual services for the wastewater system.

Based on the above, staff recommends total contractual services expense of \$21,045 for the water system and \$31,161 for the wastewater system. This results in an adjustment to decrease contractual services expense by \$21,574 for the water system, and \$12,557 for the wastewater system.

Miscellaneous Expense

River Grove projected miscellaneous expense of \$2,296 for both the water and wastewater system. The Utility used a three-year average to base its projected miscellaneous expense, using the average of costs incurred in 2015, 2016, and 2017. As with the other expenses, staff received documentation reflecting the costs incurred in 2018. As discussed above, staff believes the use of a four-year average based on 2015 to 2018, including a 2.48 percent increase for inflation of expenses, is appropriate. This results in a decrease of \$406 to the miscellaneous expense for both the water and wastewater systems. Additionally, an expense of \$2,440 for Full System and Software Training for the meters installed as part of the Potable Water Main Extension Project was included in Account 334 – Meters. This amount was removed from Account 334 and moved to Account 675 – Miscellaneous Expenses to be amortized over five years. This results in an increase of \$488 for the water system. As such, staff recommends that the Utility's projected miscellaneous expense be increased by \$82 ($-\$406 + \488) for water and decreased by \$406 for wastewater.

O&M Expense Summary

Based on the above adjustments, staff recommends that projected O&M expense be increased by \$12,102 for water and decreased by \$49,648 for wastewater, resulting in total O&M expense of \$133,096 for water and \$95,865 for wastewater.

Depreciation and CIAC Amortization Expense

River Grove reflected depreciation expense, net of CIAC amortization, of \$8,964 for water and \$546 for wastewater. Based on staff's adjustments to rate base, corresponding adjustments should be made to increase net depreciation by \$4,084 for water and decrease by \$56 for

wastewater. These adjustments result in net depreciation expense of \$13,048 for water and \$490 for wastewater.

Taxes Other Than Income

In its filing, River Grove included taxes other than income (TOTI) expense of \$22,769 and \$7,294 for water and wastewater, respectively. These total amounts included property tax expense of \$15,485 and \$334 for water and wastewater, respectively. River Grove's calculation of proposed property tax expense for each system was based on net plant that included the balance of Account Nos. 301 and 351—Organization. As this account is considered intangible plant, staff removed these balances from the calculations. Based on this adjustment, as well as a corresponding adjustment to reflect staff's adjustments to rate base, staff recommends decreasing property tax expense by \$1,460 for water and \$334 for wastewater.

In addition, as discussed below, staff is recommending an adjustment to the Utility's projected revenues. As a result, TOTI should be increased by \$825 for water and decreased by \$2,378 for wastewater to reflect regulatory assessment fees of 4.5 percent on the change in revenues. Therefore, staff recommends TOTI of \$22,134 ($\$22,769 - \$1,460 + \825) for water and \$4,582 ($\$7,294 - \$334 - \$2,378$) for wastewater.

Income Taxes

River Grove proposed income taxes of \$1,715 for water and \$246 for wastewater. Based on staff's adjustments to NOI, staff recommends increasing income taxes by \$2,576 for water and decreasing income taxes by \$212 for wastewater. Therefore, staff recommends income taxes of \$4,291 for water and \$34 for wastewater.

Revenue Requirement

The Utility proposed revenue requirements for water and wastewater of \$161,858 and \$154,662, respectively. Staff recommends adjusted revenue requirements of \$180,183 for water and \$101,811 for wastewater to be used to set initial rates for service. The Utility's projected revenue requirements include O&M expenses, depreciation and amortization expense, taxes other than income, income taxes, as well as a return on investment. The recommended revenue requirements will allow the Utility the opportunity to recover its expenses and earn a 2.52 percent return on its investment in rate base, as shown on Schedule Nos. 3-A and 3-B, respectively. Staff's adjustments are shown on Schedule No. 3-C.

Rates and Rate Structure

The Utility provides water and wastewater service to 168 residential customers, two offices, and two clubhouses within the River Grove Mobile Home Village. The Utility indicated that all customers have 5/8 inch x 3/4 inch meters. Furthermore, the Utility indicated that there are currently four vacant mobile home lots which when occupied, will have 5/8 inch x 3/4 inch meters. The Utility currently does not have established rate structures and rates for its water and wastewater services; however, utility services are a component of the total monthly lot rent.

The Utility's proposed rate structures and rates, consisting of base facility and gallonage charges, for its water and wastewater system, are shown below in Table 2-1. The Utility allocated service revenues to the base facility charge (BFC) of approximately 44 percent for water and 75 percent for wastewater. The Utility additionally proposed a residential wastewater cap of 10,000 gallons.

Staff believes the Utility's rate structure, consisting of base facility and gallonage charges, is reasonable. However, in a data request, the Utility indicated that the customers are not seasonal, and therefore, staff believes the Utility's proposed BFC allocations should be reduced to 40 percent for water and 50 percent for wastewater based on Commission practice. Furthermore, staff does not recommend a residential wastewater cap in this instant proceeding because the necessary consumption data in order to determine the appropriate cap is not readily available. The appropriate residential wastewater cap should be evaluated by staff in a subsequent rate proceeding in which a detailed billing analysis is audited and can be analyzed. As a result, staff's recommended rate structure and rates for River Grove's water and wastewater systems are shown in Table 2-1.

Table 2-1
River Grove's Water and Wastewater Rates

	Utility Proposed		Staff Recommended	
	Water	Wastewater	Water	Wastewater
Base Facility Charge	\$34.20	\$56.07	\$34.92	\$24.66
Gallonage Charge				
Charge per 1,000 gallons	\$6.03	\$2.57	\$7.15	\$3.36
Typical Residential 3/4" Meter Bill Comparison				
3,000 gallons	\$52.29	\$63.78	\$56.37	\$34.74
5,000 gallons	\$64.35	\$68.92	\$70.67	\$41.46
7,000 gallons	\$76.41	\$74.06	\$84.97	\$48.18

Conclusion

Based on the above, the recommended monthly water and wastewater rates, as shown on Schedule No. 4, are reasonable and should be approved. 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. The approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. A return on equity of 10.55 percent, with a range of plus or minus 100 basis points, should also be approved.

Issue 3: Should the miscellaneous service charges requested by River Grove be approved?

Recommendation: Yes. The Utility's requested miscellaneous service charges of \$30 and wastewater violation reconnection charge of actual cost should be approved. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for services rendered on or after the stamped approval date on the tariff sheet provided customers have received notice pursuant to Rule 25-30.475(1), F.A.C. The Utility should provide proof of noticing within 10 days of rendering the approved notice. (Ramos)

Staff Analysis: Section 367.091, F.S., authorizes the Commission to establish miscellaneous service charges. River Grove's request was accompanied by its reason for requesting the charges as well as the cost justification required by Section 367.091(6), F.S. The Utility requested initial connection, normal reconnection, violation reconnection and premise visit charges of \$30 during normal business hours. Additionally, the Utility requested that its violation reconnection charge for its wastewater system be actual cost, pursuant to Rule 25-30.460(1)(c), F.A.C.

The purpose of these charges is to place the burden for requesting or causing these services on the cost-causer rather than the general body of ratepayers. The Utility requested the recovery of \$26.60 of field and supervisorial labor associated with processing miscellaneous services based on an hourly salary of \$20 and the time it takes to perform all job functions, which is estimated to be 1.33 hours. Additionally, the Utility requested recovery of vehicle mileage of \$3.48 based on a mileage rate of \$0.58 per mile for 6 miles. The Utility's cost justification for its requested miscellaneous service charges is shown in Table 3-1.

Table 3-1
Miscellaneous Service Charges Cost Justification

Labor (\$20 x 1.33)	\$26.60
Vehicle (\$0.58 x 6)	\$3.48
Total	\$30.08

Source: Utility's Cost Justification

Staff believes the Utility's requested charges are reasonable and should be approved. A summary of the Utility's requested miscellaneous service charges is shown in Table 3-2.

Table 3-2
Miscellaneous Service Charges

Initial Connection Charge	\$30.00
Normal Reconnection Charge	\$30.00
Violation Reconnection Charge (Water)	\$30.00
Violation Reconnection Charge (Wastewater)	Actual Cost
Premise Visit Charge	\$30.00

Source: Utility's Cost Justification

Date: January 23, 2020

Based on the above, the Utility's requested miscellaneous service charges of \$30, and wastewater violation reconnection charge of actual cost, should be approved. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for services rendered on or after the stamped approval date on the tariff sheet provided customers have received notice pursuant to Rule 25-30.475(1), F.A.C. The Utility should provide proof of noticing within 10 days of rendering the approved notice.

Issue 4: What is the appropriate late payment charge for River Grove?

Recommendation: The appropriate late payment charge for River Grove is \$7.50. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective for services rendered on or after the stamped approval date on the tariff sheet provided customers have received notice pursuant to Rule 25-30.475(1), F.A.C. The Utility should provide proof of noticing within 10 days of rendering the approved notice. (Ramos)

Staff Analysis: River Grove requested a late payment charge of \$7.50 to recover the cost of supplies and labor associated with processing late payment notices. River Grove's request for a late payment charge was accompanied by its reason for requesting the charge as well as the cost justification, as required by Section 367.091, F.S. The goal of allowing late payment charges is two fold: first, it encourages customers to pay their bills on time, and second, if payments are not made on time, it ensures that the cost associated with collecting late payments are not passed on to the customers who do pay on time.⁵

Within its cost justification, the Utility included \$5.00 for clerical labor associated with processing late payment based on the clerical employee who is paid \$20 per hour and the amount of time it takes the employee to process a single late payment charge of 15 minutes. This is consistent with Commission practice, in which the Commission has found that 10 to 15 minutes is an appropriate amount of time for a billing employee to process a single late payment.⁶ Furthermore, the Utility requested to recover supervisorial labor of \$2.00 based on the supervisor's hourly salary of \$25 per hour and the time it takes the supervisor to review a late payment charge of five minutes, which is consistent with Utilities, Inc. of Florida's approved late payment charge.⁷ The Utility is also requesting recovery of \$0.10 for supplies and \$0.50 for postage. While the Utility's cost justification totals to \$7.60, the Utility rounded down its requested late payment charge to \$7.50.

⁵Order Nos. PSC-2019-0047-PAA-WS, in Docket No. 20170249-WS, issued January 25, 2019, *In re: Application for certificates to provide water and wastewater service in Orange County by RSPI MHC, LLC*; PSC-01-0998-TRF-WU, issued April 23, 2001, in Docket No. 20010232-WU, *In re: Request for approval of tariff filing to add "set rate" late fee to water tariff, by Lake Yale Treatment Associates, Inc. in Lake County*.

⁶Order Nos. PSC-2019-0047-PAA-WS, in Docket No. 20170249-WS, issued January 25, 2019, *In re: Application for certificates to provide water and wastewater service in Orange County by RSPI MHC, LLC*; PSC-2018-0334-PAA-WU, issued June 28, 2018, in Docket No. 2017-155-WU, *In re: Application for grandfather water certificate in Leon County and application for pass through increase of regulatory fees, by Seminole Waterworks, Inc.*; PSC-16-0041-TRF-WU, in Docket No. 20150215-WU, issued January 25, 2016, *In re: Request for approval of tariff amendment to include miscellaneous service charges for the Earlene and Ray Keen Subdivisions, the Ellison Park Subdivision and the Lake Region Paradise Island Subdivision in Polk County, by Keen Sales, Rentals and Utilities, Inc.*; PSC-15-0569-PAA-WS in Docket No. 20140239-WS, issued December 16, 2015, *In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.*; PSC-16-0523-TRF-WU, in Docket No. 20160023-WU, issued November 21, 2016, *In re: Application for transfer of majority organizational control of Sunny Shores Water Company, Inc., holder of Certificate No. 578- W in Manatee County, from Jack E. Mason to Jack E. Mason, II and Debbie A. Mason*.

⁷Order No. PSC-2017-0361-FOF-WS, in Docket No. 20160101-WS, issued September 25, 2017, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida*.

The Commission has recently approved late payment charges ranging from \$4.50 to \$7.15.⁸ Staff understands that this late payment charge is slightly higher than what the Commission has approved in the past. However, after reviewing the Utility's cost justification and comparing the cost break-down to other regulated water and wastewater utilities, staff believes the Utility's requested charge is appropriate and should be approved. The cost justification for the Utility's requested late payment charge is shown on Table 4-1.

Table 4-1
Late Payment Charge Cost Justification

Activity	Cost
Clerical Labor	\$5.00
Supervisor Labor	\$2.00
Supplies	\$0.10
Postage	<u>\$0.50</u>
Total Cost	<u>\$7.60</u>

Source: Utility's cost justification documentation.

Based on the above, the appropriate late payment charge for River Grove is \$7.50. The Utility should file the revised tariff sheet and a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective for services rendered on or after the stamped approval date on the tariff sheet provided customers have received notice pursuant to Rule 25-30.475(1), F.A.C. The Utility should provide proof of noticing within 10 days of rendering the approved notice.

⁸Order Nos. PSC-2019-0047-PAA-WS, in Docket No. 20170249-WS, issued January 25, 2019, *In re: Application for certificates to provide water and wastewater service in Orange County by RSPI MHC, LLC*; PSC-2018-0334-PAA-WU, issued June 28, 2018, in Docket No. 2017-155-WU, *In re: Application for grandfather water certificate in Leon County and application for pass through increase of regulatory fees, by Seminole Waterworks, Inc.*; PSC-14-0105-TRF-WS, in Docket No. 20130288-WS, issued February 20, 2014, *In re: Request for approval of late payment charge in Brevard County by Aquarina Utilities, Inc.*; PSC-15-0535-PAA-WU in Docket No. 20140217-WU, issued November 19, 2015, *In re: Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc.*; PSC-15-0569-PAA-WS, issued December 16, 2015, in Docket No. 20140239-WS, *In re: Application for limited proceeding rate increase in Polk County by Orchid Springs Development Corporation.*

Issue 5: Should River Grove be authorized to collect Non-Sufficient Funds Charge (NSF)?

Recommendation: Yes. River Grove should be authorized to collect NSF charges. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved NSF charges. The approved charges should be effective for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice pursuant to Rule 25-30.475, F.A.C. The Utility should provide proof of noticing within 10 days of rendering its approved notice. (Ramos)

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

- (1) \$25, if the face value does not exceed \$50,
- (2) \$30, if the face value exceeds \$50 but does not exceed \$300,
- (3) \$40, if the face value exceeds \$300,
- (4) or 5 percent of the face amount of the check, whichever is greater.

Approval of NSF charges is consistent with prior Commission decisions.⁹ Furthermore, NSF charges place the cost on the cost-causer, rather than requiring that the costs associated with the return of the NSF checks to be spread across the general body of ratepayers. As such, River Grove should be authorized to collect NSF charges. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved NSF charges. The approved charges should be effective for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice pursuant to Rule 25-30.475, F.A.C. The Utility should provide proof of noticing within 10 days of rendering its approved notice.

⁹Order Nos. PSC-2019-0047-PAA-WS, in Docket No. 20170249-WS, issued January 25, 2019, *In re: Application for certificates to provide water and wastewater service in Orange County by RSPI MHC, LLC*; PSC-2018-0334-PAA-WU, issued June 28, 2018, in Docket No. 2017-155-WU, *In re: Application for grandfather water certificate in Leon County and application for pass through increase of regulatory fees, by Seminole Waterworks, Inc.*; PSC-14-0198-TRF-SU, issued May 2, 2014, in Docket No. 20140030-SU, *In re: Request for approval to amend Miscellaneous Service charges to include all NSF charges by Environmental Protection Systems of Pine Island, Inc.*; and PSC-13-0646-PAA-WU, issued December 5, 2013, in Docket No. 20130025-WU, *In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.*

Issue 6: What are the appropriate initial customer deposits for River Grove?

Recommendation: The appropriate initial customer deposits are \$175 for water and \$99 wastewater for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill. The approved customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding. (Ramos)

Staff Analysis: Rule 25-30.311, F.A.C., contains criteria for collecting, administering, and refunding customer deposits. Rule 25-30.311(1), F.A.C., requires that each company's tariff contain its specific criteria for determining the amount of initial deposits. The Utility requested customer deposits of \$156.84 for water and \$149.82 for wastewater which was based on two months of average residential monthly bills and the Utility's proposed rates. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. In addition, collection of customer deposits is consistent with one of the fundamental principles of rate making—ensuring that the cost of providing service is recovered from the cost-causer.

Rule 25-30.311(7), F.A.C., authorizes utilities to collect new or additional deposits from existing customers not to exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12-month period immediately prior to the date of notice. The two billing periods reflect the lag time between the customer's usage and the utility's collection of the revenues associated with that usage. Commission practice has been to set initial customer deposits equal to two months bills based on the average consumption for a 12-month period for each class of customers.¹⁰ The Utility indicated that the average monthly residential usage is 7,330 gallons per customer. Therefore, the average residential monthly bill is approximately \$87.33 for water and \$49.29 wastewater service, based on staff's recommended monthly rates in Issue 2.

Based on the above, the appropriate initial customer deposits are \$175 for water and \$99 wastewater for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill. The approved customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding.

¹⁰Order Nos. PSC-2019-0047-PAA-WS, in Docket No. 20170249-WS, issued January 25, 2019, *In re: Application for certificates to provide water and wastewater service in Orange County by RSPI MHC, LLC*; PSC-2018-0334-PAA-WU, issued June 28, 2018, in Docket No. 2017-155-WU, *In re: Application for grandfather water certificate in Leon County and application for pass through increase of regulatory fees, by Seminole Waterworks, Inc.*; PSC-2017-0428-PAA-WS, issued November 7, 2017, in Docket No. 20160195-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.* and PSC-17-0113-PAA-WS, issued March 28, 2017, in Docket No. 20130105-WS, *In re: Application for certificates to provide water and wastewater service in Hendry and Collier Counties, by Consolidated Services of Hendry & Collier, LLC*

Issue 7: Should River Grove's requested meter installation charges be approved?

Recommendation: Yes. The Utility's requested meter installation charge of \$353 for the 5/8 inch x 3/4 inch meter size and actual cost for all other meter sizes should be approved. The Utility should file revised tariff sheets and a proposed customer notice. River Grove should provide notice to potential customers who have requested service within 12 calendar months prior to the month the application was filed and up until this Order becomes final.¹¹ The approved charges should be effective for connections made on or after the stamped approval date on the tariff sheets. The Utility should provide proof of the date notice was given within 10 days of the date of notice. (Ramos)

Staff Analysis: River Grove requested a meter installation charge of \$353 for 5/8 inch x 3/4 inch meters and actual cost for all other meter sizes. The Utility's requested charge of \$353 is based on the estimated costs of the water meter and meter box (\$203) and installation for the 5/8 inch x 3/4 inch meter size (\$150). Pursuant to Section 367.101, F.S., the Commission shall set just and reasonable charges and conditions for service availability. The Utility's requested meter installation charge is consistent with Commission practice and therefore, staff believes the Utility's requested meter installation charges are appropriate.¹²

Based on the above, the Utility's requested meter installation charge of \$353 for the 5/8 inch x 3/4 inch meter size and actual cost for all other meter sizes should be approved. The Utility should file revised tariff sheets and a proposed customer notice. River Grove should provide notice to potential customers who have requested service within 12 calendar months prior to the month the application was filed and up until this Order becomes final. The approved charges should be effective for connections made on or after the stamped approval date on the tariff sheets. The Utility should provide proof of the date notice was given within 10 days of the date of notice.

¹¹Order Nos. PSC-2019-0223-PAA-SU, issued June 3, 2019, in Docket No. 20190075-SU, *In re: Revision of wastewater service availability charges for Ni Florida in Pasco County*.

¹² Order Nos. PSC-2018-0271-PAA-WS, issued May 30, 2018, in Docket No. 20160220-WS, *In re: Application for original water and wastewater certificates in Sumter County, by South Sumter Utility Company, LLC*. PSC-2016-0169-PAA-WU, issued April 28, 2016, in Docket No. 20150166-WU, *In re: Application for transfer of water system and Certificate No. 654-W in Lake County from Black Bear Reserve Water Corporation to Black Bear Waterworks, Inc.* and PSC-2017-0209-PAA-WU, issued May 30, 2017, in Docket No. 20160065-WU, *In re: Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.*

Issue 8: Should this docket be closed?

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

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

RIVER GROVE UTILITIES, INC.

Description of Water and Wastewater Service Territory

Brevard County

A PORTION OF SECTION 14, TOWNSHIP 30 SOUTH, RANGE 38 EAST OF THE PUBLIC RECORDS OF BREVARD COUNTY, FLORIDA AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

FOR A POINT OF BEGINNING, COMMENCE AT THE SOUTHWEST CORNER OF SAID SECTION 14; THENCE NORTH 00 DEGREES 15 MINUTES 51 SECONDS EAST, ALONG THE WEST LINE OF SAID SECTION 14, A DISTANCE OF 3974.89 FEET; THENCE SOUTH 89°32'41" EAST, DEPARTING FROM SAID WEST LINE OF SECTION 14, A DISTANCE OF 659.98 FEET; THENCE SOUTH 00°13'15" WEST, A DISTANCE OF 649.93 FEET; THENCE SOUTH 89 DEGREES 31 MINUTES 52 SECONDS EAST, A DISTANCE OF 659.54 FEET; THENCE NORTH 00 DEGREES 15 MINUTES 51 SECONDS EAST, A DISTANCE OF 482.51 FEET; THENCE NORTH 89 DEGREES 32 MINUTES 41 SECONDS WEST, A DISTANCE OF 301.95 FEET; THENCE NORTH 09 DEGREES 14 MINUTES 29 SECONDS WEST, A DISTANCE OF 170.00 FEET; THENCE SOUTH 89 DEGREES 32 MINUTES 41 SECONDS EAST, A DISTANCE OF 330.00 FEET; THENCE SOUTH 00 DEGREES 17 MINUTES 14 SECONDS WEST, A DISTANCE OF 115.09 FEET; THENCE SOUTH 89 DEGREES 32 MINUTES 49 SECONDS EAST, A DISTANCE OF 586.35 FEET TO A POINT LYING ON THE AFOREMENTIONED WEST RIGHT OF WAY LINE OF FLORIDA EAST COAST RAILROAD, SAID POINT ALSO ON A CURVE, SAID CURVE BEING CONCAVE SOUTHWESTERLY, HAVING A RADIUS OF 5679.65 FEET; THENCE SOUTHEASTERLY ALONG SAID WEST RIGHT OF WAY LINE AND ALONG THE ARC OF SAID CURVE, AN ARC DISTANCE OF 681.65 FEET, SAID ARC BEING SUBTENDED BY A CHORD BEARING AND DISTANCE OF SOUTH 06 DEGREES 04 MINUTES 54 SECONDS EAST, 681.25 FEET TO A POINT ON SAID CURVE; THENCE SOUTH 89 DEGREES 29 MINUTES 18 SECONDS EAST, DEPARTING FROM SAID WEST RIGHT OF WAY LINE OF FLORIDA EAST COAST RAILROAD, A DISTANCE OF 1401.39 FEET TO THE INTERSECTION OF THE SOUTH LINE OF THE NORTH 786.51 FEET OF GOVERNMENT LOTS 2 AND 5, IN SECTION 14, TOWNSHIP 30 SOUTH, RANGE 38 EAST, BREVARD COUNTY, FLORIDA AND THE WESTERLY RIGHT OF WAY LINE OF U.S. HIGHWAY NO. 1, SAID POINT ALSO LYING ON A CURVE, SAID CURVE BEING CONCAVE NORTHEASTERLY, HAVING A RADIUS OF 8672.41 FEET; THENCE SOUTHEASTERLY ALONG SAID ARC AND ALONG SAID WESTERLY RIGHT OF WAY LINE, AN ARC DISTANCE OF 243.82 FEET, SAID ARC BEING SUBTENDED BY A CHORD BEARING AND DISTANCE OF SOUTH 23 DEGREES 51 MINUTES 29 SECONDS EAST, 243.81 FEET TO THE POINT OF TANGENCY OF SAID CURVE; THENCE SOUTH 24 DEGREES 39 MINUTES 48 SECONDS EAST, ALONG SAID WESTERLY RIGHT OF WAY LINE, A DISTANCE OF 186.37 FEET TO THE SOUTH LINE OF THE NORTH 293.76 FEET OF THE SOUTH 448.49 FEET OF GOVERNMENT LOTS 2 AND 5, SECTION 14,

TOWNSHIP 30 SOUTH, RANGE 38 EAST, BREVARD COUNTY, FLORIDA; THENCE NORTH 89 DEGREES 33 MINUTES 24 SECONDS WEST, DEPARTING FROM SAID WESTERLY RIGHT OF WAY LINE AND ALONG SAID SOUTH LINE, A DISTANCE OF 1562.71 FEET TO A POINT LYING ON THE WESTERLY RIGHT OF WAY LINE OF FLORIDA EAST COAST RAILROAD; THENCE SOUTH 02 DEGREES 10 MINUTES 00 SECONDS EAST, ALONG SAID WESTERLY RIGHT OF WAY LINE OF FLORIDA EAST COAST RAILROAD, A DISTANCE OF 155.05 FEET; THENCE NORTH 89 DEGREES 10 MINUTES 00 SECONDS WEST, DEPARTING FROM WESTERLY RIGHT OF WAY LINE OF FLORIDA EAST COAST RAILROAD, A DISTANCE OF 685.05 FEET; THENCE SOUTH 00 DEGREES 15 MINUTES 51 SECONDS WEST, A DISTANCE OF 2640.00 FEET TO A POINT LYING ON THE SOUTH LINE OF THE AFOREMENTIONED SECTION 14; THENCE NORTH 89 DEGREES 32 MINUTES 41 SECONDS WEST, ALONG SAID SOUTH LINE OF SAID SECTION 14, A DISTANCE OF 1320.01 FEET TO THE SOUTHWEST CORNER OF SAID SECTION 14 AND THE POINT OF BEGINNING.

LANDS THUS DESCRIBED CONTAINS 6,245,117 SQUARE FEET OR 143.37 ACRES, MORE OR LESS, IN AREA.

FLORIDA PUBLIC SERVICE COMMISSION

authorizes

**RIVER GROVE UTILITIES, INC.
pursuant to
Certificate Number 674 -W**

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

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
*	*	20190147-WS	Original Certificate

* Order Number and date to be provided at time of issuance.

FLORIDA PUBLIC SERVICE COMMISSION

authorizes

**RIVER GROVE UTILITIES, INC.
pursuant to
Certificate Number 575 -S**

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

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
*	*	20190147-WS	Original Certificate

* Order Number and date to be provided at time of issuance

River Grove Utilities, Inc.		Schedule No. 1-A	
Schedule of Water Rate Base		20190147-WS	
Description	Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$1,138,896	(\$44,559)	\$1,094,337
2 Land and Land Rights	2,250	0	2,250
3 Accumulated Depreciation	(37,492)	(18,737)	(56,229)
4 CIAC	(837,564)	60,716	(776,848)
5 Amortization of CIAC	11,633	9,946	21,579
6 Working Capital Allowance	<u>15,124</u>	<u>1,513</u>	<u>16,637</u>
7 Rate Base	<u>\$292,847</u>	<u>\$8,879</u>	<u>\$301,726</u>

River Grove Utilities, Inc. Schedule of Wastewater Rate Base		Schedule No. 1-B 20190147-WS	
Description	Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$39,426	(\$2,250)	\$37,176
2 Land and Land Rights	2,250	0	2,250
3 Accumulated Depreciation	(17,873)	(216)	(18,089)
4 CIAC	0	0	0
5 Amortization of CIAC	0	0	0
6 Working Capital Allowance	<u>18,189</u>	<u>(6,206)</u>	<u>11,983</u>
7 Rate Base	<u>\$41,992</u>	<u>(\$8,672)</u>	<u>\$33,320</u>

River Grove Utilities, Inc. Adjustments to Rate Base		Schedule No. 1-C 20190147-WS	
Explanation	Water	Wastewater	
UPIS			
1 To remove duplicative organization costs.	\$0	(\$2,250)	
2 To reflect updated pro forma costs.	<u>(44,559)</u>	<u>0</u>	
Total	<u><u>(\$44,559)</u></u>	<u><u>(\$2,250)</u></u>	
Accumulated Depreciation			
To reflect appropriate level of accumulated depreciation.	<u>(\$18,737)</u>	<u>(\$216)</u>	
CIAC			
To reflect appropriate level of CIAC.	<u>\$60,716</u>	<u>\$0</u>	
Accumulated Amortization of CIAC			
To reflect appropriate level of accumulated amortization of CIAC.	<u>\$9,946</u>	<u>\$0</u>	
Working Capital			
To reflect 1/8 of O&M expense.	<u>\$1,513</u>	<u>(\$6,206)</u>	

River Grove Utilities, Inc. Capital Structure							Schedule No. 2 20190147-WS		
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
Per Utility									
1 Long-term Debt	\$229,209	\$0	\$229,209	\$0	\$229,209	68.46%	0.72%	0.49%	
2 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%	
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	54,964	(2,100)	52,864	0	52,864	15.79%	10.93%	1.73%	
5 Customer Deposits	52,749	0	52,749	0	52,749	15.75%	2.00%	0.32%	
6 Tax Credits-Zero Cost	0	0	0	0	0	0.00%	0.00%	0.00%	
7 Deferred Income Taxes	0	0	0	0	0	0.00%	0.00%	0.00%	
8 Total Capital	<u>\$336,922</u>	<u>(\$2,100)</u>	<u>\$334,822</u>	<u>\$0</u>	<u>\$334,822</u>	<u>100.00%</u>		<u>2.53%</u>	
Per Staff									
9 Long-term Debt	\$229,209	\$0	\$229,209	(\$1,513)	\$227,696	67.96%	0.72%	0.49%	
10 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%	
11 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
12 Common Equity	54,964	0	54,964	(363)	54,601	16.30%	10.55%	1.72%	
13 Customer Deposits	52,749	0	52,749	0	52,749	15.74%	2.00%	0.31%	
14 Tax Credits-Zero Cost	0	0	0	0	0	0.00%	0.00%	0.00%	
15 Deferred Income Taxes	0	0	0	0	0	0.00%	0.00%	0.00%	
16 Total Capital	<u>\$336,922</u>	<u>\$0</u>	<u>\$336,922</u>	<u>(\$1,876)</u>	<u>\$335,046</u>	<u>100.00%</u>		<u>2.52%</u>	
							LOW	HIGH	
							<u>9.55%</u>	<u>11.55%</u>	
							<u>2.36%</u>	<u>2.69%</u>	
							RETURN ON EQUITY		
							OVERALL RATE OF RETURN		

River Grove Utilities, Inc. Statement of Water Operations				Schedule No. 3-A 20190147-WS	
Description	Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$161,858</u>	<u>\$0</u>	<u>\$161,858</u>	<u>\$18,325</u> 11.32%	<u>\$180,183</u>
Operating Expenses					
2 Operation & Maintenance	120,994	12,102	\$133,096		\$133,096
3 Depreciation	8,964	4,084	13,048		13,048
4 Amortization	0	0	0		0
5 Taxes Other Than Income	22,769	(1,460)	21,309	825	22,134
6 Income Taxes	<u>1,715</u>	<u>(1,715)</u>	<u>0</u>	<u>4,291</u>	<u>4,291</u>
7 Total Operating Expense	<u>154,442</u>	<u>13,011</u>	<u>167,453</u>	<u>5,116</u>	<u>172,569</u>
8 Operating Income	<u>\$7,416</u>	<u>(\$13,011)</u>	<u>(\$5,595)</u>	<u>\$13,209</u>	<u>\$7,614</u>
9 Rate Base	<u>\$292,847</u>		<u>\$301,726</u>		<u>\$301,726</u>
10 Rate of Return	<u>2.53%</u>		<u>-1.85%</u>		<u>2.52%</u>

River Grove Utilities, Inc. Statement of Wastewater Operations				Schedule No. 3-B 20190147-WS	
Description	Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$154,662</u>	<u>\$0</u>	<u>\$154,662</u>	<u>(\$52,851)</u> -34.17%	<u>\$101,811</u>
Operating Expenses					
2 Operation & Maintenance	\$145,513	(\$49,648)	\$95,865		\$95,865
3 Depreciation	546	(56)	490		490
4 Amortization	0	0	0		0
5 Taxes Other Than Income	7,294	(334)	6,960	(2,378)	4,582
6 Income Taxes	<u>246</u>	<u>12,165</u>	<u>12,411</u>	<u>(12,377)</u>	<u>34</u>
7 Total Operating Expense	<u>153,599</u>	<u>(37,874)</u>	<u>115,725</u>	<u>(14,755)</u>	<u>100,970</u>
8 Operating Income	<u>\$1,063</u>	<u>\$37,874</u>	<u>\$38,937</u>	<u>(\$38,096)</u>	<u>\$841</u>
9 Rate Base	<u>\$41,992</u>		<u>\$33,320</u>		<u>\$33,320</u>
10 Rate of Return	<u>2.53%</u>		<u>116.86%</u>		<u>2.52%</u>

River Grove Utilities, Inc.		Schedule No. 3-C	
Adjustments to Operating Income		20190147-WS	
Explanation	Water	Wastewater	
Operation and Maintenance Expense			
1 To adjust salaries and wages expense.	\$34,267	(\$34,267)	
2 To adjust purchased power expense.	0	(925)	
3 To adjust materials and supplies, transportation, and insurance expense.	(672)	(1,494)	
4 To adjust contractual services expense.	(21,574)	(12,557)	
5 To adjust miscellaneous expense.	82	(406)	
Total	<u>\$12,102</u>	<u>(\$49,648)</u>	
Depreciation Expense - Net			
To reflect the appropriate level of net depreciation expense.	<u>\$4,084</u>	<u>(\$56)</u>	
Taxes Other Than Income			
To reflect appropriate level of property tax.	<u>(\$1,460)</u>	<u>(\$334)</u>	

River Grove Utilities, Inc.
Monthly Water and Wastewater Rates

Water Service

Residential and General Service

Base Facility Charge – All Meter Sizes	\$34.92
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Charge Per 1,000 gallons	\$7.15
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Wastewater Service

Residential and General Service

Base Facility Charge - All Meter Sizes	\$24.66
--	---------

Charge Per 1,000 gallons	\$3.36
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No Cap

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: January 23, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Galloway, Kunkler) *OK*
Office of the General Counsel (Brownless) *Mr. JSC WBM*

RE: Docket No. 20190183-EI – Petition for approval of a new depreciation class and for energy storage equipment, by Duke Energy Florida, LLC.

AGENDA: 02/04/20 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On September 18, 2019, Duke Energy Florida, LLC (DEF or Company) filed a request for approval of a new depreciation classification and depreciation rate for the accounting of its energy storage equipment (Petition). The Company's request is in accordance with Rule 25-6.0436(3)(b), Florida Administrative Code (F.A.C.), which requires that: "[u]pon establishing a new account or subaccount classification, each utility shall request Commission approval of a depreciation rate for the new plant category."

Pursuant to Rule 25-6.0436(3)(a), F.A.C., electric utilities are required to maintain depreciation rates and accumulated depreciation reserves in accounts or subaccounts in accordance with the

Uniform System of Accounts for Public Utilities and Licensees, as found in the Code of Federal Regulations, which is incorporated by reference in Rule 25-6.014(1), F.A.C.¹

In November 2017, DEF received Commission authorization to implement a 50 megawatt (MW) battery storage pilot program (Battery Storage Pilot) pursuant to the terms of the Company's 2017 Second Revised and Restated Settlement Agreement (2017 Settlement) which resolved all issues in DEF's 2017 limited proceeding and associated dockets.²

According to DEF, the Company has not begun to install any batteries and/or storage-associated equipment with regard to the 50 MW Battery Storage Pilot Program.³ However, the Company indicated that they have tentatively scheduled four installations for 30.25 MW of the 50 MW Battery Storage Pilot Program. These installations are scheduled to begin during the fourth quarter of 2020, subject to completing a competitive procurement process for the Engineering, Procurement and Construction (EPC) of each project and receiving final interconnection study results. The Company also stated that the remaining 19.75 MW have not been scheduled at this time, but intends to have the full 50 MW Battery Storage Pilot implemented by December 31, 2021.⁴

Currently, the Company reports that it does not specifically classify nor have an authorized depreciation rate for the types of equipment required to implement its planned Battery Storage Pilot or any other energy storage endeavors.⁵ Therefore, no accounting adjustments, such as transfers of plant investments and associated book reserves, should be authorized as part of this docket.

In 2017, the Commission approved a similar petition filed by Florida Power and Light (FPL) for approval of a new depreciation class and rate for energy storage equipment. In that docket, the Commission allowed a 10 percent depreciation rate and zero net salvage for similar equipment.⁶

Staff is not aware of any public comments or concerns on this matter.

The Commission has jurisdiction in this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

¹ Code of Federal Regulations, Title 18, Subchapter C, Part 101, for Major Utilities, as revised April 1, 2013.

² Order No. PSC-2017-0451-AS-EI, 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*.

³ Document No. 10655-2019, DEF's Responses to Staff's First Documents Request, No. 3.

⁴ Document No. 10655-2019, DEF's Responses to Staff's First Documents Request, Nos. 4 and 6.

⁵ Document No. 10655-2019, DEF's Responses to Staff's First Documents Request, No. 5.

⁶ 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*; Docket No. 160061-EI, *In re: Petition for approval of 2016-2018 storm hardening plan, by Florida Power & Light Company*.

Discussion of Issues

Issue 1: Should the Commission establish an annual depreciation rate applicable to energy storage equipment for DEF?

Recommendation: Yes. Staff recommends that an annual depreciation rate of 10 percent applicable to DEF's energy storage equipment be approved. (Kunkler)

Staff Analysis: As outlined in its petition, DEF does not currently maintain a stand-alone classification, nor does it have a specifically-authorized depreciation rate, for investments related to energy storage. The Company is requesting authorization to record and depreciate energy storage-related investments by plant function in Federal Energy Regulatory Commission (FERC) Accounts; 348 - Energy Storage Equipment – Production, 351 - Energy Storage Equipment – Transmission, and 363 - Energy Storage Equipment – Distribution. These accounts were originally established by the FERC in 2013, by Order No. 784, with the primary purpose of accounting for energy storage investments based on how specific assets are used in providing electric service.⁷

Requested Depreciation Parameters

The Company has requested Commission approval of a 10-year average service life (ASL), and a zero percent net salvage level (NS), for depreciating its energy storage equipment. An annual depreciation rate of 10 percent is computed by using these parameters.⁸

Industry-wide depreciation data and regulatory guidance regarding energy storage equipment is limited. However, through data request responses, DEF referenced the 2017 FPL petition for similar authority to establish an annual depreciation rate for energy storage equipment.⁹ In that docket, FPL provided documentation detailing regulatory approvals of ASL and NS values similar to its proposals that are applicable to other electric utilities operating in the United States; namely, Consolidated Edison of New York (ConEd) and Pacific Gas & Electric (PG&E).¹⁰ With respect to the ConEd decision, the New York Public Service Commission authorized an ASL of either 10 or 15 years (depending on the specific project), and a zero percent NS level.¹¹ The California Public Utility Commission authorized an ASL of 15 years, and a zero percent NS level applicable to PG&E's energy storage equipment.¹²

⁷ U.S. Federal Energy Regulatory Commission, Order No. 784, issued July 18, 2013, in Docket Nos. RM11-24-000 and AD10-13-000, *In re: Third-Party Provision of Ancillary Services; Accounting and Financial Reporting for New Electric Storage Technologies*.

⁸ Rules 25-6.0436(1)(e) and 25-6.0436(1)(m), F.A.C., specify the Commission's depreciation rate formulae and methodologies.

⁹ Document No. 10655-2019, DEF's Responses to Staff's First Documents Request, No. 1.

¹⁰ Document No. 05395-2017, in Docket No. 20170097-EI, FPL's Responses to Staff's First Data Request, No. 8.

¹¹ State of New York Public Service Commission, Order Approving Electric and Gas Rate Plans, issued January 25, 2017, CASE 16-E-0060, *In re: Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service*.

¹² Public Utilities Commission of the State of California, Decision 17-05-013, issued May II, 2017, Application 15-09-00 I, *In re: Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January I, 2017 (U39M)*.

The Commission approved FPL's petition for approval of a new depreciation class and rate for energy storage equipment in 2017, allowing a 10 percent depreciation rate and zero net salvage for similar equipment. Additionally, to support these proposed parameters, DEF explained in response to staff's data request, that the Company held consultations with its engineering subject matter experts, as well as energy storage equipment manufacturers, and industry peers, including FPL, to arrive at the proposed 10-year ASL and zero percent NS level parameter.

Given the fact that utility-scale energy storage equipment/technology is a relatively new technology, staff believes the Company, in proposing an ASL at the bottom-end of a 10- to 15-year range represents a measured and reasonable approach in life estimation. DEF makes clear in its Petition that its request is for accounting purposes only, and will have no impact on base rates during the term of the 2017 Settlement.¹³ Staff agrees.

Further, the Commission will have future opportunities based on existing rules to evaluate DEF's depreciation data associated with useful lives and net salvage levels and to order modifications as appropriate.¹⁴ Staff also believes the Company's account classifications outlined in its petition, to which any newly-established depreciation rate would apply, comport with recent accounting guidance from the FERC.

For the reasons outlined in this analysis, staff recommends that an annual depreciation rate of 10 percent, applicable to DEF's newly-established Account 348 - Energy Storage Equipment – Production, Account 351 - Energy Storage Equipment – Transmission, and Account 363 - Energy Storage Equipment – Distribution, be approved.

¹³ Paragraph 27, 2017 Settlement Agreement.

¹⁴ Rule 25-6.0436(4)(a), F.A.C., requires investor-owned electric companies to file a depreciation study for Commission review at least once every four years from submission of the previous study and/or pursuant to Commission order.

Date: January 23, 2020

Issue 2: If a new depreciation rate for energy storage equipment is authorized in Issue 1, what should be the effective date?

Recommendation: Staff recommends that any newly-authorized depreciation rate for energy storage equipment applicable to Account 348 - Energy Storage Equipment – Production, Account 351 - Energy Storage Equipment – Transmission, and Account 363 - Energy Storage Equipment – Distribution, become effective upon the issuance of a final Commission Order in this docket. (Kunkler)

Staff Analysis: If the Commission establishes a new depreciation rate for DEF's energy storage equipment, applicable to Accounts 348 - Energy Storage Equipment – Production, Account 351 - Energy Storage Equipment – Transmission, and Account 363 - Energy Storage Equipment – Distribution, the effective date should be upon the issuance of a final Commission Order in this docket.

Issue 3: Should this docket be closed?

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

Staff Analysis: At the conclusion of the protest period, if no protest is filed, this docket should be closed upon the issuance of a consummating order.

Item 6

State of Florida



Public Service Commission

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

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

DATE: January 23, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Ward) *cow nse EST JAH*
Office of the General Counsel (Brownless) *mmjso*

RE: Docket No. 20190200-GU – Petition for approval of tariff modifications to Natural Choice Transportation Service Rider, the Gas Service Agreement, and the Natural Choice Transportation Service letter of authorization, by Peoples Gas System.

AGENDA: 02/04/20 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 60-day suspension date waived by the utility until February 4, 2020

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
2020 JAN 23 AM 9:53
COMMISSION CLERK

Case Background

On November 7, 2019, Peoples Gas System (Peoples or utility) filed a petition for approval of tariff modifications to the Natural Choice Transportation Service (NCTS) Rider, the Gas Service Agreement (GSA), and the NCTS Letter of Authorization. Peoples' NCTS Rider program was approved in July 2000. The program allows qualifying customers to purchase natural gas directly from a pool manager, while paying Peoples for the transportation of natural gas on its system.¹ The NCTS Letter of Authorization is the formal request by the customer for gas transportation service pursuant to Peoples' NCTS Rider. The GSA is a standard form, completed by the

¹ Order No. PSC-00-1814-TRF-GU, issued October 4, 2000, in Docket No. 2000810-GU, *In re: Petition for approval of modifications to tariff provisions governing transportation of customer-owned gas and tariff provisions to implement Rule 25-7.0335, F.A.C.*

customer, to initiate natural gas service with Peoples. The GSA is found on Tariff Sheet No. 8.102.

The proposed tariff sheets are shown in Attachment A to the recommendation. The utility waived the 60-day file and suspend provision of Section 366.06(3), Florida Statutes (F.S.), until the February 4, 2020 Agenda Conference. On January 22, 2020, Peoples filed a minor correction to Tariff Sheet No. 8.102. 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 sheet modifications as shown in Attachment A?

Recommendation: Yes. The Commission should approve Peoples' proposed modifications as shown in Attachment A to the recommendation. The revised tariffs should become effective with the Commission's vote on February 4, 2020. (Ward)

Staff Analysis: Rule 25-7.0335, Florida Administrative Code (F.A.C.), requires local distribution companies (LDCs) to make gas transportation service available to non-residential customers. The rule also allows LDCs to offer transportation service to residential customers. Transportation service is a voluntary program that allows customers to purchase natural gas from a third-party marketer, or pool manager.

Peoples functions as a traditional LDC, providing gas service for sales customers, while also providing optional transportation service as required by Rule 25-7.0335, F.A.C. There are currently 27,000 customers participating in Peoples' NCTS program, along with 15 approved pool managers. The transportation customers pay the pool manager's charges for natural gas and are not subject to the utility's Commission-approved Purchased Gas Adjustment (PGA) rates, whereas sales customers are subject to PGA rates. The Commission does not approve or review natural gas prices pool managers charge their customers.

The NCTS Rider (Tariff Sheets Nos. 7.803-7.803.3) and associated tariffs provide the terms and conditions under which Peoples allows participating commercial and large residential customers to use a pool manager to purchase their natural gas. In the instant docket, the utility seeks to modify Tariff Sheet Nos. 7.803-2 and 7.803-3 to change the date by which the pool managers enroll a customer in the NCTS program. Peoples seeks to change the enrollment date from the twentieth day of the month to the fifteenth day of the month. Peoples states that this change would provide pool managers additional time to complete their therm usage forecast for the upcoming month, resulting in more timely and accurate gas supply nominations by the pool manager. The utility also seeks to modify Tariff Sheet No. 7.803-3 to change the deadline by which the pool manager may submit a request to terminate a customer to the sixteenth day of the month prior to termination. The current deadline is 30 days prior to the first day of the month that the termination is to take place. Peoples states that this requested modification would provide pool managers with more flexibility, by reducing the time frame for notification to Peoples when shifting customers between marketers, or returning customers to system supply.

Second, Peoples seeks to modify its NCTS Letter of Authorization, contained in Tariff Sheet Nos. 8.118-8.118.2. The utility is proposing to streamline the process by modernizing the terminology, allowing for electronic signatures, and making the form more compatible with its internal information systems. Peoples states that the modified form would simplify the enrollment process and de-enrollment process in the NCTS program. Peoples also modified Tariff Sheet No. 8.118-2 to allow a pool manager to complete one Letter of Authorization for a customer with multiple meters at one location.

Finally, Peoples seeks to modify its Gas Service Agreement, contained within Tariff Sheet No. 8.102, which was last modified in 2003. The utility states that modification is required to simplify the terminology, allow for electronic signatures, and generally make the form and the information it provides more compatible with their internal information system supporting the NCTS program.² The utility states that in October 2019, it provided pool managers with an overview of the Gas Management System and an update on the proposed changes contained in the instant petition. Peoples asserts that none of the pool managers have expressed any concerns with the proposed modifications.

Conclusion

Staff notes that the requested tariff revisions are intended to provide the pool managers with additional time each month to complete their therm usage forecasts, while also allowing more flexibility in their time frame to submit a request to terminate a customer. The modifications would also modernize the terminology and allow for electronic signatures on the NCTS Letter of Authorization and the GSA. Staff believes that the proposed modifications are reasonable and would meet their intended purpose.

In light of the foregoing, the Commission should approve Peoples' proposed modifications as shown in Attachment A to the recommendation. The revised tariffs should become effective with the Commission's vote on February 4, 2020.

² Staff has included the proposed clean version of the GSA (in Attachment A, Tariff Sheet No. 8.102), rather than the legislative version, to more accurately reflect the changes, as the table is being replaced entirely.

Date: January 23, 2020

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 issuance of a consummating order. (Brownless)

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

~~Sixth-Seventh~~ Revised Sheet No. 7.803-2
Cancels ~~Fifth-Sixth~~ Revised Sheet No. 7.803-2

NATURAL CHOICE TRANSPORTATION SERVICE (Continued)

3. To initiate service pursuant to this Rider, a Customer shall select a Pool Manager from Company's approved Pool Manager list and Pool Manager shall enroll customer electronically via company's website for service under this Rider. The Pool Manager shall obtain a letter of authorization in the form set forth on Sheet 8.118 of this tariff and have signed by the Customer prior to such electronic enrollment. Pool Manager shall also pay to Company a registration fee of \$10.00 for each Customer account to which service is initiated hereunder. Service by Company to a Customer account for which service hereunder has been properly requested by electronic enrollment prior to the ~~twenty-first~~ sixteenth day of the month pursuant to this Rider will commence on the first day of the Customer's billing period of the next calendar month following receipt by the Company of the aforesaid electronic enrollment. Service under Rider will be delayed until the first day of the Customer's billing period in the second calendar month following enrollment by the Pool Manager for any Customer enrolled after the ~~twentieth-fifteenth~~ day of the month.
4. A Customer account receiving service under this Rider may terminate service hereunder by its then serving Pool Manager and commence service hereunder (within the time and in the manner provided in Special Condition 3) by a different Pool Manager. The new Pool Manager shall pay to Company a registration fee of \$10.00 for each account.
5. If a Pool Manager requests the Company provide the twelve-month consumption history for a Customer account, the Company shall provide to the Pool Manager the history and apply an administrative fee charge equal to \$20 per customer account to Pool Manager's monthly invoice.
6. A Customer receiving service under this Rider may discontinue service hereunder by giving Company 30 days written notice. A Customer who elects to terminate transportation service under this Rider in order to return to sales service will be required to remain on sales service for a period not less than twelve successive billing periods. A Customer who returns to sales service due to abandonment by its Pool Manager will not be required to remain on sales service but cannot return to the same Pool Manager, or any affiliated company, for at least twelve successive billing periods.
7. For purposes of curtailment or interruption by Company, each individually billed account receiving service hereunder shall be treated by the Company in accordance with the curtailment provisions found in the applicable rate schedule or Curtailment Plan as filed with the Florida Public Service Commission.
8. Accounts receiving service pursuant to this Rider will be subject to the Swing Service Charge (set forth on Sheet No. 7.101-3).

Issued By: G.L. Gillette, President
Issued On: June 25, 2015

Effective: January 4, 2017

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

~~Fourth-Fifth~~ Revised Sheet No. 7.803-3
Cancels ~~Third-Fourth~~ Revised Sheet No. 7.803-3

NATURAL CHOICE TRANSPORTATION SERVICE (Continued)

9. Except as modified by the provisions set forth above, service under this Rider shall be subject to the Rules and Regulations set forth in this tariff.
10. If a Customer receiving service pursuant to this Rider has annual consumption greater than or equal to 500,000 therms annually, then the Company will install and maintain facilities for remote monitoring of the Customer's hourly gas flow. The Customer will reimburse the Company for the expense incurred for the investment in and installation of these facilities.
11. A Pool Manager may terminate Gas supply to a Customer pursuant to this Rider electronically via Company's website ~~30 days~~ prior to the ~~first-sixteenth~~ day of the month as of which such termination ~~is to be effective~~ will commence on the first day of the Customer's billing period of the next calendar month following receipt by the Company of the aforesaid electron termination. In the event of non-payment by Customer for charges due, a Pool Manager may terminate Gas supply to a Customer by giving five business days— written notice to Company prior to the first day of the month as of which such termination is to be effective. Any such notice shall be accompanied by (a) documentary evidence of the Customer's failure to make payment for a period of at least 60 days, (b) Pool Manager's affidavit that it has made commercially reasonable and good faith efforts to collect the amount due, and (c) a non-refundable termination fee of \$30.00 per account number. A Customer whose Gas supply is terminated by a Pool Manager pursuant to this special condition will automatically return to sales service provided by Company until such time as the Customer elects, subject to the conditions of this Rider, to receive service hereunder through a different Pool Manager. Additional deposit may be required from the Customer to return to sales service.
12. It is the Customer's obligation to make payments to the Company (or to an Authorized Payment Agent of the Company) of all bills rendered. Payment by a Customer to a third party (including a ~~Third-Party-Third-Party~~ Gas Supplier or Customer's Pool Manager) which has not been designated by Company as an Authorized Payment Agent will not satisfy the Customer's obligation to make payment of Company's bill for Gas Service.

Issued By: ~~William N. Cantrell, President~~
Issued On: ~~December 1, 2003~~

Effective: ~~December 1, 2003~~



TECO
PEOPLES GAS
AN ENECA COMPANY

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

Fourth-Fifth Revised Sheet No. 8.118
Cancels Third-Fourth Revised Sheet No. 8.118

**NATURAL CHOICE TRANSPORTATION SERVICE
PEOPLES GAS SYSTEM LETTER OF AUTHORIZATION**

PGS Rev 03/16 NATURAL CHOICE TRANSPORTATION SERVICE
Letter of Authorization

Peoples Gas System ("PGS")
P.O. Box 2562
Tampa, Florida 33661-2562

TO WHOM IT MAY CONCERN:

This letter constitutes a formal request by the undersigned ("Customer") for gas transportation service pursuant to Peoples Gas System's ("PGS") Rider NCTS and other applicable provisions of PGS's applicable Natural Gas Tariff, on file with the Florida Public Service Commission, as the same may be amended from time to time (the "Tariff"), for the following PGS customer account number(s):

ACCOUNT NUMBER(S): _____

CUSTOMER CONTACT: _____ Company: _____
Contact Name: _____
Address: _____
City, State, Zip Code: _____
Phone: _____ Fax: _____
E-mail Address: _____

CUSTOMER INFORMATION: _____ Customer/Company: _____

DBA: _____
Contact Name: _____
Service Address: _____
City, State, ZIP Code: _____
Business Telephone: _____ Mobile: _____
Email Address: _____

ACCOUNT INFORMATION:

I. Enrolling a Customer's "existing service" gas location:
A. Account Number _____ (printed on your monthly gas utility bill)
Or use the
B. Contract Number _____ (reference Customer online account at
<https://account.tecoenergy.com>)

II. Pre-enroll a Customer's "new service" gas location
A. Business Partner Number* _____
and the
B. Installation Number* _____

*The Customer's "Business Partner" and "Installation" numbers are documented on the Gas Service Agreement (GSA) executed by the Customer and PGS. Otherwise, contact PGS Customer Service at 866-832-6249, or wait until your location is "active" and use your Contract or Account Number.

As signified by initials in the box _____, Customer hereby authorizes PGS to release to the "Pool Manager" named below, the its twelve-month historical gas usage for the account(s) listed above. Customer understands that said Pool Manager will be assessed a fee of \$20 per account in accordance with PGS Natural Choice Transportation Service Rider (NCTS), payable upon receipt of request, for the authorized information.

Customer has entered, or intends to enter, into one or more agreement(s) with Pool Manager providing for Pool Manager's delivery of the gas purchased by Customer from or through Pool Manager to PGS. Delivery of that gas takes place pursuant to the a separate Firm Delivery and Operational Balancing Agreement between PGS and Pool Manager (the "Firm Delivery Agreement").

Provided the Firm Delivery Agreement is in effect at the time gas is tendered to PGS by or on behalf of Pool Manager for Customer's account(s) listed above, PGS will transport gas delivered for such account(s) pursuant to Rider NCTS and the

Issued By: C. L. Gillette T. J. Szelistowski, President
Issued On: April 1, 2015

Effective: March 30, 2015

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

**Fourth-Fifth Revised Sheet No. 8.118
Cancels Third-Fourth Revised Sheet No. 8.118**

applicable provisions of the Tariff, PGS's tariff on file with the Florida Public Service Commission ("FPSC"), as the same may be amended from time to time.

Subject to the terms of Rider NCTS and the Firm Delivery Agreement, such service shall continue until any of Customer, Pool Manager, or PGS gives written notice to the others of the termination of such service in accordance with Rider NCTS. If the Firm Delivery Agreement is terminated for any reason as it applies to any Gas to be delivered for Customer's account(s) for transportation by PGS, PGS shall have the right to immediately terminate transportation service to the above account(s) under Rider NCTS.

Customer understands that it may terminate participation in Rider NCTS with thirty (30) days' notice and return to sales-gas service from the Company. However, the Customer must then remain on sales-gas service from the Company for the following twelve-month period. In the event the Pool Manager terminates its agreement with the Customer without the Customer's consent, the Customer may return to Rider NCTS, but not to the same Pool Manager within the twelve-month period.

Customer agrees to pay PGS in accordance with the applicable rate schedule for the transportation of gas for Customer's account(s), including charges that may be applicable under Rider NCTS that are not applicable under sales-gas service. Customer understands that it is responsible for the payment of all bills rendered to Customer by Pool Manager, and that each Pool Manager's bill for gas purchased by Customer will be rendered separately from PGS's bill for transportation service. It is the Customer's obligation to make payments to the Company (or to an Authorized Payment Agent of the Company) of all bills rendered. Payment by a Customer to a third party (including a Third-Party Gas Supplier) which has not been designated by Company as an Authorized Payment Agent will not satisfy the Customer's obligation to make payment of Company's bill for Gas Service.

Customer affirms that it has been informed of the list of approved pool managers for the supply of gas for transportation under Rider NCTS, available on the PGS website (www.peoplesgas.com).

Signature: _____

Print Name: _____

Title: _____

Date: _____

The undersigned Pool Manager agrees that it will keep confidential, and not use or disclose to any person not named herein, information released pursuant to the above authorization, or information received from the above Customer, except to the extent necessary to deliver gas to PGS for transportation to the above Customer account(s), or as may be required by law (in which case Pool Manager will provide notice to PGS prior to making such disclosure).

Pool Manager: _____

By: _____

Title: _____

☐ Customer history requested by Pool Manager. If requested, payment must be received to deem complete.



Issued By: G. L. Gillette T. J. Szelistowski, President
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Peoples Gas System
a Division of Tampa Electric Company
Original Volume No. 3

Original Sheet No. 8.118-1

Continued from Sheet No. 8.118

Customer agrees to pay PGS in accordance with the applicable rate schedule for the transportation of gas for Customer's account(s), including charges that may be applicable under Rider NCTS that are not applicable under gas service. Customer understands that it is responsible for the payment of all bills rendered to Customer by Pool Manager, and that each Pool Manager's bill for gas purchased by Customer will be rendered separately from PGS's bill for transportation service. It is the Customer's obligation to make payments to the Company (or to an Authorized Payment Agent of the Company) of all bills rendered. Payment by a Customer to a third party (including a Third Party Gas Supplier) which has not been designated by Company as an Authorized Payment Agent will not satisfy the Customer's obligation to make payment of Company's bill for Gas Service.

Customer affirms that it has been informed of the list of approved pool managers for the supply of gas for transportation under Rider NCTS, available on the PGS website (www.peoplesgas.com).

Signature/Print Name: _____ Title: _____

Print Name/Signature: _____ Date: _____

Title: _____

Date: _____

The undersigned Pool Manager agrees that it will keep confidential, and not use or disclose to any person not named herein, information released pursuant to the above authorization, or information received from the above Customer, except to the extent necessary to deliver gas to PGS for transportation to the above Customer account(s), or as may be required by law (in which case Pool Manager will provide notice to PGS prior to making such disclosure).

Pool Manager: _____ Title: _____

By Signature: _____ Date: _____

Title: _____

☐ Customer history requested by Pool Manager. If requested, payment must be received to deem complete.

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Issued On: _____

Effective: _____

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

Original Sheet No. 8.118-2

Attachment "A"

If Enrolling Additional "ACTIVE" PGS Locations.

Please provide the following information for each location when installing meters at multiple locations.

<u>DBA:</u>	<u>Customer's Initials:</u>
<u>Service Address:</u>	<u>Billing Address:</u>
<u>City, State, Zip Code:</u>	<u>City, State, Zip Code:</u>
<u>Account Number:</u>	<u>or Contract Number:</u>


The above information can be duplicated for multiple locations.

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Peoples Gas System
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Original Volume No. 3

Second Revised Sheet No. 8.102
Cancels First Revised Sheet No. 8.102

 TECO PEOPLES GAS AN EMERA COMPANY		Gas Service Agreement		No. _____		
Business Partner Name (Customer)		Phone	Cell Phone	E-mail		
Service Address		City	State	Zip		
Doing Business As (DBA)		City Limits (Enter Yes or No)		County Name		
Mailing Address		City	State	Zip		
Contact Name		Phone	E-mail			
Federal ID	Tax Exempt (Yes or No)	Date Service Line Requested		Date Gas Service Requested		
Field Contact Name		Phone	E-mail			
SALES INSTRUCTIONS/REMARKS			SERVICE TYPE			
			Main (Enter On or Off)			
			New (N), Added Load (AL)			
			Reactivate (RA) Manifold (MA)			
			Resident (R), Comm'l (C)			
			Industrial (I)			
			Rate Class			
			Map #			
QTY.	APPLIANCE TYPE	PEAK HR DEMAND CF/H	ANNUAL THERMS PRESENT ADDITIONAL	PRESSURE AT EQPT.	FINANCIAL INFORMATION	OTHER SERVICES
					Gas Deposit	WH Billing Prog
					Turn-on Charge	Conversion Bill
					Aid to Construction	Other
					Construction Deposit	Other
					Prepayment	Other
					Balance Due	Other
					DEALER INFORMATION (if applicable)	
					Dealer Name	
					Dealer Phone	Alt Phone
					Services to be provided by Dealer	
TOTAL						
TO BE COMPLETED BY PGS ONLY						
Meter Size	Regulator Size	BP#		CA#		
System Pressure	Delivery Pressure	Premise#		Install#		
Conversion Propane Company		Meter#		Project#		
REMARKS						
I have read all of the terms and conditions on the second page and agree to them.						
Business Partner/Customer Signature			Sales Rep Signature		Sales Rep ID #	
Business Partner/Customer Printed Name			Sales Rep Printed Name		Date	
Date						
PGS CUSTOMER SERVICE CONTACT DURING INSTALLATION OF GAS SERVICE					PHONE#: 1-877-832-6747	

Issued By: T. J. Szelistowski, President
Issued On:

Effective:

Item 7

State of Florida



Public Service Commission

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

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

DATE: January 23, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Guffey) *SKG WSC*
Office of the General Counsel (Lherisson) *BZ* *ESD* *JTH*

RE: Docket No. 20190201-GU – Petition for authority for approval of revised transportation nomination tariffs, by Florida Public Utilities Company and Florida Public Utilities Company-Fort Meade.

AGENDA: 02/04/20 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 01/07/20 (60-Day Suspension Date waived by the company until 2/4/2020.)

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
2020 JAN 23 AM 9:53
COMMISSION
CLERK

Case Background

On November 8, 2019, Florida Public Utilities Company (FPUC) and Florida Public Utilities Company-Fort Meade (FPUC-Fort Meade) (collectively Companies) filed a petition for approval of revised tariffs related to gas transportation nomination methodology. The intent of the revised tariffs is to allow pool managers one mid-month gas nomination change, no later than the 15th of each month, to adjust the quantities of gas delivered to FPUC and FPUC-Fort Meade.

Gas is delivered by the pool managers to the Local Distribution Company's (LDC) gate station at a constant level daily even though transportation customers' daily therm usage varies, creating negative or positive imbalances. At the end of each month, the Companies calculate each pool manager's imbalance level by aggregating customer usage in their pool and comparing it to each pool manager's natural gas deliveries.

A negative (short) imbalance results when the gas consumption of a transportation customer pool exceeds what the pool manager delivered that month; therefore, the Companies sell natural gas to the pool manager. A positive (long) imbalance results when more natural gas was delivered than was needed for the transportation customers; therefore, the Companies purchase the excess gas delivered by the pool manager.

During the review process of the petition, Commission staff issued a data request to the Companies, for which the responses were received on December 19, 2019. The revised tariff pages of FPUC are in Attachment 1 and revised tariff pages for FPUC-Fort Meade are in Attachment 2 to this recommendation. On November 15, 2019, the Companies provided a waiver of the 60-day file and suspend provision of Section 366.06(3), Florida Statutes (F.S.), until the February 4, 2020 Agenda Conference. 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 FPUC and FPUC-Fort Meade's revised gas transportation nomination methodology tariffs contained in Attachments 1 and 2 to this recommendation?

Recommendation: Yes, the Commission should approve FPUC and FPUC-Fort Meade's revised gas transportation nomination methodology tariffs contained in Attachments 1 and 2 to this recommendation. The proposed revisions are designed to allow pool managers an additional opportunity during the month to address their gas imbalances. The revised tariffs should become effective with the Commission's vote on February 4, 2020. (Guffey)

Staff Analysis: Rule 25-7.0335, Florida Administrative Code (F.A.C.), requires local distribution companies (LDCs), such as FPUC and FPUC-Fort Meade, to make gas transportation service available to non-residential customers. Transportation service is a voluntary program that allows customers to use a pool manager, or third-party marketer/shipper, rather than the LDC, to supply their natural gas requirements.

Both FPUC and FPUC-Fort Meade function as traditional LDCs providing gas service for sales customers and provide optional transportation service as required by Rule 25-7.0335, F.A.C.¹ Currently, there are 12 pool managers for FPUC and Fort Meade combined. The transportation customers pay the pool manager's charges for the supply of natural gas and are not subject to the Companies' Commission-approved Purchased Gas Adjustment (PGA) rates. The Commission does not approve or review the natural gas prices of third-party marketers.

In April 2019, the Commission approved tariff revisions,² which allowed FPUC and FPUC-Fort Meade to modify pool manager monthly imbalance cash out tiers and the associated cash out rates.³ The imbalance tariffs apply to pool managers who are responsible for purchasing natural gas for the Companies' transportation customers. The intent of the April 2019 revisions was to discourage pool managers from purchasing extra quantities of gas and then selling the excess gas back to the Companies at the PGA rate.

In the instant docket, the Companies state that subsequent to the above approval, pool managers expressed concern over the penalties pool managers may incur on their daily delivery quantities (DDQ) that are assigned to the Companies. Currently, the tariff allows the Companies to assess a penalty for pool managers who deliver more natural gas than what is consumed by the pool managers' customers, and the Companies must pay the pool managers the full PGA rate for the excess gas. Pursuant to the petition, the pool managers assert that they lack the ability to avoid

¹ FPUC currently has 2,436 transportation customers and 60,958 sales customers while FPUC-Fort Meade currently has 9 transportation customers and 579 sales customers (source: Response #4 in Staff's First Data Request, Document No. 11400-2019.).

² Order No. PSC-2019-0153-TRF-GU, issued April 24, 2019, in Docket No. 20190036-GU, *In re: Petition for authority for approval of revised transportation imbalance tariffs, by Florida Public Utilities Company; Florida Public Utilities Company-Ft. Meade.*

³ When pool managers deliver more natural gas than what is consumed by their customers (resulting in an imbalance), the Companies pay the pool managers for the excess gas. The payments to pool managers are based on natural gas cash-out rates as reported in the *Platts Gas Daily* and published pipeline capacity charges.

penalties described in FPUC Tariff sheet No. 33.2 and FPUC-Fort Meade Tariff Sheet No. 52.1, because they do not have the opportunity to adjust nominated quantities of gas during the month.

In order to remedy the pool managers' concerns, FPUC and FPUC-Fort Meade in the instant docket are proposing to allow pool managers one mid-month nomination change, no later than the 15th of each month, allowing them to adjust the quantities of gas delivered to the Company. The proposed tariff revisions are to FPUC tariff sheets 33.1, 33.2, and 35.1 and FPUC-Fort Meade tariff revisions are to sheets 52.1, 53, 53.1, and 60.

The proposed revisions also include requirements of additional information to be provided by the pool managers twice a month to the Companies such as customer name, pool manager account number, receipt location, upstream and downstream delivery points, and quantity of gas for each nomination. In responses to staff's data request, the Companies stated that such information is consistently required by other LDCs in Florida. The Companies will notify all participating pool managers of the required information which would become effective as of the first day of the month following Commission approval. The revised tariff sheets are in Attachments 1 and 2 to this recommendation.

The Companies stated that they have communicated with the pool managers about the requested tariff modifications and that the pool managers have been receptive of the mid-month nomination change opportunity. The Companies' data responses also state that the Companies will notify all participating pool managers about the requisite changes to be effective as of the first day of the month following the Commission vote.

Conclusion

The requested tariff revisions are intended to provide the pool managers an opportunity to make an intra-monthly modification (no later than the 15th of each month) to the quantity of gas delivered to the Companies pursuant to the daily delivery requirement methodology, thereby reducing penalties for excessive gas purchased.

This proposed revision is consistent with Peoples Gas System's tariff which allows pool managers, by the 20th of each month, to request an increase or a decrease in the quantity of gas delivered.⁴

In light of the foregoing, staff recommends approval of FPUC and FPUC-Fort Meade's tariff modifications, as shown in Attachments 1 and 2 to this recommendation. The revised tariffs should become effective with the Commission's vote on February 4, 2020.

⁴ See Peoples Gas System Tariff Sheet No. 8.119-5, Section 4.4 and Order No. PSC-16-0503-TRF-GU, issued October 31, 2016, in Docket No. 20160120-GU, *In re: Petition for approval of tariff modifications to rider NCTS, the firm delivery and operational balancing agreement, and negative imbalance cash-out prices, by Peoples Gas System.*

Date: January 23, 2020

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. (Lherisson)

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.

Florida Public Utilities Company
F.P.S.C. Gas Tariff
Third Revised Volume No. 1

First Second Revised Sheet No. 33.12
Cancels ~~Original~~ First Revised Sheet No. 33.13

RATE SCHEDULE PM POOL MANAGER SERVICE

(Continued from Sheet No. 33)

Force Majeure

Except for making payments due, neither the Company nor the Pool Manager shall be liable in damage to the other for any act, omission or circumstances occasioned by or in consequence of any acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, unforeseeable or unusual weather conditions, washouts, arrests and restraint of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, line freeze ups, temporary failure of gas supply, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other 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 party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. A failure to settle or present any strike or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the party claiming suspension.

Neither party will be entitled to the benefit of the force majeure provision hereof under either or both of the following circumstances: (A) to the extent that the failure was caused by the party claiming suspension having failed to remedy the condition by taking all reasonable acts, short of litigation, if such remedy requires litigation, and having failed to resume performance of such commitments or obligations with reasonable dispatch; or (B) if the failure was caused by lack of funds, or with respect to the payment of any amount or amounts then due hereunder.

Daily Delivery Requirement

Company will calculate the Pool Manager's Daily Delivery Requirement by summing the Daily Delivery Quantity, plus applicable Shrinkage, by City gate for each Customer being served by Pool Manager and rounding the total to the next greatest dekatherm. The Company will inform Pool Manager via e-mail of Pool Manager's Daily Delivery Requirement by City gate for the upcoming month upon expiration of Company's enrollment deadline.

The Company shall assess the Pool Manager a per MMBtu charge equal to the maximum of \$15.00 or 200% of the highest weekly Alert Day Price as posted by Florida Gas Transmission Company for each day when delivery to Company by Pool Manager differs from Pool Manager's Daily Delivery Requirement ~~during said weekly period~~. This charge will serve as the final resolution between Company and Customer for such variances.

Pool Manager Nominations

~~Each Pool Manager shall submit to Company first of the month scheduling and nomination information simultaneously with its submission to Transporter(s). In addition, no later than the fifteenth (15th) of each month, Pool Manager may submit a mid-month nomination change for each Customer Pool. Pool Manager shall submit to Company, this scheduling and nomination information simultaneously with its submission to Transporter(s).~~

Pool Manager Warranty

~~Each Pool Manager warrants that it will have at the time it delivers or causes the delivery of natural gas into the Company's distribution system good title or good right to deliver the Gas. Each Pool Manager warrants that the natural gas it delivers or causes to be delivered shall be free and clear of all liens, encumbrances, and claims whatsoever; that it will indemnify the Company and hold it harmless from all suits, actions, debts, losses and expenses arising from any adverse claims of any person to the~~

Issued by: Kevin Webber, Jr., English, President & CEO

Effective: AUG 1 2001

Florida Public Utilities Company
F.P.S.C. Gas Tariff

Third Revised Volume No. 1

~~First~~ Second Revised Sheet No. 33.1~~2~~

Cancels ~~Original~~ First Revised Sheet No. 33.1~~2~~

~~natural gas; and that it will indemnify the Company and hold it harmless from all taxes or assessments which may be levied and assessed upon such delivery and which are by law payable by the party making delivery.~~

(Continued to Sheet No. 33.2)

Issued by: Kevin Webber~~J. T. English~~, President & CEO

Effective: AUG 1 2001

Florida Public Utilities Company
F.P.S.C. Gas Tariff
Third Revised Volume No. 1

~~First~~ Second Revised Sheet No. 33.12
Cancels ~~Original~~ First Revised Sheet No. 33.12

Issued by: Kevin Webber, J. T. English, President & CEO

Effective: AUG 1 2001

Florida Public Utilities Company
F.P.S.C. Gas Tariff
Third Revised Volume No. 1

~~First~~ Second Revised Sheet No. 33.2
Cancels ~~Original~~ First Revised Sheet No. 33.2

**RATE SCHEDULE PM
POOL MANAGER SERVICE**

(Continued from Sheet No. 33.1)

Such Nomination shall include the following information:

1. The Customer, Shipper's Designee or Pool Manager's account number under which service is being nominated;
2. The Receipt Point location including applicable DRN and upstream pipeline name, upstream package ID, including Customer's or Pool Manager's Company account number, and quantity in Terms of Gas to be tendered at each Company Receipt Point;
3. The downstream deliver facility name, and quantity in Terms of Gas to be delivered for each Company Customer account or Pool;
4. A beginning and ending date for each Nomination;
5. The upstream contract identifier.

Only Nominations with clearly matching identifiers will be scheduled and subsequently delivered by Company.

Capacity Exceeding Released Quantities

Subsequent to any mid-month nomination change described above, if Pool Manager requires a quantity of Transporter capacity greater than the quantity of capacity released by Company, Pool Manager shall be responsible for taking such actions as are required to obtain sufficient Transporter capacity to meet its Customer Pool Requirements.

Pool Manager Warranty

Each Pool Manager warrants that it will have at the time it delivers or causes the delivery of natural gas into the Company's distribution system good title to the Gas. Each Pool Manager warrants that the natural gas it delivers or causes to be delivered shall be free and clear of all liens, encumbrances, and claims whatsoever; that it will indemnify the Company and hold it harmless from all suits, actions, debts, losses and expenses arising from any adverse claims of any person to the natural gas; and that it will indemnify the Company and hold it harmless from all taxes or assessments which may be levied and assessed upon such delivery and which are by law payable by the party making delivery.

Responsibility for Natural Gas

The Company and the Pool Manager shall be jointly and severally liable for the natural gas while it is in the Company's distribution system between Company's City gate(s) and the point of delivery to the Customer. The Pool Manager shall be solely liable for the natural gas until it is delivered to Company's City gate(s). The party or parties thus responsible for the natural gas shall bear liability for all injury or damage caused thereby. Notwithstanding anything to the contrary stated herein, a Pool Manager shall indemnify the Company for all injury, damage, loss or liability of the Company caused by Pool Manager's delivery of natural gas not complying with the Natural Gas Quality section below.

(Continued on Sheet No. 33.3)

Issued by: ~~Jeffrey Householder~~ Kevin Webber, President

Effective: DEC-03-2014

Florida Public Utilities Company
F.P.S.C. Gas Tariff
Third Revised Volume No. 1

~~First~~ Second Revised Sheet No. 33.2
Cancels ~~Original~~ First Revised Sheet No. 33.2

Natural Gas Quality

~~All natural gas delivered, or caused to be delivered, into Company's distribution system by or on behalf of a Pool Manager will be merchantable and shall conform to the natural gas quality specifications set forth in FGT's FERC Gas Tariff.~~

Monthly Rate

Customer Charge ————— \$100.00 per month per Pool Manager

Billing

~~The Company shall render to a Pool Manager on or before the 20th Calendar Day of each Month a bill for Pool Manager's monthly Customer Charge and for all imbalance charges as defined in Billing Adjustments during the preceding Month.~~

Payment

~~Pool Manager shall pay the Company the amount due under any bill from the Company within ten (10) Days after receipt by the Pool Manager of the bill from the Company. The Company may at its option require the Pool Manager to make payment of any bill by electronic transfer within such ten (10) Day period. Any bill not paid within such ten (10) Day period shall bear interest at the rate of one and one half percent (1.5%) per Month.~~

Billing Disputes

~~Pool Manager may dispute the amount of any bill by notifying the Company within sixty (60) days of receipt by the Pool Manager of the bill from the Company. If a Pool Manager in good faith disputes the amount of any bill, the Pool Manager shall nevertheless pay to the Company the amount of such bill. Company shall have thirty (30) days to resolve such disputes with Pool Manager and will refund to Pool Manager any amount resolved in favor of Pool Manager within ten (10) days of such resolution.~~

Termination of Service

~~Pool Manager will be responsible for providing Company with a duly executed Pool Manager Termination of Service Form (See Tariff Sheet No. 36.013) not less than thirty (30) Working Days prior to the Pool Manager's desired date for termination of service to Customer.~~

Issued by: Jeffrey Householder Kevin Webber, President

Effective: DEC 03 2014

Florida Public Utilities Company
F.P.S.C. Gas Tariff
Third Revised Volume No. 1

Original Sheet No. 33.3

RATE SCHEDULE PM
POOL MANAGER SERVICE

(Continued from Sheet No. 33.2)

Natural Gas Quality

All natural gas delivered, or caused to be delivered, into Company's distribution system by or on behalf of a Pool Manager will be merchantable and shall conform to the natural gas quality specifications set forth in FGT's FERC Gas Tariff.

Monthly Rate

Customer Charge \$100.00 per month per Pool Manager

Billing

The Company shall render to a Pool Manager on or before the 20th Calendar Day of each Month a bill for Pool Manager's monthly Customer Charge and for all imbalance charges as defined in Billing Adjustments during the preceding Month.

Payment

Pool Manager shall pay the Company the amount due under any bill from the Company within ten (10) Days after receipt by the Pool Manager of the bill from the Company. The Company may at its option require the Pool Manager to make payment of any bill by electronic transfer within such ten (10) Day period. Any bill not paid within such ten (10) Day period shall bear interest at the rate of one and one-half percent (1.5%) per Month.

Billing Disputes

Pool Manager may dispute the amount of any bill by notifying the Company within sixty (60) days of receipt by the Pool Manager of the bill from the Company. If a Pool Manager in good faith disputes the amount of any bill, the Pool Manager shall nevertheless pay to the Company the amount of such bill. Company shall have thirty (30) days to resolve such disputes with Pool Manager and will refund to Pool Manager any amount resolved in favor of Pool Manager within ten (10) days of such resolution.

Termination of Service

Pool Manager will be responsible for providing Company with a duly executed Pool Manager Termination of Service Form (See Tariff Sheet No. 36.013) not less than thirty (30) Working Days prior to the Pool Manager's desired date for termination of service to Customer.

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Florida Public Utilities Company
F.P.S.C. Gas Tariff
Third Revised Volume No. 1

~~Fourth~~ Fifth Revised Sheet No. 35.1
Cancels ~~Third~~ Fourth Revised Sheet No. 35.1

BILLING ADJUSTMENTS

(Continued from Sheet No. 35)

Imbalance Adjustments – Pool Manager

The following billing adjustments apply only to Rate Schedule PM.

Pool Manager Imbalances

It is the intent of the Company that the monthly delivery of natural gas to Company by Pool Manager for Customer, less shrinkage, shall equal to the actual monthly delivery by Company to Customer. This monthly delivery of natural gas to Company by Pool Manager for Customer, adjusted for any mid-month nomination and scheduling changes less shrinkage, shall be referred to as Billing Period Delivery Quantity. If the Billing Period Delivery Quantity does not equal the actual monthly delivery by Company to Customer, a long or short imbalance is created.

Whenever the Billing Period Delivery Quantity is greater than the actual monthly delivery by Company to Customer a long imbalance is created. Conversely, whenever the Billing Period Delivery Quantity is less than the actual monthly delivery by Company to Customer a short imbalance is created.

Company will aggregate the short imbalances and long imbalances of Customers by
Pool
Manager. This net quantity shall be referred to as the Pool Manager Imbalance.

Whenever the Pool Manager Imbalance is a short position a Pool Manager Short Imbalance is created. Conversely, whenever the Pool Manager Imbalance is a long position a Pool Manager Long Imbalance is created.

A. **Pool Manager Short Imbalance**

Company shall sell to Pool Manager the necessary gas supplies to meet the Pool Manager Short Imbalance in accordance with the Imbalance Billing Adjustments
- Pool Manager section of this tariff.

B. **Pool Manager Long Imbalance**

Company shall retain all gas supplies resulting from a Pool Manager Long Imbalance and credit Pool Manager in accordance with the Imbalance Billing Adjustments – Pool Manager section of this tariff.

(Continued to Sheet No. 35.2)

Issued by: ~~Jeffrey Haushalter~~ Kevin Webber, President

Effective: JAN 01 2019

Florida Public Utilities Company - Fort Meade
F. P. S. C. Gas Tariff
Original Volume No. 1

First Revised Sheet No. 52.1
Cancels Original Sheet No. 52.1

RATE SCHEDULE PM
POOL MANAGER SERVICE

(Continued from Sheet No. 52)

unusual weather conditions, washouts, arrests and restraint of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, line freeze ups, temporary failure of gas supply, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other 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 party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. A failure to settle or present any strike or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the party claiming suspension.

Neither party will be entitled to the benefit of the force majeure provision hereof under either or both of the following circumstances: (A) to the extent that the failure was caused by the party claiming suspension having failed to remedy the condition by taking all reasonable acts, short of litigation, if such remedy requires litigation, and having failed to resume performance of such commitments or obligations with reasonable dispatch; or (B) if the failure was caused by lack of funds, or with respect to the payment of any amount or amounts then due hereunder.

Daily Delivery Requirement

Company will calculate the Pool Manager's Daily Delivery Requirement by summing the Daily Delivery Quantity, plus applicable Shrinkage, by City Gate for each Customer being served by Pool Manager and rounding the total to the next greatest dekatherm. The Company will inform Pool Manager via e-mail of Pool Manager's Daily Delivery Requirement by City Gate for the upcoming month upon expiration of Company's enrollment deadline.

The Company shall assess the Pool Manager a per MMBtu charge equal to the maximum of \$15.00 or 200% of the highest weekly Alert Day Price as posted by Florida Gas Transmission Company for each day when delivery to Company by Pool Manager differs from Pool Manager's Daily Delivery Requirement ~~during said weekly period~~. This charge will serve as the final resolution between Company and Customer for such variances.

Pool Manager Nominations

Each Pool Manager shall submit to Company first of month scheduling and nomination information simultaneously with its submission to Transporter(s). In addition, no later than the fifteenth (15th) of each month, Pool Manager may submit a mid-month nomination change for each Customer Pool. Pool Manager shall submit to Company, this scheduling and nomination information simultaneously with its submission to Transporter(s).

Pool Manager Warranty

~~Each Pool Manager warrants that it will have at the time it delivers or causes the delivery of natural gas into the Company's distribution system good title or good right to deliver the Gas.~~
~~Each Pool Manager warrants that the natural gas it delivers or causes to be delivered shall be~~

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~~free and clear of all liens, encumbrances, and claims whatsoever that it will indemnify the Company and hold it harmless from all suits, actions, debts, losses and expenses arising from any adverse claims of any person to the natural gas; and that it will indemnify the Company and hold it harmless from all taxes or assessments which may be levied and assessed upon such delivery and which are by law payable by the party making delivery.~~

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Such Nomination shall include the following information:

1. The Customer, Shipper's Designee or Pool Manager's account number under which service is being nominated;
2. The Receipt Point location including applicable DRN and upstream pipeline name, upstream package ID, including Customer's or Pool Manager's Company account number, and quantity in Therms of Gas to be tendered at each Company Receipt Point;
3. The downstream deliver facility name, and quantity in Therms of Gas to be delivered for each Company Customer account or Pool;
4. A beginning and ending date for each Nomination;
5. The upstream contract identifier.

Only Nominations with clearly matching identifiers will be scheduled and subsequently delivered by Company.

Capacity Exceeding Released Quantities

Subsequent to any mid-month nominations change described above, if Pool Manager requires a quantity of Transporter capacity greater than the quantity of capacity released by Company, Pool Manager shall be responsible for taking such actions as are required to obtain sufficient Transporter capacity to meet its Customer Pool requirements.

Pool Manager Warranty

Each Pool Manager warrants that it will have at the time it delivers or causes the delivery of natural gas into the Company's distribution system good title to the Gas.

Each Pool Manager warrants that the natural gas it delivers or causes to be delivered shall be free and clear of all liens, encumbrances, and claims whatsoever; that it will indemnify the Company and hold it harmless from all suits, actions, debts, losses and expenses arising from any adverse claims of any person to the natural gas; and that it will indemnify the Company and hold it harmless from all taxes or assessments which may be levied and assessed upon such delivery and which are by law payable by the party making delivery.

Responsibility for Natural Gas

The Company and the Pool Manager shall be jointly and severally liable for the natural gas while it is in the Company's distribution system between Company's City Gate(s) and the point of delivery to the Customer. The Pool Manager shall be solely liable for the natural gas until it is delivered to Company's City Gate(s). The party or parties thus responsible for the natural gas shall bear liability for all injury or damage caused thereby. Notwithstanding anything to the contrary stated herein, a Pool Manager shall indemnify the Company for all injury, damage, loss or liability of the Company caused by Pool Manager's delivery of natural gas not complying with the Natural Gas Quality section below.

Natural Gas Quality

All natural gas delivered, or caused to be delivered, into Company's distribution system by or on behalf of a Pool Manager will be merchantable and shall conform to the natural gas quality specifications set forth in FGT's FERC Gas Tariff.

(Continued on Sheet No. 53.1)

Monthly Rate

Customer Charge _____ \$100.00 per month per Pool Manager

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Billing

~~The Company shall render to a Pool Manager on or before the 20th Day of each month a bill for Pool Manager's monthly Customer Charge and for all imbalance charges as defined in Billing Adjustments during the preceding Month.~~

Payment

~~Pool Manager shall pay the Company the amount due under any bill from the Company within ten (10) Days after receipt by the Pool Manager of the bill from the Company. The Company may at its option require the Pool Manager to make payment of any bill by electronic transfer within such ten (10) Day period. Any bill not paid within such ten (10) Day period shall bear interest at the rate of one and one-half percent (1.5%) per Month.~~

Billing Disputes

~~Pool Manager may dispute the amount of any bill by notifying the Company within sixty (60) days of receipt by the Pool Manager of the bill from the Company. If a Pool Manager in good faith disputes the amount of any bill, the Pool Manager shall nevertheless pay to the Company the amount of such bill. Company shall have thirty (30) days to resolve such disputes with Pool Manager and will refund to Pool Manager any amount resolved in favor of Pool Manager within ten (10) days of such resolution.~~

Termination of Service

~~Pool Manager will be responsible for providing Company with a duly executed Pool Manager Termination of Service Form not less than thirty (30) Working Days prior to the Pool Manager's desired date for termination of service to Customer.~~

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RATE SCHEDULE PM POOL MANAGER SERVICE

(Continued from Sheet No. 53)

Monthly Rate

Customer Charge \$100.00 per month per Pool Manager

Billing

The Company shall render to a Pool Manager on or before the 20th Day of each month a bill for Pool Manager's monthly Customer Charge and for all imbalance charges as defined in Billing Adjustments during the preceding Month.

Payment

Pool Manager shall pay the Company the amount due under any bill from the Company within ten (10) Days after receipt by the Pool Manager of the bill from the Company. The Company may at its option require the Pool Manager to make payment of any bill by electronic transfer within such ten (10) Day period. Any bill not paid within such ten (10) Day period shall bear interest at the rate of one and one-half percent (1.5%) per Month.

Billing Disputes

Pool Manager may dispute the amount of any bill by notifying the Company within sixty (60) days of receipt by the Pool Manager of the bill from the Company. If a Pool Manager in good faith disputes the amount of any bill, the Pool Manager shall nevertheless pay to the Company the amount of such bill. Company shall have thirty (30) days to resolve such disputes with Pool Manager and will refund to Pool Manager any amount resolved in favor of Pool Manager within ten (10) days of such resolution.

Termination of Service

Pool Manager will be responsible for providing Company with a duly executed Pool Manager Termination of Service Form not less than thirty (30) Working Days prior to the Pool Manager's desired date for termination of service to Customer.

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BILLING ADJUSTMENTS

Applicability

Gas service under all rate schedules which specify that the rates are subject to adjustment in accordance with the provisions of the "Billing Adjustments" Rider.

Taxes and Other Adjustments

There will be added to all bills rendered, all applicable local utility and franchise taxes and state sales taxes presently assessed by any duly authorized governmental authorities, as well as any future changes or new assessments by and duly authorized governmental authorities subsequent to the effective date of any rate schedule.

Imbalance Adjustments – Pool Manager

The following billing adjustments apply only to Rate Schedule PM.

Pool Manager Imbalances

It is the intent of the Company that the monthly delivery of natural gas to Company by Pool Manager for Customer, less shrinkage, shall equal to the actual monthly delivery by Company to Customer. This monthly delivery of natural gas to Company by Pool Manager for Customer, adjusted for any mid-month nomination and scheduling changes less shrinkage, shall be referred to as Billing Period Delivery Quantity. If the Billing Period Delivery Quantity does not equal the actual monthly delivery by Company to Customer, a long or short imbalance is created.

Whenever the Billing Period Delivery Quantity is greater than the actual monthly delivery by Company to Customer a long imbalance is created. Conversely, whenever the Billing Period Delivery Quantity is less than the actual monthly delivery by Company to Customer a short imbalance is created.

Company will aggregate the short imbalances and long imbalances of Customers by Pool Manager. This net quantity shall be referred to as the Pool Manager Imbalance.

Whenever the Pool Manager Imbalance is a short position a Pool Manager Short Imbalance is created. Conversely, whenever the Pool Manager Imbalance is a long position a Pool Manager Long Imbalance is created.

A. Pool Manager Short Imbalance

Company shall sell to Pool Manager the necessary gas supplies to meet the Pool Manager Short Imbalance in accordance with the Imbalance Billing Adjustments-Pool Manager section of this tariff.

B. Pool Manager Long Imbalance

Company shall retain all gas supplies resulting from a Pool Manager Long Imbalance and credit Pool Manager in accordance with the Imbalance Billing Adjustments Pool Manager section of this tariff.

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