

Table of Contents
 Commission Conference Agenda
 March 31, 2020

1**	Consent Agenda	1
2**	Docket No. 20200063-EI – Proposed repeal of Rule 25-6.0342, F.A.C., Electric Infrastructure Storm Hardening.	2
3**	Docket No. 20200044-WS – Proposed amendment of Rule 25-30.457, F.A.C., Limited Alternative Rate Increase.	3
4**PAA	Docket No. 20200011-EI – Petition for approval of waiver of CIAC Rule No. 25-6.064, F.A.C. for new line extensions serving electric vehicle fast charging stations, by Tampa Electric Company.	4
5**PAA	Docket No. 20190216-EI – Complaint by Belkys Armenteros against Florida Power & Light Company regarding backbilling for alleged meter tampering.	6
6**PAA	Docket No. 20190196-TP – Petition of North American Numbering Plan Administrator on behalf of the Florida telecommunications industry, for approval of consensus decision to recommend to the Commission an all-services overlay as the form of relief for the 813 numbering plan area.	7
7**PAA	Docket No. 20180213-TL – Complaint by the Florida Inland Navigation District against BellSouth Telecommunications, LLC d/b/a AT&T Florida d/b/a AT&T Southeast for failure to relocate utility line.	8
8**PAA	Docket No. 20180049-EI – Evaluation of storm restoration costs for Florida Power & Light Company related to Hurricane Irma.	9
9**PAA	Docket No. 20190109-GU – Petition for recovery of costs associated with Hurricane Michael and replenishment of storm reserve, by Peoples Gas System.	10
10	Docket No. 20200039-GU – Petition for approval to implement a temporary storm cost recovery surcharge, by St. Joe Natural Gas Company.	11
11**PAA	Docket No. 20190113-WS – Application for staff-assisted rate case in Manatee County by Heather Hills Utilities, LLC.	12
12**PAA	Docket No. 20190071-WS – Application for staff-assisted rate case in Polk County by Deer Creek RV Golf & Country Club, Inc.	16
13**	Docket No. 20190213-WS – Application for transfer of water and wastewater facilities of Grenelefe Resort Utility, Inc., water Certificate No. 589-W, and wastewater Certificate No. 507-S to Lake Marion Investment LLC, in Polk County.	21
14**PAA	Docket No. 20190215-EI – Petition for approval of depreciation rates for energy storage equipment, by Tampa Electric Company.	22

Table of Contents
Commission Conference Agenda
March 31, 2020

15**	Docket No. 20200046-GU – Petition to revise tariffs for Florida Public Utilities Company, Florida Public Utilities Company - Indiantown Division, Florida Public Utilities Company - Fort Meade, Florida Division of Chesapeake Utilities Corporation, and Peninsula Pipeline Company to update the description of gas quality and character of service.	23
15A**	Docket No. 20200095-EI – Petition for approval of emergency modification to Duke Energy's rate schedule SC-1, tariff sheet 6.110 by Duke Energy Florida, LLC.	24

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: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Office of Industry Development and Market Analysis (Yglesias de Ayala) *AY*
Office of the General Counsel (Passidomo) *GR TH MYA* *AZ GH*

RE: Application for Certificate of Authority to Provide Telecommunications Service

AGENDA: 3/31/2020 - Consent Agenda - Proposed Agency Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

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

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>CERT. NO.</u>
20200032-TX	Simwood Inc.	8946

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

RECEIVED-FPSC
 2020 MAR 19 AM 9:16
 COMMISSION CLERK

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: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Office of the General Counsel (Harper) *oet*
Division of Economics (Guffey) *SKG WSE S.M.L. EA JAH*
Division of Engineering (Buys) *DB TJ*

RE: Docket No. 20200063-EI – Proposed repeal of Rule 25-6.0342, F.A.C., and Electric Infrastructure Storm Hardening.

AGENDA: 03/31/20 – Regular Agenda – Rule Proposal – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

RULE STATUS: Proposal May Be Deferred

SPECIAL INSTRUCTIONS: None

Case Background

Rule 25-6.0342, F.A.C., Electric Infrastructure Storm Hardening, was enacted in 2007 for the purpose of ensuring the provision of safe, adequate, and reliable electric transmission and distribution service for operational as well as emergency purposes; requiring the cost-effective strengthening of critical electric infrastructure to increase the ability of transmission and distribution facilities to withstand extreme weather conditions; and reducing restoration costs and outage times to end-use customers associated with extreme weather conditions. This rule applies to all investor-owned electric utilities and requires that each utility file with the Commission for its approval a detailed storm hardening plan and to update that plan every three years.

The 2019 Florida Legislature passed SB 796 to enact Section 366.96, Florida Statutes (F.S.), which requires each investor-owned electric utility (IOU) to file a transmission and distribution storm protection plan (Storm Protection Plan) for the Commission's review and directed the

Commission to hold an annual proceeding to determine each IOU's prudently incurred costs to implement its plan and allow recovery of those costs through a Storm Protection Plan Cost Recovery Clause. Section 366.96(3), F.S., also required the Commission to adopt rules to implement and administer the section. In furtherance of the Legislature's directive, the Commission adopted Rules 25-6.030, Storm Protection Plan, and 25-6.031, F.A.C., Storm Protection Plan Cost Recovery Clause, which became effective on February 18, 2020.

During the rulemaking for Rules 25-6.030 and 25-6.031, F.A.C., the Commission also noticed several other rules, including Rule 25-6.0342, F.A.C., to determine if the new storm plan rules would necessitate changes to other rules. The Commission received comments indicating that Rule 25-6.0342, F.A.C., would no longer be necessary because it would be duplicative and obsolete as a result of the new storm protection plan rules.

Notice of the rule development appeared in the June 6, 2019, edition of the Florida Administrative Register. On June 25, 2019, and August 20, 2019, staff held rule development workshops to obtain stakeholder comments on Rules 25-6.030 and 25-6.031, F.A.C., as well as rules that would be affected by them, including Rule 25-6.0342, F.A.C. Several utilities opined that once Rules 25-6.030 and 25-6.031, F.A.C., were adopted and effective, Rule 25-6.0342, F.A.C., should be repealed.

This recommendation addresses whether Rule 25-6.0342, F.A.C., should be repealed as redundant and obsolete because it requires utilities to submit duplicative information available to the Commission through other sources. The Commission has jurisdiction pursuant to Sections 350.127(2), 366.05(1), 366.96, F.S.

Discussion of Issues

Issue 1: Should the Commission propose the repeal of Rule 25-6.0342, F.A.C., Electric Infrastructure Storm Hardening?

Recommendation: Yes, the Commission should propose the repeal of Rule 25-6.0342, F.A.C., as set forth in Attachment A. The Commission should certify Rule 25-6.0342, F.A.C., as a minor violation rule. Once Rule 25-6.0342, F.A.C., is repealed, it should be removed from the list of minor violation rules. (Harper, Buys, Guffey)

Staff Analysis: Rule 25-6.0342, F.A.C., Electric Infrastructure Storm Hardening is duplicative of the Commission's new rule, Rule 25-6.030, F.A.C., Storm Protection Plan. Both require all IOUs to file storm hardening plans that contain a detailed description of the construction standards, policies, practices, and procedures employed to enhance the reliability of overhead and underground electrical transmission and distribution facilities. Both rules also require that the utility's storm hardening plan include descriptions of how the utilities' storm programs and projects will enhance the reliability of overhead and underground electrical transmission and distribution facilities. As to cost impacts, new Rule 25-6.030, F.A.C., requires more stringent and detailed reporting requirements for estimated and actual costs and rate impacts associated with completed activities when each utility files its Storm Protection Plan. For these reasons, Rule 25-6.0342, F.A.C., is duplicative, obsolete, and unnecessary, and staff recommends that it be repealed.

Minor Violation Rules Certification

Rule 25-6.0342, F.A.C., was on the Commission's list of minor violation rules. Pursuant to Section 120.695, F.S., as of July 1, 2017, the agency head shall certify whether any part of each rule filed for adoption is designated as a minor violation rule. A minor violation rule is a rule that would not result in economic or physical harm to a person or an adverse effect on the public health, safety, or welfare or create a significant threat of such harm when violated. Staff recommends that the Commission certify that Rule 25-6.0342, F.A.C., was a minor violation rule. Once Rule 25-6.0342, F.A.C., is repealed, it should be removed from the list of minor violation rules.

Statement of Estimated Regulatory Costs

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

The SERC concludes that the repeal of Rule 25-6.0342, F.A.C., will likely not directly or indirectly increase regulatory costs in excess of \$200,000 within one year after implementation. Further, the SERC concludes that the repeal of the rule will not likely increase regulatory costs,

Date: March 19, 2020

including any transactional costs, or have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within five years of implementation. Thus, the repeal of the rule does not require legislative ratification, pursuant to Section 120.541(3), F.S.

In addition, the SERC states that the repeal of Rule 25-6.0342, F.A.C., would have no impact on small businesses, would have no implementation or enforcement cost on the Commission or any other state and local government entity, and would have no impact on small cities or small counties. The SERC states that no additional transactional costs are likely to be incurred by individuals and entities because of the repeal.

Conclusion

The Commission should repeal Rule 25-6.0342, F.A.C. as set forth in Attachment A. Once Rule 25-6.0342, F.A.C., is repealed, it should be removed from the list of minor violation rules.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no requests for hearing, information regarding the SERC, proposals for a lower cost regulatory alternative, or JAPC comments are filed, the rule should be filed with the Department of State, and the docket should be closed. (Harper)

Staff Analysis: If no requests for hearing, information regarding the SERC, proposals for a lower cost regulatory alternative, or JAPC comments are filed, the rule may be filed with the Department of State and the docket should be closed. (Harper)

1 **25-6.0342 Electric Infrastructure Storm Hardening.**

2 ~~(1) Application and Scope. This rule is intended to ensure the provision of safe, adequate,~~
3 ~~and reliable electric transmission and distribution service for operational as well as emergency~~
4 ~~purposes; require the cost effective strengthening of critical electric infrastructure to increase~~
5 ~~the ability of transmission and distribution facilities to withstand extreme weather conditions;~~
6 ~~and reduce restoration costs and outage times to end use customers associated with extreme~~
7 ~~weather conditions. This rule applies to all investor owned electric utilities.~~

8 ~~(2) Storm Hardening Plans. Each utility shall, no later than 90 days after the effective date~~
9 ~~of this rule, file with the Commission for its approval a detailed storm hardening plan. Each~~
10 ~~utility's plan shall be updated every 3 years, unless the Commission, on its own motion or on~~
11 ~~petition by a substantially affected person or utility, initiates a proceeding to review and, if~~
12 ~~appropriate, modify the plans. In a proceeding to approve a utility's plan, the Commission~~
13 ~~shall consider whether the utility's plan meets the desired objectives of enhancing reliability~~
14 ~~and reducing restoration costs and outage times in a prudent, practical, and cost effective~~
15 ~~manner to the affected parties.~~

16 ~~(3) Contents of Plan: Each utility storm hardening plan shall contain a detailed description~~
17 ~~of the construction standards, policies, practices, and procedures employed to enhance the~~
18 ~~reliability of overhead and underground electrical transmission and distribution facilities in~~
19 ~~conformance with the provisions of this rule. Each filing shall, at a minimum, address the~~
20 ~~extent to which the utility's storm hardening plan:~~

21 ~~(a) Complies, at a minimum, with the National Electric Safety Code (ANSI C 2) [NESC]~~
22 ~~that is applicable pursuant to subsection 25-6.0345(2), F.A.C.~~

23 ~~(b) Adopts the extreme wind loading standards specified by Figure 250-2(d) of the 2007~~
24 ~~edition of the NESC for the following distribution facilities:~~

25 ~~1. New construction;~~

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

1 ~~2. Major planned work, including expansion, rebuild, or relocation of existing facilities,~~
2 ~~assigned on or after the effective date of this rule; and~~

3 ~~3. Critical infrastructure facilities and along major thoroughfares taking into account~~
4 ~~political and geographical boundaries and other applicable operational considerations.~~

5 ~~(c) Is designed to mitigate damage to underground and supporting overhead transmission~~
6 ~~and distribution facilities due to flooding and storm surges.~~

7 ~~(d) Provides for the placement of new and replacement distribution facilities so as to~~
8 ~~facilitate safe and efficient access for installation and maintenance pursuant to Rule 25-~~
9 ~~6.0341, F.A.C.~~

10 ~~(4) Deployment Strategy: Each utility storm hardening plan shall explain the systematic~~
11 ~~approach the utility will follow to achieve the desired objectives of enhancing reliability and~~
12 ~~reducing restoration costs and outage times associated with extreme weather events. The~~
13 ~~utility's storm hardening plan shall provide a detailed description of its deployment strategy~~
14 ~~including, but not limited to the following:~~

15 ~~(a) A description of the facilities affected; including technical design specifications,~~
16 ~~construction standards, and construction methodologies employed.~~

17 ~~(b) The communities and areas within the utility's service area where the electric~~
18 ~~infrastructure improvements, including facilities identified by the utility as critical~~
19 ~~infrastructure and along major thoroughfares pursuant to subparagraph (3)(b)3. are to be~~
20 ~~made.~~

21 ~~(c) The extent to which the electric infrastructure improvements involve joint use facilities~~
22 ~~on which third party attachments exist.~~

23 ~~(d) An estimate of the costs and benefits to the utility of making the electric infrastructure~~
24 ~~improvements, including the effect on reducing storm restoration costs and customer outages.~~

25 ~~(e) An estimate of the costs and benefits, obtained pursuant to subsection (6) below, to~~
CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from
existing law.

1 ~~third party attachers affected by the electric infrastructure improvements, including the effect~~
2 ~~on reducing storm restoration costs and customer outages realized by the third party attachers.~~

3 ~~(5) Attachment Standards and Procedures: As part of its storm hardening plan, each utility~~
4 ~~shall maintain written safety, reliability, pole loading capacity, and engineering standards and~~
5 ~~procedures for attachments by others to the utility's electric transmission and distribution~~
6 ~~poles (Attachment Standards and Procedures). The Attachment Standards and Procedures shall~~
7 ~~meet or exceed the edition of the National Electrical Safety Code (ANSI C 2) that is~~
8 ~~applicable pursuant to Rule 25-6.034, F.A.C. so as to assure, as far as is reasonably~~
9 ~~practicable, that third party facilities attached to electric transmission and distribution poles do~~
10 ~~not impair electric safety, adequacy, or pole reliability; do not exceed pole loading capacity;~~
11 ~~and are constructed, installed, maintained, and operated in accordance with generally accepted~~
12 ~~engineering practices for the utility's service territory.~~

13 ~~(6) Input from Third Party Attachers: In establishing its storm hardening plan and~~
14 ~~Attachment Standards and Procedures, or when updating or modifying such plan or~~
15 ~~Attachment Standards and Procedures, each utility shall seek input from and attempt in good~~
16 ~~faith to accommodate concerns raised by other entities with existing agreements to share the~~
17 ~~use of its electric facilities. Any third party attacher that wishes to provide input under this~~
18 ~~subsection shall provide the utility contact information for the person designated to receive~~
19 ~~communications from the utility.~~

20 ~~(7) Dispute Resolution: Any dispute or challenge to a utility's storm hardening plan,~~
21 ~~construction standards, deployment strategy, Attachment Standards and Procedures, or any~~
22 ~~projects implementing any of the above by a customer, applicant for service, or attaching~~
23 ~~entity shall be resolved by the Commission.~~

24 ~~(8) Nothing in this rule is intended to conflict with Title 47, United States Code, Section~~
25 ~~224, relating to Federal Communications Commission jurisdiction over pole attachments.~~

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

1 *Rulemaking Authority 350.127(2), 366.05(1) FS. Law Implemented 366.04(2)(c), (5), (6),*
2 *366.05(1) FS. History—New 2-1-07, Repealed _____.*

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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: March 13, 2020

TO: Adria E. Harper, Senior Attorney, Office of the General Counsel

FROM: Sevini K. Guffey, Public Utility Analyst II, Division of Economics *SKG*

RE: Statement of Estimated Regulatory Costs for Recommended Repeal of Rule 25-6.0342, Florida Administrative Code (F.A.C.), Electric Infrastructure Storm Hardening.

Commission staff is recommending the repeal of Rule 25-6.0342, F.A.C., Electric Infrastructure Storm Hardening which has been effective since 2007. This rule applies to all investor-owned electric utilities (IOUs) and requires that each utility file with the Commission, for approval, a detailed storm hardening plan and to update that plan every three years.

In 2019, the Florida Legislature passed SB 796 to enact Section 366.96, Florida Statutes (F.S.), which requires each IOU to file a transmission and distribution storm protection plan for the Commission's review and for the Commission to conduct an annual proceeding to determine each IOU's prudently incurred costs to implement the storm protection plan. To codify Section 366.96, F.S., the Commission adopted Rules 25-6.030, F.A.C., Storm Protection Plan, and Rule 25-6.031, F.A.C., Storm Protection Plan Cost Recovery Clause, which became effective on February 18, 2020. As a result, Rules 25-6.030, F.A.C., and 25-6.031, F.A.C., supersede the requirements of Rule 25-6.0342, F.A.C.

The attached Statement of Estimated Regulatory Costs (SERC) addresses the economic impacts and considerations required pursuant to Section 120.541, F.S. The SERC analysis indicates that the recommended repeal of Rule 25-6.0342, F.A.C., will not likely increase regulatory costs, including any transactional costs or have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within five years of implementation. The recommended rule repeal would not potentially have adverse impacts on small businesses, would have no implementation cost to the Commission or other state and local government entities, and would have no impact on small cities or counties.

Notice of the rule development appeared in the June 7, 2019 edition of the Florida Administrative Register. No regulatory alternatives were submitted pursuant to Section 120.541(1)(g), F.S. The SERC concludes that none of the impacts/cost criteria established in Sections 120.541(2)(a), (c), (d), and (e), F.S., will be exceeded as a result of the proposed rule revisions.

cc: SERC File

FLORIDA PUBLIC SERVICE COMMISSION
STATEMENT OF ESTIMATED REGULATORY COSTS
Rule 25-6.0342, F.A.C.

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

Yes No

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

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

Yes No

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

A. Whether the rule directly or indirectly:

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

Economic growth	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Private-sector job creation or employment	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Private-sector investment	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

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

Business competitiveness (including the ability of persons doing business in the state to compete with persons doing business in other states or domestic markets)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Productivity	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Innovation	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

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

Yes

No

Economic Analysis: The Commission adopted new Rules 25-6.030, F.A.C., Storm Protection Plan, and Rule 25-6.031, F.A.C., Storm Protection Plan Cost Recovery, which became effective on February 18, 2020. As a result, Rule 25-6.0342, F.A.C., Electric Infrastructure Storm Hardening requirements is duplicative and obsolete. The recommended repeal of Rule 25-6.0342, F.A.C., will reduce duplicative regulatory oversight.

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

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

None; the rule is recommended to be repealed. See Section (3) above.

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

None; the rule is recommended to be repealed. See Section (3) above.

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

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

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

Minimal. Provide a brief explanation.

Other. Provide an explanation for estimate and methodology used.

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

None. The rule will only affect the Commission.

Minimal. Provide a brief explanation.

Other. Provide an explanation for estimate and methodology used.

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

None.

Minimal. Provide a brief explanation.

Other. Provide an explanation for estimate and methodology used.

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

None. The rule will only affect the Commission.

Minimal. Provide a brief explanation.

Other. Provide an explanation for estimate and methodology used.

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

(1) "Small business" is defined by Section 288.703, F.S., as an independently owned and operated business concern that employs 200 or fewer permanent full-time employees and that, together with its affiliates, has a net worth of not more than \$5 million or any firm based in this state which has a Small Business Administration 8(a) certification. As to sole proprietorships, the \$5 million net worth requirement shall include both personal and business investments.

No adverse impact on small business.

Minimal. Provide a brief explanation.

Other. Provide an explanation for estimate and methodology used.

(2) A "Small City" is defined by Section 120.52, F.S., as any municipality that has an

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

No impact on small cities or small counties.

Minimal. Provide a brief explanation.

Other. Provide an explanation for estimate and methodology used.

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

None.

Additional Information:

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

No regulatory alternatives were submitted.

A regulatory alternative was received from

Adopted in its entirety.

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

Item 3

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: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Office of the General Counsel (Cowdery) *W S.M.C.*
Division of Accounting and Finance (T. Brown, Norris) *[Signature]*
Division of Economics (Guffey) *SKG WSC EID JKH* *AMM*
ALM

RE: Docket No. 20200044-WS – Proposed amendment of Rule 25-30.457, F.A.C., Limited Alternative Rate Increase.

AGENDA: 03/31/20 – Regular Agenda – Rule Proposal - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

RULE STATUS: Proposal May Be Deferred

SPECIAL INSTRUCTIONS: None

Case Background

Rule 25-30.457, Florida Administrative Code (F.A.C.), Limited Alternative Rate Increase, was adopted in 2005 pursuant to Section 367.0814(9), Florida Statutes (F.S.), as an alternative to the staff assisted rate case procedure for water or wastewater utilities. The rule is applicable to water and wastewater utilities whose total gross annual operating revenues are \$300,000 or less. The purpose of the rule is to allow small utilities to obtain a limited amount of rate relief more quickly than would occur in rate cases filed under Rule 25-30.455, Staff Assistance in Rate Cases, or Rule 25-30.456, Staff Assistance in Alternative Rate Setting, thus resulting in less costly regulation through lower rate case expense and reduction in Commission staff labor.

At the April 2, 2019 Commission Conference, the Commission heard three petitions for limited rate increase.¹ The Office of Public Counsel (OPC) participated at that Commission Conference and, although not opposing the requested rate increase in those dockets, OPC raised concerns about Rule 25-30.457, F.A.C. OPC stated that it did not believe that the rule had an objective cost-based method by which to approve increases or to set specific rates. OPC stated that it had raised these concerns with the Office of General Counsel and anticipated developing suggestions and possible rule amendments to address its concerns.

On May 15, 2019, staff held a noticed, informal meeting with interested persons to discuss the possible amendment of Rule 25-30.457, F.A.C. Attending the meeting and providing comments were OPC; Investor Owned Utilities, consisting of eighteen utilities (“Collective Utilities”); U.S. Water Services Corporation; and Florida Utility Services. The Notice of Rule Development for amending Rule 25-30.457, F.A.C., was published in the Florida Administrative Register on October 9, 2019, and a staff rule development workshop was held on October 30, 2019. Post-workshop comments were submitted by OPC. The Commission has jurisdiction pursuant to Sections 350.127(2), 367.0814, 367.121, and 120.54, F.S.

¹ *In re: Petition for Limited Alternative Rate Increase in Highlands County by LP Waterworks, Inc.*, Docket No. 20180215-WS; *In re: Petition for Limited Alternative Rate Increase in Lake County by Lake Idlewild Utility Company*, Docket No. 20180216-WU; and *In re: Petition for Limited Alternative Rate Increase in Sumter County by Jumper Creek Utility Company*, Docket No. 20180217-WS.

Discussion of Issues

Issue 1: Should the Commission propose the amendment of Rule 25-30.457, F.A.C., Limited Alternative Rate Increase?

Recommendation: Yes, the Commission should propose the amendment of Rule 25-30.457, F.A.C., as set forth in Attachment A of this recommendation. The Commission should also certify Rule 25-30.457, F.A.C., as a minor violation rule. (Cowdery, T. Brown, Norris, Coston, Guffey)

Staff Analysis: Staff is recommending that Rule 25-30.457, F.A.C, should be amended to clarify rule requirements and better organize the rule. In addition, staff is recommending restructuring of the rule to specifically identify what information is needed in the application, including an explanation of the reasons why the utility is asking for the rate increase. The recommended rule amendments are set forth in Attachment A. The substantive recommended rule amendments are discussed in more detail below.

Draft Subsection (2) – The Application

Under the current Rule 25-30.457, F.A.C., an applicant is required to file information required by subsections (7) – (9) of the rule. In addition, paragraphs (5)(a) – (h) of the current rule provide that in determining whether to grant or deny the petition, the Commission will consider certain other criteria, such as whether the petitioner has filed annual reports, paid applicable regulatory assessment fees, or has at least one year of experience in utility operation.

OPC argued that subsection (5) fails to establish adequate standards for agency decisions because the rule does not state whether or not the criteria listed must be met by the utility, thus giving the Commission too much discretion in granting or denying rate increases. OPC gave as an example paragraph (5)(g), which states that the Commission, in determining whether to grant or deny the petition, must consider whether the utility was granted a rate case increase within the 2-year period prior to receipt of the limited alternative rate increase petition. OPC points out that it is not clear whether the utility would or would not qualify for a rate increase if it had been granted a rate case increase within the past two years.

In order to address this concern, the draft rule adds a new subsection (2) that lists all the information that must be contained in the limited alternative rate increase application. The requirements in paragraphs (2)(a)-(f) and (i) are currently required in existing rule subsections (7)-(9). Attachment A, pages 10-11. In addition, staff is recommending that the following information, currently listed in subsection (5) as criteria to be considered, should be required in the application in new subsection (2) of the draft rule:

- (j) A statement that the utility is currently in compliance with its annual report filing in accordance with Rule 25-30.110(3), F.A.C.;
- (k) A statement that the utility has paid all required regulatory assessment fees or is current on any approved regulatory assessment fee payment plan;
- (l) A statement that an order in a rate proceeding that established the utility's rate base, capital structure, annual operating expenses and revenues has been issued

Date: March 19, 2020

for the utility within the 7-year period prior to the official date of filing of the application; and

(m) Any additional relevant information in support of the application and reasons why the information should be considered.

Attachment A, page 9.

Staff recommends that certain subsection (5) criteria currently considered by the Commission in determining whether to grant or deny a petition should not be required as part of the application for rate increase. Specifically, a utility should not be required to organize its books and records consistent with Rule 25-30.110, have at least one year of experience in utility operation, or have had a rate case increase within the 2-year period prior to the Commission's receipt of the application. Staff does not believe that these criteria are relevant in deciding whether a small utility should be granted a rate increase under the Rule 25-30.457, F.A.C. The determination of whether a rate increase should be granted is based on whether the utility's revenue requirements are sufficient to allow it to earn a fair rate of return on its rate base. For these reasons, staff recommends that the criteria in paragraphs (5)(a), (b), (e), and (g) in the current rule should be deleted.

OPC was also concerned that Rule 25-30.457, F.A.C., does not sufficiently require the utility to identify the reasons why a rate increase is needed or what percentage increase would be appropriate. To address this concern, staff recommends adding the following new application requirements:

(2)(g) A statement providing the specific basis or bases for the requested rate increase.

(h) If the requested rate increase is based upon the utility's underearning or the utility's expectation to underearn, a statement explaining why the utility is, or is expected to, underearn its authorized rate of return.

Staff believes that these requirements should give the customers and the Commission an understanding of why a rate increase is being requested. In addition, as part of its review of limited alternative rate increase applications, staff reviews the utility's annual reports, past rate orders, and utility responses to staff requests for information such as anticipated capital plant improvements, replacements, and repairs, and known and measurable changes in operating expenses. This information forms a basis for making staff's recommendation on whether a utility is entitled to an increase, and if so, how much of an increase. Overall, staff believes that the recommended draft rule clearly specifies what information a utility must provide in its application and that the Commission will have the information it needs to make an informed decision.

Draft Subsections (7) and (8) – Revenue held subject to refund and staff earnings review

Under subsection (12) of the current rule, the utility is required to hold any revenue increase subject to refund with interest under Rule 25-30.360, F.A.C., for a period of 15 months after the filing of the utility's annual report for the year the increased rates were implemented. Under

current subsection (13), a staff earnings review of the utility's annual report is conducted to determine any potential overearnings. Security for money collected subject to refund is required, and the utility must provide a monthly report on the total amount of money collected subject to refund and the status of the security being used to guarantee repayment of the money.

At the informal meeting and in its comments, Collective Utilities stated that under the current rule, the period of time a rate increase is held subject to refund can be significantly long, depending on the timing of when the rates are implemented compared to when its annual report is filed. If a rate increase is implemented early in the year, the annual report for the year the rates were implemented would be filed the following March or April. The rate increase revenues would need to be held for a period of an additional 15 months after that, meaning the increased revenues may need to be held subject to refund for more than two years.

Collective Utilities also raised the issue that small Class C water and wastewater utilities often have difficulty obtaining appropriate security. For this reason, Collective Utilities argued, limited alternative rate increase applications should be treated like price index increases that, under Section 367.081(4)(d), F.S., are not required to have a bond or corporate undertaking. Collective Utilities stated that, in addition, utilities that receive price index increases are not required to comply with Rule 25-30.360(6), F.A.C., which requires monthly reports showing the monthly and total amount of money collected subject to refund and the status of the security being used to guarantee repayment of any potential refund. Collective Utilities states that this monthly reporting should not be required for limited alternative rate increases because the long reporting time period is burdensome, it is unknown what refund amount, if any, may be required, and the refund may be significantly less than the increase that was granted. Further, Collective Utilities states that Commission staff, in reviewing a limited alternative rate increase application, conducts a thorough evaluation and analysis to determine whether a utility should receive a rate increase and what percentage should be approved.

In order to address the regulatory lag described above, staff is recommending that rather than wait for the utility to file an annual report before conducting an earnings review, as described in the current rule, staff would conduct an earnings review of the twelve-month period following the implementation of the revenue increase. As part of this new process, utilities would be required to file a Limited Alternative Rate Increase Earnings Review form within 90 days of the end of the twelve-month period, subject to an extension of time for good cause. The new form requires the utility to file rate base schedules, current cost of capital, operating income, and operation and maintenance expense. Attachment A, pages 14-19. When submitted to the Commission, the attached form would include information that should be readily available to the utility as part of its normal business and financial operations. In turn, staff would be able to identify any potential over-earnings earlier than under the current rule.

Further, staff believes that any revenue increase granted under Rule 25-30.457, F.A.C., should be held subject to refund with interest in accordance with subsection 25-30.360(4), F.A.C., but that a utility should not be required to provide security for money collected subject to refund or file monthly refund reports with the Commission. The inclusion of the security requirement may have inadvertently prevented small water and wastewater utilities from being able to use the rule. Similarly, the monthly reporting requirement may have been burdensome to some small water

and wastewater utilities. Neither the security requirement nor the monthly reporting requirement is required as part of an index increase, which Rule 25-30.457, F.A.C., was designed to emulate. The removal of these requirements may enable additional utilities to use the limited alternative rate increase process in rate setting. Use of this process is meant to provide a more stable revenue stream, and, thus, a more financially sound utility, which benefits both the utilities and their customers.

Minor Violation Rules Certification

Pursuant to Section 120.695, F.S., the agency head must certify for each rule filed for adoption whether any part of the rule is designated as a rule the violation of which would be a minor violation. Rule 25-30.457, F.A.C., is currently listed on the Commission's website as a rule for which a violation would be minor because violation of the rule would not result in economic or physical harm to a person or have an adverse effect on the public health, safety, or welfare or create a significant threat of such harm. The amendments to the rule would not change its status as a minor violation rule. Thus, staff recommends that the Commission certify Rule 25-30.457, F.A.C., as a minor violation rule.

Statement of Estimated Regulatory Costs

Pursuant to Section 120.54(3)(b), F.S., agencies are encouraged to prepare a statement of estimated regulatory costs (SERC) before the adoption, amendment, or repeal of any rule. The SERC is appended as Attachment B to this recommendation.

The SERC concludes that the rule will not likely directly or indirectly increase regulatory costs in excess of \$200,000 in the aggregate in Florida within one year after implementation. Further, the SERC economic analysis concludes that the rule will not likely have an adverse impact on economic growth, private sector job creation or employment, private sector investment, business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within five years of implementation. Thus, the rule does not require legislative ratification pursuant to Section 120.541(3), F.S. In addition, the SERC states that the rule will not have an adverse impact on small business and will have no impact on small cities or counties. The SERC concludes that any transactional costs likely to be incurred by small utilities using the rule would be completely offset by the savings incurred. No regulatory alternatives were submitted pursuant to paragraph 120.541(1)(a), F.S. None of the impact/cost criteria established in paragraph 120.541(2)(a), F.S., will be exceeded as a result of the recommended amendments to Rule 25-30.457, F.A.C.

Conclusion

Based on the foregoing, staff recommends the Commission propose the amendment of Rule 25-30.457, F.A.C., as set forth in Attachment A. Staff also recommends that the Commission certify Rule 25-30.457, F.A.C., as a minor violation rule.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no requests for hearing, information regarding the SERC, proposals for a lower cost regulatory alternative, or JAPC comments are filed, the rule should be filed with the Department of State, and the docket should be closed. (Cowdery)

Staff Analysis: If no requests for hearing, information regarding the SERC, proposals for a lower cost regulatory alternative, or JAPC comments are filed, the rule may be filed with the Department of State and the docket should be closed.

1 **25-30.457 Limited Alternative Rate Increase.**

2 (1) As an alternative to a staff assisted rate case as described in Rule 25-30.455, F.A.C.,
3 or to staff assistance in alternative rate setting as described in Rule 25-30.456, F.A.C., water
4 utilities whose total gross annual operating revenues are \$300,000 or less for water service and
5 wastewater utilities whose total gross annual operating revenues are \$300,000 or less for
6 wastewater service may file with the Office of Commission Clerk an application ~~petition the~~
7 ~~Commission~~ for a limited alternative rate increase of up to 20 percent applied to metered or
8 flat recurring rates of all classes of service ~~by filing with the Office of Commission Clerk the~~
9 ~~information required by subsections (7), (8) and (9) of this rule.~~

10 (2) The application for limited alternative rate increase must contain the following
11 information:

12 (a) The name of the utility as it appears on the utility's certificate and the address of the
13 utility's principal place of business;

14 (b) The type of business organization under which the utility's operations are conducted;

15 (c) If the utility is a corporation, the date of incorporation and the names and addresses of
16 all persons who own five percent or more of the utility's stock;

17 (d) If the utility is not a corporation, the names and addresses of the owners of the
18 business;

19 (e) A schedule showing the annualized revenues by customer class and meter size for the
20 most recent 12-month period using the rates in effect at the time the utility files its application;

21 (f) A schedule showing the current and proposed rates for all classes of customers;

22 (g) A statement providing the specific basis or bases for the requested rate increase;

23 (h) If the requested rate increase is based upon the utility's underearning or the utility's
24 expectation to underearn, a statement explaining why the utility is, or is expected to, underearn
25 its authorized rate of return;

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1 (i) A statement that the figures and calculations upon which the change in rates is based
2 are accurate and that the change will not cause the utility to exceed its last authorized rate of
3 return on equity;

4 (j) A statement that the utility is currently in compliance with its annual report filing in
5 accordance with Rule 25-30.110(3), F.A.C.;

6 (k) A statement that the utility has paid all required regulatory assessment fees or is current
7 on any approved regulatory assessment fee payment plan;

8 (l) A statement that an order in a rate proceeding that established the utility's rate base,
9 capital structure, annual operating expenses and revenues has been issued for the utility within
10 the 7-year period prior to the official date of filing of the application; and

11 (m) Any additional relevant information in support of the application and reasons why the
12 information should be considered.

13 (3) Within 30 days of the application's filing date, Commission staff will notify the utility
14 in writing that the application requirements of subsection (2) of this rule have been met or that
15 the requirements of subsection (2) have not been met with an explanation of the application's
16 deficiencies.

17 ~~(2) Within 30 days of receipt of the completed petition, the Commission will evaluate the~~
18 ~~petition and determine the petitioner's eligibility for a limited alternative rate increase.~~

19 ~~(3) The Commission will notify the petitioner in writing as to whether the petition is~~
20 ~~accepted or denied. If the petition is accepted, staff assistance in alternative rate setting will be~~
21 ~~initiated. If the petition is denied, the notification of petition denial will state the deficiencies~~
22 ~~in the petition with reference to the criteria set out in subsection (5) of this rule.~~

23 (4) The date of Commission staff's written notification to the utility that the requirements
24 of subsection (2) of this rule have been met will be considered the date of official acceptance
25 by the Commission of the application. The official date of filing is established as will be 30

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1 days after the official acceptance by the Commission of the application ~~date of the written~~
2 ~~notification to the petitioner of the Commission's acceptance of the petition.~~ The application is
3 deemed denied if the utility does not remit the filing fee as required by paragraph 25-
4 30.020(2)(f), F.A.C., within 30 days after the official acceptance of the application.

5 ~~(5) In determining whether to grant or deny the petition, the Commission will consider the~~
6 ~~following criteria:~~

7 ~~(a) Whether the petitioner qualifies for staff assistance pursuant to subsection (1) of this~~
8 ~~rule;~~

9 ~~(b) Whether the petitioners' books and records are organized consistent with rule 25-~~
10 ~~30.110, F.A.C, so as to allow Commission personnel to verify costs and other relevant factors~~
11 ~~within the 30-day time frame set out in this rule;~~

12 ~~(c) Whether the petitioner has filed annual reports;~~

13 ~~(d) Whether the petitioner has paid applicable regulatory assessment fees;~~

14 ~~(e) Whether the petitioner has at least one year of experience in utility operation;~~

15 ~~(f) Whether the petitioner has filed additional relevant information in support of eligibility~~
16 ~~together with reasons why the information should be considered;~~

17 ~~(g) Whether the utility was granted a rate case increase within the 2-year period prior to~~
18 ~~the receipt of the petition under review;~~

19 ~~(h) Whether a final order in a rate proceeding that established the utility's rate base, capital~~
20 ~~structure, annual operating expenses and revenues has been issued for the utility within the 7-~~
21 ~~year period prior to the receipt of the petition under review.~~

22 ~~(6) The Commission will deny the petition if the petitioner does not remit the filing fee, as~~
23 ~~provided by paragraph 25-30.020(2)(f), F.A.C., within 30 days after official acceptance of the~~
24 ~~petition.~~

25 ~~(7) Each petitioner for limited alternative rate increase shall provide the following general~~

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1 information to the Commission:

2 (a) ~~The name of the utility as it appears on the utility's certificate and the address of the~~
3 ~~utility's principal place of business; and,~~

4 (b) ~~The type of business organization under which the utility's operations are conducted:~~

5 ~~1. If the petitioner is a corporation, the date of incorporation and the names and addresses of~~
6 ~~all persons who own five percent or more of the petitioner's stock; or~~

7 ~~2. If the petitioner is not a corporation, the names and addresses of the owners of the~~
8 ~~business.~~

9 (8) ~~The petitioner shall provide a schedule showing:~~

10 (a) ~~Annualized revenues by customer class and meter size for the most recent 12-month~~
11 ~~period using the rates in effect at the time the utility files its petition; and,~~

12 (b) ~~Current and proposed rates for all classes of customers.~~

13 (9) ~~The petitioner shall provide a statement that the figures and calculations upon which~~
14 ~~the change in rates is based are accurate and that the change will not cause the utility to exceed~~
15 ~~its last authorized rate of return on equity.~~

16 (5)(10) ~~A financial or engineering audit of the utility's financial or engineering books and~~
17 ~~records will shall not be required in determining whether to approve or deny the application~~
18 ~~conjunction with the petition under review.~~

19 (6)(11) ~~Based upon the criteria contained in subsection (2), the Commission will approve,~~
20 ~~deny, or approve the application The petition will be approved, denied, or approved with~~
21 ~~modifications that may include a reduction or an increase in the requested rate increase, within~~
22 ~~90 days from the official filing date as established in subsection (4) of this rule.~~

23 (7)(12) ~~Any revenue increase granted under the provisions of this rule shall be held subject~~
24 ~~to refund with interest in accordance with subsection rule 25-30.360(4), F.A.C., for a period of~~
25 ~~15 months after the filing of the utility's annual report required by rule 25-30.110, F.A.C., for~~
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existing law.

1 ~~the year the adjustment in rates was implemented.~~ Subsection 25-30.360(6), F.A.C., does not
2 apply to any money collected subject to refund under this subsection.

3 ~~(8)(13) To insure overearnings will not occur due to the implementation of this rate~~
4 ~~increase, T~~the Commission staff will conduct an earnings review of the twelve-month period
5 following the implementation of the revenue increase. ~~utility's annual report to determine any~~
6 ~~potential overearnings for the year the adjustment in rates was implemented.~~

7 (a) At the end of the twelve-month period, the utility has 90 days to complete and file
8 Form PSC 1025 (X/XX), entitled "Limited Alternative Rate Increase Earnings Review,"
9 which is incorporated into this rule by reference and is available at [Dep't of State hyperlink].

10 (b) In the event the utility needs additional time to complete the form, the utility may
11 request an extension of time supported by a statement of good cause that must be filed with
12 Commission staff within seven days prior to the 90-day deadline. "Good cause" means a
13 showing of financial hardship, unforeseen events, or other events outside the control of the
14 utility, but does not include reasons such as management oversight.

15 ~~(c)(14) If, within 15 months after the filing of a utility's annual report the Commission~~
16 ~~staff's earnings review demonstrates finds that the utility exceeded the range of its last~~
17 ~~authorized rate of return on equity after an adjustment in rates, as authorized by this rule, was~~
18 ~~implemented within the year for which the report was filed, such overearnings, up to the~~
19 ~~amount held subject to refund, with interest, shall be disposed of for the benefit of the~~
20 ~~customers. If the Commission staff determines that the utility did not exceed the range of its~~
21 ~~last authorized return on equity, the revenue increase will no longer be held subject to refund.~~

22 ~~(9)(15) In the event of a protest of the pProposed aAgency aAction oOrder is protested~~
23 ~~pursuant to Rrule 28-106.111, F.A.C., by a substantially affected person other than the utility,~~
24 ~~the utility must file a staff assisted rate case application pursuant to Rule 25-30.455, F.A.C.,~~
25 ~~within 21 days from the date the protest is filed or the utility's application for a limited~~

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1 alternative rate increase will be deemed withdrawn.

2 (10) Upon the utility filing a staff assisted rate case application pursuant to subsection (9)
3 of this rule:

4 (a) unless the Proposed Agency Action Order proposes a rate reduction, Tthe utility may
5 implement the rates established in the pProposed aAgency aAction oOrder on a temporary
6 basis subject to refund with interest in accordance with Rrule 25-30.360, F.A.C.; ~~upon the~~
7 ~~utility filing a staff assisted rate case application pursuant to rule 25-30.455, F.A.C., within 21~~
8 ~~days of the date the protest is filed.~~

9 (b)(16) In the event of a protest, Tthe limit on the maximum increase provided in
10 subsection (1) of this rule will shall no longer apply; and

11 (c) The application will be processed under Rule 25-30.455, F.A.C.

12 ~~(17) If the utility fails to file a staff assisted rate case application within 21 days in the~~
13 ~~event of a protest, the petition for a limited alternative rate increase will be deemed~~
14 ~~withdrawn.~~

15 *Rulemaking Authority 350.127(2), 367.0814, 367.121 FS. Law Implemented 367.0814 FS.*

16 *History—New 3-15-05, Amended 12-16-08, 8-10-14, 7-1-18,_____.*

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FLORIDA PUBLIC SERVICE COMMISSION
 LIMITED ALTERNATIVE RATE INCREASE EARNINGS REVIEW

The 12-month period following the implementation of the revenue increase should be used for the purposes of completing this form.

Utility Name _____		Schedule No. 1-A
Schedule of Water Rate Base		
12-Month Period Ended _____		
	Description	Per Utility
1	Plant in Service	_____
2	Land and Land Rights	_____
3	Non-used and Useful Components (1)	_____
4	Accumulated Depreciation	_____
5	Contribution in Aid of Construction (CIAC)	_____
6	Amortization of CIAC	_____
7	Net Debit Deferred Income Taxes	_____
8	Advances for Construction	_____
9	Working Capital Allowance	_____
10	Acquisition Adjustments (2)	_____
11	Accumulated Amortization of Acquisition Adjustments	_____
12	Rate Base	_____
Notes:		
(1) Estimate based on the methodology used in the last rate proceeding.		
(2) Include only those Acquisition Adjustments that have been approved by the Commission.		

PSC 2025 (XX/XX)

Utility Name _____		Schedule No. 1-B
Schedule of Wastewater Rate Base		
12-Month Period Ended _____		
Description	Per Utility	
1 Plant in Service	_____	
2 Land and Land Rights	_____	
3 Non-used and Useful Components (1)	_____	
4 Accumulated Depreciation	_____	
5 Contribution in Aid of Construction (CIAC)	_____	
6 Amortization of CIAC	_____	
7 Net Debit Deferred Income Taxes	_____	
8 Advances for Construction	_____	
9 Working Capital Allowance	_____	
10 Acquisition Adjustments (2)	_____	
11 Accumulated Amortization of Acquisition Adjustments	_____	
12 Rate Base	_____	
Notes:		
(1) Estimate based on the methodology used in the last rate proceeding.		
(2) Include only those Acquisition Adjustments that have been approved by the Commission.		

Utility Name _____				Schedule No. 2
Schedule of Current Cost of Capital				
12-Month Period Ended _____				
Class of Capital (a)	Dollar Amount (b)	Percentage of Capital (c)	Actual Cost Rates (d)	Weighted Cost (e) = (c x d)
Common Equity	_____	_____	_____	_____
Preferred Stock	_____	_____	_____	_____
Long-Term Debt	_____	_____	_____	_____
Short-Term Debt	_____	_____	_____	_____
Customer Deposits	_____	_____	_____	_____
Tax Credits - Zero Cost	_____	_____	_____	_____
Tax Credits - Weighted Cost	_____	_____	_____	_____
Deferred Income Taxes	_____	_____	_____	_____
Other (Explain)	_____	_____	_____	_____
Total	_____	_____	_____	_____

Notes:
 (1) Consistent with the methodology used in the last rate proceeding.
 (2) Upper limit of the last authorized return on equity or current leverage if none has been established.

Utility Name _____ Schedule No. 3-A	
Statement of Water Operations	
12-Month Period Ended _____	
Description	Per Utility
1 Operating Revenues:	_____
Operating Expenses	
2 Operation & Maintenance	_____
3 Depreciation	_____
4 Amortization	_____
5 Taxes Other Than Income	_____
6 Income Taxes	_____
7 Total Operating Expense	_____
8 Operating Income	_____

Utility Name _____ Schedule No. 3-B	
Statement of Wastewater Operations	
12-Month Period Ended _____	
Description	Per Utility
1 Operating Revenues:	_____
Operating Expenses	
2 Operation & Maintenance	_____
3 Depreciation	_____
4 Amortization	_____
5 Taxes Other Than Income	_____
6 Income Taxes	_____
7 Total Operating Expense	_____
8 Operating Income	_____

Utility Name _____	Schedule No. 4-A
Analysis of Water Operation and Maintenance Expense	
12-Month Period Ended _____	
	Per Utility
(601) Salaries and Wages - Employees	_____
(603) Salaries and Wages - Officers	_____
(604) Employee Pensions and Benefits	_____
(610) Purchased Water	_____
(615) Purchased Power	_____
(616) Fuel for Power Production	_____
(618) Chemicals	_____
(620) Materials and Supplies	_____
(630) Contractual Services - Billing	_____
(631) Contractual Services - Professional	_____
(635) Contractual Services - Testing	_____
(636) Contractual Services - Other	_____
(640) Rents	_____
(650) Transportation Expense	_____
(655) Insurance Expense	_____
(665) Regulatory Commission Expense	_____
(670) Bad Debt Expense	_____
(675) Miscellaneous Expense	_____
Total	_____

Utility Name _____	Schedule No. 4-B
Analysis of Wastewater Operation and Maintenance Expense	
12-Month Period Ended _____	
	Per Utility
(701) Salaries and Wages - Employees	_____
(703) Salaries and Wages - Officers	_____
(704) Employee Pensions and Benefits	_____
(710) Purchased Sewage Treatment	_____
(711) Sludge Removal Expense	_____
(715) Purchased Power	_____
(716) Fuel for Power Production	_____
(718) Chemicals	_____
(720) Materials and Supplies	_____
(730) Contractual Services - Billing	_____
(731) Contractual Services - Professional	_____
(735) Contractual Services - Testing	_____
(736) Contractual Services - Other	_____
(740) Rents	_____
(750) Transportation Expense	_____
(755) Insurance Expense	_____
(765) Regulatory Commission Expense	_____
(770) Bad Debt Expense	_____
(775) Miscellaneous Expense	_____
Total	_____

State of Florida



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

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

DATE: February 25, 2020

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

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

RE: **Statement of Estimated Regulatory Costs** for Proposed Adoption of Rule 25-30.457, Florida Administrative Code (F.A.C.) Limited Alternative Rate Increase.

Commission staff is recommending revisions to Rule 25-30.457, Florida Administrative Code (F.A.C.), Limited Alternative Rate Increase. The rule is applicable to water utilities whose total gross annual operating revenues are \$300,000 or less for water service and wastewater utilities whose total gross annual operating revenues are \$300,000 or less for wastewater service. The purposes of these recommended rule revisions are to (1) update and clarify the application filing requirements for a limited alternative rate increase, (2) simplify the language to make it more understandable, and (3) remove the requirements that a utility provide security for money collected subject to refund and the corresponding monthly filing of refund reports with the Commission. The proposed revisions are discussed in detail in the staff recommendation.

The attached Statement of Estimated Regulatory Costs (SERC) addresses the economic impacts and considerations required pursuant to Section 120.541, Florida Statutes (F.S.). The proposed modifications to Rule 25-30.457, F.A.C., will lessen the financial burden on qualifying water and wastewater utilities when seeking a rate increase pursuant to the limited alternative rate increase process.

Staff sent a data request to the five water and wastewater utilities that have used the existing Rule 25-30.457, F.A.C. In response to staff's data request, these utilities estimate the current cost to secure monies and file monthly reports is \$1,500 to \$3,000. The responses also state that the proposed requirement to file the form *Limited Alternative Rate Increase Earnings Review* at the end of the twelve-month period would cost a utility approximately \$500 to \$1,000. However, since the monthly reporting requirement is proposed to be eliminated, the incremental cost to the utility will result in a decrease of \$1,000 to \$2,000. The modified rule provides an alternative to above described qualifying water and wastewater utilities for staff assistance in rate settings.

The SERC analysis indicates that the proposed rule amendments will not likely increase regulatory costs, including any transactional costs or have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within five years of implementation. The proposed rule amendments would not potentially have adverse impacts on small businesses, would have no implementation cost to the Commission or other state and local government entities, and would have no impact on small cities or counties.

K. Cowdery
Page 2
2/25/2020

Staff held a noticed rule development workshop on October 30, 2019. Staff issued a data request on January 9, 2020, to utilities that have previously filed for a rate increase pursuant to the current Rule 25-30.457, F.A.C. The purpose of the request was to gauge the incremental financial impacts of filing for a rate increase pursuant to the current rule and pursuant to the proposed revisions to the rule. Responses to staff's data request were received on January 10, 2020. The responses have been evaluated during the preparation of this SERC. No regulatory alternatives were submitted pursuant to Section 120.541(1)(g), F.S. The SERC concludes that none of the impacts/cost criteria established in Sections 120.541(2)(a), (c), (d), and (e), F.S., will be exceeded as a result of the proposed rule revisions.

cc: SERC File

FLORIDA PUBLIC SERVICE COMMISSION
STATEMENT OF ESTIMATED REGULATORY COSTS
Rule 25-30.457, F.A.C.

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

Yes

No

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

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

Yes

No

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

A. Whether the rule directly or indirectly:

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

Economic growth Yes No

Private-sector job creation or employment Yes No

Private-sector investment Yes No

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

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

Productivity Yes No

Innovation Yes No

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

Yes

No

Economic Analysis: This Limited Alternative Rate Increase rule is applicable to water and wastewater utilities whose total gross annual operating revenues are \$300,000 or less for water and wastewater services. The rule revisions are intended to establish an abbreviated procedure for a limited alternative rate increase that is less time consuming and less costly for the qualifying utilities, their customers, and the Commission.

The rule is being amended to update and clarify the application filing requirements for the limited alternative rate increase application process and to simplify the language to make the rule more readable and understandable. The rule amendments also remove the requirements that a utility provide security for money collected subject to refund and file monthly refund reports with the Commission. Further, the modifications implement the requirement for the utility to file a 12-month Earnings Review. The modified rule provides an alternative to above described qualifying water and wastewater utilities for staff assistance in rate settings.

Five water and wastewater utilities that have used the existing Limited Alternative Rate Increase rule state, in response to staff's data request, that they have experienced costs amounting to approximately \$125 to \$250 per month or approximately \$1,500 to \$3,000 per year, related to obtaining a security for money collected subject to refund, and for monthly reporting requirements. The responses further state that the proposed rule would eliminate these monthly reporting costs. The utilities state the anticipated regulatory costs to comply with the Commission's 12-month Earnings Review would be \$500 to \$1,000 resulting in a net savings to the utility over the current reporting requirements.

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

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

The modified rule will be applicable to 78 water utilities and 59 wastewater utilities which meet the requirements set forth in the rule.

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

Types of individuals to be affected by this rule will be the customers and ratepayers of the affected water and wastewater utilities. The exact number of customers affected by this rule is not known. However, given the number of water and wastewater utilities referenced above, the number of customers affected would be limited to customers of those utilities that qualify for the use of the limited alternative rate increase option. Ratepayers benefit when a utility is able to take advantage of a more efficient and less costly means of filing a rate case. The modified rule provides tools designed to provide

a more stable revenue stream, resulting in a more financially stable utility.

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

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

- None. To be done with the current workload and existing staff.
- Minimal. Provide a brief explanation.
- Other. Provide an explanation for estimate and methodology used.

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

- None. The rule will only affect the Commission.
- Minimal. Provide a brief explanation.
- Other. Provide an explanation for estimate and methodology used.

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

- None.
- Minimal. Provide a brief explanation.
- Other. Provide an explanation for estimate and methodology used.

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

None. The rule will only affect the Commission.

Minimal. Provide a brief explanation.

Paragraph 2(a) through (m) of the proposed rule requires certain information from the utilities. Most, if not all, of this information was required under the existing Rule or obtained by staff from the utility through the data discovery process. The responses from the utilities state that they anticipate a nominal

cost to gather, analyze and compile information for submission to the Commission. The responses to staff's data request state that there would be a one-time cost of about \$500 to \$1,000 to compile and submit the new annual filing requirement. However, these costs will be completely offset by the savings incurred by the removal of the monthly filing requirement.

Other. Provide an explanation for estimate and methodology used.

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

(1) "Small Business" is defined by Section 288.703(6), F.S., as an independently owned and operated business concern that employs 200 or fewer permanent full-time employees and that, together with its affiliates, has a net worth of not more than \$5 million or any firm based in this state which has a Small Business Administration 8(a) certification. As to sole proprietorships, the \$5 million net worth requirement shall include both personal and business investments.

No adverse impact on small business.

Some of the water and wastewater utilities that would qualify to utilize the Limited Alternative Rate Increase rule may qualify as "small business" with a net worth less than \$5 million. Staff believes that it is reasonable to assume that many of the water and wastewater utilities, some of their customers, and some businesses hired by the utilities to perform infrastructure repair or replacement work may also meet the definition of a small business as defined by Section 288.703, F.S. Potential cost impacts would be the same as discussed in Sections B and D above.

The proposed modifications to the Rule 25-30.457, F.A.C., will require certain information that was previously considered by the Commission and obtained by Commission staff through data requests. Since the utilities were already providing this information, they do not anticipate any adverse impacts from the revised rule which is codifying the previously submitted information. In addition, the modification will eliminate the utility's requirement to secure its money collected subject to refund and file monthly refund reports with the Commission which the utilities estimate would be \$1,500 to \$3,000. As stated in responses to staff's data request, the new requirement to file the form *Limited Alternative Rate Increase Earnings Review* at the end of the twelve-month period would cost a utility approximately \$500 to \$1,000. However, since the monthly reporting requirement is proposed to be eliminated, the incremental cost to the utility will result in a decrease of \$1,000 to \$2,000.

Minimal. Provide a brief explanation.

Other. Provide an explanation for estimate and methodology used.

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

- No impact on small cities or small counties.
- Minimal. Provide a brief explanation.
- Other. Provide an explanation for estimate and methodology used.

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

- None.

Additional Information:

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

- No regulatory alternatives were submitted.
- A regulatory alternative was received from
 - Adopted in its entirety.
 - Rejected. Describe what alternative was rejected and provide a statement of the reason for rejecting that alternative.

Item 4

State of Florida



Public Service Commission

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

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

DATE: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Office of the General Counsel (Cibula) *A.M.C.*
Division of Economics (McNulty, Smith II) *MS JHN*

RE: Docket No. 20200011-EI – Petition for approval of waiver of CIAC Rule No. 25-6.064, F.A.C. for new line extensions serving electric vehicle fast charging stations, by Tampa Electric Company.

AGENDA: 03/31/20 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: 05/06/20 (The Commission must vote to grant or deny the petition by this date.)

SPECIAL INSTRUCTIONS: None

Case Background

On January 6, 2020, Tampa Electric Company (TECO) filed a petition for approval of a temporary (5-year) waiver of certain requirements in Rule 25-6.064, Contribution-in-Aid-of-Construction for Installation of New or Upgraded Facilities, Florida Administrative Code (F.A.C.), for the installation of primary voltage power lines to the location of electric vehicle (EV) fast charging stations. TECO also asks in its petition that the Commission approve a revised tariff sheet to reflect the requested temporary rule waiver.

Rule 25-6.064, F.A.C.

A copy of Rule 25-6.064, F.A.C., is appended as Attachment A. The purpose of Rule 25-6.064, F.A.C., is to establish a uniform procedure by which investor-owned electric utilities calculate

amounts due as CIAC from customers who request new facilities or upgraded facilities in order to receive electric service. The intent of the rule is to quantify the costs for certain new or upgraded facilities' construction in order to accurately determine the appropriate amount of CIAC to be collected. The rule reflects the Commission's long-standing policy that, where practical, the person who causes the costs to be incurred should bear the burden of those costs.¹

Subsection (2) of Rule 25-6.064, F.A.C., is the required formula for calculating CIAC for new or upgraded overhead facilities, and states:

$$\text{CIAC} = \begin{array}{l} \text{Total} \\ \text{estimated} \\ \text{work} \\ \text{order job} \\ \text{costs of} \\ \text{installing} \\ \text{facilities} \end{array} - \begin{array}{l} \text{4 years} \\ \text{expected} \\ \text{incremental} \\ \text{base} \\ \text{energy} \\ \text{revenue} \end{array} - \begin{array}{l} \text{4 years} \\ \text{expected} \\ \text{incremental} \\ \text{base} \\ \text{demand} \\ \text{revenues, if} \\ \text{applicable} \end{array}$$

Paragraph (2)(c) of Rule 25-6.064, F.A.C, the subject of TECO's petition, states:

The expected annual base energy and demand charge revenues shall be estimated for a period ending not more than 5 years after the new or upgraded facilities are placed in service.

Subsection (6) of the rule requires each investor-owned utility to "use its best judgement in estimating the total amount of annual revenues which the new or upgraded facilities are expected to produce."

Subsection (7) of the rule allows an investor-owned utility to waive all or a portion of CIAC for customers, but requires the utility to reduce plant in service as if CIAC had been collected, unless the Commission determines that there is a quantifiable benefit to the general body of ratepayers.

TECO's Petition

TECO states that the purpose for the temporary rule waiver is to create a pilot program to help encourage the growth of EVs in Florida. TECO states that EVs present many benefits to Florida in general and to TECO's customer base, including lowering reliance on petroleum-based fuels and a new and potentially beneficial electric load over which to spread fixed costs. TECO asserts that "[o]ne of the known barriers to growth of the EV market is the lack of public- and place-of-employment based fast charging stations." And that one of the major barriers to the more widespread development of fast charging stations is "the initial cost to extend primary voltage power lines to the location where the fast charger would be most convenient to attract current and potential EV owners."

¹In re: Initiation of formal proceedings of Complaint No. 1115382E of Brian J. Ricca against Florida Power & Light, for failing to provide reasonable service, Order No. PSC-14-0101-FOF-EI, issued April 23, 2014, Docket No. 130290-EI.

TECO states that the intent of the requested temporary rule waiver is to eliminate a barrier to the construction of new EV fast charging stations.² TECO states that annual revenues for fast charging stations are “likely very low when the charger is first installed, partly as it takes considerable time to make its market presence known to attract customers, but also partly because there are not many EVs on the road to take advantage of fast charges.” TECO asserts that the low initial revenue equates to a minimal CIAC credit against what is often a substantial line extension cost to hook up a EV fast charging station. TECO states that this is an imposing barrier to the installation of EV fast charging stations.

To remove this barrier, TECO is asking that a 10-year revenue estimation period be substituted for the 5-year revenue estimation period in Rule 25-6.064(2)(c), F.A.C. TECO states that if this rule waiver is granted, it will “use its best estimates to calculate the highest base rate revenues expected to be received from each station during the 10-year period,” under subsection (6) of the rule. TECO states that use of a 10-year estimation period would result in lower CIAC for those third party customers installing EV fast charging stations and, as a result, encourage more development of EV fast charging stations.

Consistent with its stated intent to create a pilot program, TECO is requesting that the temporary rule waiver be limited to a period of 5 years. TECO states that 5 years will be sufficient to determine whether use of a 10-year estimating period has a beneficial impact on the EV market. It further states that 5 years would give time for the EV charging infrastructure market “to develop and grow to such a point that this waiver can be removed – either because it is no longer necessary to spur development of fast EV charging infrastructure or because the technology no longer needs such support to enable the chargers to be placed into service.”

TECO also asks the Commission to approve a new tariff sheet, Fourth Revised Sheet No. 5.105, to reflect the temporary rule waiver. A copy of the revised tariff sheet is appended as Attachment B.³

Procedural Matters

Notice of the petition was published in the Florida Administrative Register (F.A.R.) on January 9, 2020, pursuant to Section 120.542(6), Florida Statutes (F.S.). The F.A.R. notice stated, in accordance with Rule 28-104.003, F.A.C., that interested persons may submit written comments on the petition within 14 days of the notice. No written comments were received on the petition.

Pursuant to Section 120.542(7), F.S., by letter dated January 24, 2020, staff requested TECO provide additional information on the petition. TECO responded to staff’s letter on February 6, 2020.

Staff held a noticed, informal meeting on February 25, 2020, to allow the company and other interested persons further opportunity to discuss the petition. Representatives from TECO, the

²TECO defines EV fast charging stations as direct current fast chargers operating at 50KW or greater and requiring three-phase service at 120/280V or 277/480V.

³The tariff sheet that is attached was filed by TECO on March 12, 2020, and replaces the revised tariff sheet attached to TECO’s petition.

Docket No. 20200011-EI

Date: March 19, 2020

Office of Public Counsel (OPC), and the Southeast Energy Efficiency Alliance participated at the meeting.

Section 120.542(7), F.S., requires the Commission to grant or deny a petition for rule waiver within 90 days after receipt of the original petition, the last item of timely requested additional material, or the petitioner's written request to finish processing the petition. Thus, the Commission must grant or deny the petition no later than May 6, 2020, which is 90 days from February 6, 2020, the date of TECO's response to staff's request for additional information. A petition not granted or denied within 90 days after receipt of a completed petition is deemed approved.

The Commission has jurisdiction pursuant to Sections 120.542, 366.03, 366.05, and 366.06, F.S.

Discussion of Issues

Issue 1: Should the Commission grant TECO's petition for a temporary waiver of or variance from Rule 25-6.064(2)(c), F.A.C., and approve TECO's Fourth Revised Tariff Sheet No. 5.105?

Recommendation: Yes, the petition for temporary rule waiver/variance should be granted subject to the condition that TECO file annual reports during the 5-year rule waiver/variance period, with the first report due on March 1, 2021. Each annual report should include the following information for the preceding calendar year:

- For each EV fast charger line extension installed during the reporting period, the number of EV fast chargers served, the total line extension cost, the CIAC collected, the total annual revenue collected (demand and energy), the line extension usage metrics (demand and energy), and the balance of any related cross subsidy (total cost less CIAC collected less total energy/demand revenue collected to date);
- System-wide Totals (summed for all years since the time the temporary rule waiver/variance was granted) for each of the following: EV fast charger line extensions installed, the number of EV fast chargers served, EV fast charger line extension costs, CIAC collected, total annual revenue collected (demand and energy), line extension usage metrics (demand and energy), and the balance of any related cross subsidy (total cost less CIAC collected less total energy/demand revenue collected to date); and
- Projected annual growth for the next five years in TECO's service territory of EVs, EV fast chargers, and EV fast charger line extensions.

In addition, the Commission should approve TECO's Fourth Revised Tariff Sheet No. 5.105, which reflects the temporary rule waiver/variance. The effective date of the revised tariff sheet should be the date of the consummating order. Before the expiration of the 5-year rule waiver/variance period, TECO should be required to file a revised tariff sheet reflecting the removal of the temporary rule waiver/variance, which staff should be given administrative authority to approve. (Cibula, McNulty, Smith II)

Staff Analysis: TECO is asking that a 10-year revenue estimation period be substituted for the 5-year revenue estimation period in Rule 25-6.064(2)(c), F.A.C. TECO is requesting that the rule waiver be limited to a period of 5 years and apply only to the installation of primary voltage powers lines to the location of EV fast charging stations.

Legal Standard for Rule Waivers or Variances

Rule waivers and variances⁴ are governed by Section 120.542, F.S. Section 120.542(1), F.S., provides:

⁴In its petition, TECO requested a temporary rule waiver. In its request for additional information, staff questioned whether TECO was in fact requesting a temporary rule variance. In its response, TECO stated that it believed that either characterization is accurate and would not object to the Commission treating its petition as a request for

Strict application of uniformly applicable rule requirements can lead to unreasonable, unfair, and unintended results in particular instances. The Legislature finds that it is appropriate in such cases to adopt a procedure for agencies to provide relief to persons subject to regulation.

Section 120.542(2), F.S., states that the agency must grant a rule variance or waiver if the petitioner demonstrates: (1) the purpose of the underlying statutes will be or has been achieved by other means; and (2) that application of the rule would create a substantial hardship or would violate the principles of fairness. A substantial hardship is a “demonstrated economic, technological, legal, or other type of hardship to the person requesting the variance or waiver.” Principles of fairness are violated 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.”

Section 120.542(1), F.S., further states that an agency may limit the duration of any grant for a variance or waiver and impose conditions on the grant “only to the extent necessary for the purpose of the underlying statute to be achieved.”

The Purpose of the Underlying Statutes

Rule 25-6.064, F.A.C., cites as its law implemented Sections 366.03, 366.05(1), and 366.06(1), F.S. Sections 366.05 and 366.06, F.S., authorize the Commission to prescribe just, fair, reasonable, and compensatory rates. Section 366.03, F.S., requires investor-owned utilities to furnish to each person applying for service reasonably sufficient, adequate, and efficient service upon terms required by the Commission and prohibits an investor-owned utility from giving any undue or unreasonable preference to any persons or locality. TECO states that the purpose of these underlying statutes will be achieved by other means if the temporary rule waiver is granted.

TECO states that Sections 366.03, 366.05(1), 366.06(1), F.S., grant the Commission broad discretion in setting utility rates. It argues that substituting a different estimation period for calculating the revenues used to calculate CIAC due from EV fast charger installers will not result in an undue or unreasonable preference to any person and will not impair the ability of the Commission to prescribe fair, just, and reasonable rates. TECO states that as the EV market develops, high-voltage chargers will be a new source of load over which to spread TECO’s system costs, which will benefit all the company’s customers.

In response to staff’s request for additional information, TECO states that:

In the context of [TECO’s] petition, the company is not asking to do away with the revenue credit or to even reduce the number of years over which expected revenues are to be counted; rather, the company is seeking to expand the period of time over which the four years of expected incremental base energy revenue can be counted. Therefore, while the company does expect a higher revenue credit to be realized, the concept behind the requested waiver or variance is not materially different than the current policy.

variance. Staff notes that the same legal standard applies whether the petition is treated as a temporary rule waiver or a variance.

TECO states in its petition that CIAC payments are intended to reduce potential cross-subsidy between the load associated with the new or upgraded facilities and existing customers taking service from existing facilities and acknowledges that cross-subsidization will occur if the petition is granted. TECO further states, however, that it anticipates a de minimis impact on the general body of ratepayers because the company does not expect the revised tariff to result in an amount of line extensions for high-voltage EV chargers that would cause a material impact on the amount of CIAC collected relative to TECO's overall invested capital. In this regard, TECO states:

Thus, despite any initial cross-subsidization that may occur, the result will be providing a reasonable preference for fast charging infrastructure in these early market development years of EVs and be beneficial for Tampa Electric's ratepayers now and into the future. The selection of a further advanced period to calculate the expected base revenues simply defers the period such a subsidy is in place for the period before the four years of base revenues actually occurs. At that point, the subsidy ends and the purposes of the rule are implemented.

TECO states that ratepayers benefit from the addition of more EV fast charges "which can incent the faster acceptance and choice of EVs by customers." TECO states that EVs reduce emissions and utilize cleaner energy generation by TECO, including solar photovoltaic sites, and reduce reliance on petroleum-based fuels. Moreover, TECO states that EVs may someday be a valuable resource to TECO's general body of ratepayers as a new and potentially beneficial electric load over which to spread fixed costs and "as a source of energy storage and load shaping to meet future energy infrastructure and energy control mechanisms." TECO asserts that encouraging market development for EVs meets the statutory directives of Sections 366.81, 366.94, 377.601, 377.815, 403.42, 627.06535, F.S., which it states support actions to facilitate and benefit EVs and aim to reduce reliance on petroleum fuels in Florida.

TECO also asserts that the temporary rule waiver request specifically aligns with Section 366.05(1)(a), F.S., which addresses the Commission's authority to "require repairs, improvements, additions, replacements, and extensions to the plant and equipment of any public utility when reasonably necessary to promote the convenience and welfare of the public." TECO states the temporary rule waiver promotes the convenience and welfare of the public through encouraging the development of fast charging stations "during this important period where there is need for more such chargers to encourage the market for electric vehicles to grow." TECO further states the revised tariff would not be discriminatory because it will be uniformly applied to any customer seeking a line extension to serve a Level 3 EV charging station during the 5-year temporary variance period.

Staff's Analysis

As acknowledged by TECO in its petition, CIAC payments are intended to reduce potential cross subsidy between the load associated with the new or upgraded facilities and existing customers taking service from existing facilities. Staff reviewed TECO's petition with regard to (1) the potential for cross subsidies that may result over an extended period if this waiver is utilized, and (2) the lack of reliable quantifiable information regarding the projected number of line

extensions, line extension costs, and credit amounts (offsetting revenue), which would aid in calculating the CIAC and the amount of the potential subsidy.

It is a long-standing regulatory concept that a cross subsidy occurs when the cost-causer does not fully pay for the costs incurred to provide service, resulting in those unrecovered costs then shifting to the general body of ratepayers. TECO argues that the added cross subsidy associated with this pilot program should be considered in conjunction with anticipated benefits. Primary among these benefits is the incremental load growth expected to be realized from the proposed tariff revision. TECO contends that reducing CIAC for the requested line extensions would allow the utility to serve more high-voltage chargers, and thus spread the fixed costs of its system across such consumption.

Staff reviewed potential cross subsidy in this case by considering the recovery of costs under the rule versus the proposed rule waiver. By rule, CIAC is calculated using the cost of (in this case) the line extension and subtracting from that cost the expected revenues.

$$\text{CIAC} = \begin{array}{l} \text{Total} \\ \text{estimated} \\ \text{work order} \\ \text{job costs of} \\ \text{installing} \\ \text{facilities} \end{array} - \begin{array}{l} \text{4 years} \\ \text{expected} \\ \text{incremental} \\ \text{base} \\ \text{energy} \\ \text{revenue} \end{array} - \begin{array}{l} \text{4 years} \\ \text{expected} \\ \text{base} \\ \text{demand} \\ \text{revenues} \end{array}$$

The CIAC is the portion of the line extension costs the customer pays upfront when he or she initiates service. As shown above, the CIAC payment is based on the costs of the new facilities, reduced by 4 years of expected revenue. Per paragraph (2)(c) of the rule, the 4 years of expected revenue must be estimated within a 5-year period after the new facilities are placed in service. The 4 years of expected base energy and demand revenues represent the time-limited credit allowed to the customer for the portion of the installation costs not paid via the CIAC payment. This credit to CIAC is expected to be offset by revenues from the customer after the 4-year period concludes within the first 5 years following line extension installation. TECO's argument is that EV fast charger line extension revenues are expected to be substantially less in years 1-5 than they would be in years 5–10. TECO believes the proposal of a 10-year estimation timeframe “would lower the CIAC barrier for construction of new high-voltage EV chargers, increase the number of such chargers in the service territory and result in faster adoption of electric vehicles.”⁵

The extent and duration of the subsidy in this case is dependent on cost and revenue data. TECO indicated that it has no cost-benefit study or analysis or estimate of the beneficial load growth associated with the program at this time.⁶ A cost-benefit analysis of the program would require

⁵Document No. 008516-2020, TECO's Responses to Staff's Request for Additional Information, No. 2.

⁶Document No. 008516-2020, TECO's Responses to Staff's Request for Additional Information, No. 36.

data that the utility has indicated is not available, including the number of expected line extensions, total line extension costs, and credit amounts.⁷

TECO indicates it appears the subsidy, under the proposed rule waiver, could be expected to continue beyond the rule's standard 5 years, but declining over this time period.⁸ Staff has prepared an example of the potential subsidy based on a hypothetical installation, as shown in Table 1-1. In this example, staff used TECO's estimated average EV fast charger line extension cost (\$21,662 per line extension, rounded to \$21,000) and a company estimate of annual base revenue growth associated with a single EV fast charger over a 10-year period.⁹ Staff emphasizes that these revenue estimates are for illustrative purposes only because, according to TECO, each line extension project is unique and requires customers input to estimate.¹⁰

**Table 1-1
 Potential Subsidy Under Current Rule Versus Proposed Rule Waiver**

Based on Line Extension cost of \$21,000 serving a single EV fast charger											
Year	1	2	3	4	5	6	7	8	9	10	Total
Revenues	500	1,000	1,250	1,250	1,500	4,000	5,000	5,000	5,000	5,000	29,500
Current Rule Credit \$5,000					Rule Waiver Credit \$20,000						
Offsetting Revenues (\$20,000)											
CIAC (Current) = \$21,000 - \$5,000 = \$16,000						CIAC (Proposed) = \$21,000 - \$20,000 = \$1,000					

Table 1-1 illustrates how CIAC is currently calculated by Rule 25-6.064, F.A.C., versus TECO's proposed CIAC rule waiver. The current calculation reflects projected revenues of \$5,000 in Years 2 through 5 (\$1,000 + \$1,250 + \$1,250 + \$1,500). Subtracting this revenue credit from the estimated line extension cost of \$21,000 results in a \$16,000 CIAC charge. This credit would be offset in Year 5, once the \$5,000 in incremental revenues has been collected.

In contrast, TECO's proposed CIAC rule waiver results in a \$20,000 credit, reflecting projected revenues of \$20,000 in Years 7-10, which is \$15,000 higher than under the rule. This credit to CIAC would not be fully offset by the customer's revenues until Year 9, assuming the projected revenues match the amount actually collected.

Thus, for this illustrative implementation of the CIAC waiver, the subsidy would be greater (\$20,000 rather than \$5,000) and remain longer (9 years rather than 5 years) under the proposed CIAC rule waiver for EV fast charger line extensions. The period of time in which it takes for

⁷Document No. 008516-2020, TECO's Responses to Staff's Request for Additional Information, No. 36.

⁸Document No. 008516-2020, TECO's Responses to Staff's Request for Additional Information, Nos. 17 and 27.

⁹Document No. 008516-2020, TECO's Responses to Staff's Request for Additional Information, Nos. 12 and 25.

¹⁰Document No. 008516-2020, TECO's Responses to Staff's Request for Additional Information, No. 11.

the credits to CIAC based on expected revenues to be offset by actual revenues represents the subsidization period since that is money that was spent by the utility, not the customer or cost causer.

Staff notes that TECO has installed only one line extension for EV fast chargers to date, yet it has provided EV fast charger service to 13 locations in its service territory, serving over 50 EV fast charger stations. Given the ability of TECO to provide service to a number of potential EV fast charger locations without a line extension, staff believes the total impact on net income resulting from the waiver will be smaller than it would otherwise have been.

Staff believes that TECO has adequately demonstrated that the purposes of the underlying statutes will still be achieved if the requested temporary rule waiver/variance is granted for the temporary and limited purpose of the pilot program. The Commission has broad authority pursuant to the underlying statutes to set just, fair, and reasonable rates. Moreover, the temporary rule waiver/variance will not completely do away with the revenue credit or reduce the number of years over which expected revenues are to be counted, it only expands the period of time over which the 4 years of expected incremental base energy revenue can be counted. Thus, third party installers of EV fast charging stations will still have to pay some amount of CIAC to have the electric line extended, just at a lesser amount than required by the rule.

Substantial Hardship

TECO alleges that strict application of Rule 25-6.064, F.A.C., will create a substantial hardship. Specifically, TECO states that the 5-year estimating period for calculating CIAC in paragraph (2)(c) of the rule creates a substantial, imposing barrier to more widespread development of EV fast chargers, which in turn discourages the growth of EVs. TECO opines that this is because there is a substantial initial cost to extend primary voltage power lines to the location where the fast charger would be most convenient to attract current and potential EV owners. TECO states that the expected 5-year revenues for a high-voltage EV charger are likely very low when the charger is first installed, and this means there will be a minimal credit against what is often a substantial line extension cost to hook up such a fast charger. TECO asserts that “[t]his creates a significant barrier to achieving the reduced emissions, reduced reliance on petroleum-based fuels, and potential load growth in TECO’s service territory that would benefit ratepayers.”

TECO states that the Commission’s draft Review of the 2019 Ten-Year Site Plans of Florida’s Electric Utilities shows that the growth rate for EV adoption is expected to greatly accelerate over the next ten years. TECO states that for this reason, moving from a 5-year to a 10-year estimation period will result in a larger revenue credit, removing a substantial barrier to the development of new high-voltage EV chargers now, and assisting in the development of the EV market overall. TECO states that it believes that given the projected acceleration in the EV adoption rate over the next 10 years and the potential benefit the variance/waiver could provide to improving that adoption rate, moving to a 10-year estimation period would lower the CIAC barrier for construction of new high-voltage EV chargers, increase the number of such chargers in the service territory, and result in faster adoption of EVs.

Staff's Analysis

Staff first notes that Rule 25-6.064(7), F.A.C., allows an investor-owned utility to waive all or a portion of CIAC for customers, but requires the utility to reduce plant in service as if CIAC had been collected, unless the Commission determines that there is a quantifiable benefit to the general body of ratepayers. In response to staff's letter requesting additional information, TECO stated that it could not quantify the benefit to customers at this time.¹¹ The company further stated that the purpose of this program was to determine if those benefits would materialize.¹² It opined that if no third parties avail themselves of the pilot program, then there is no harm, but no benefit. If they do, TECO stated that it will try to determine whether the benefits are sufficient to exceed what little subsidy is provided.¹³ TECO states that it intends to use the waiver period to monitor the applicability to new EV fast charger installations, which it believes will assist in future projections.

Staff believes that TECO has adequately demonstrated that complying with Rule 25-6.064, F.A.C., would be a substantial hardship within the meaning of Section 120.542, F.S., for the temporary and limited purpose of the pilot program. Staff is concerned as to the limited quantifiable information available. However, as stated above, staff sees the potential benefit of allowing TECO to explore, for a limited time period, the extent to which the current CIAC methodology presents a barrier to the installation of line extensions to serve EV fast chargers.

Reporting Requirements as a Condition on the Grant of Temporary Rule Waiver/Variance

Section 120.542(1), F.S., allows agencies to impose conditions on rule waivers/variances, as long as those conditions are necessary for the purpose of the underlying statute to be achieved. Because this petition is a pilot program with the intent to eliminate a barrier to the construction of new EV fast charging stations, and given the lack of quantifiable information, staff believes certain reporting requirements are necessary for monitoring the efficacy of the program and levels of cross subsidy. Therefore, if the petition is granted by the Commission, staff recommends that the Commission's approval be conditioned on TECO filing annual reports during the 5-year rule waiver/variance period, with the first report due on March 1, 2021. Each annual report should include the following information for the preceding calendar year:

- For each EV fast charger line extension installed during the reporting period, the number of EV fast chargers served, the total line extension cost, the CIAC collected, the total annual revenue collected (demand and energy), the line extension usage metrics (demand and energy), and the balance of any related cross subsidy (total cost less CIAC collected less total energy/demand revenue collected to date);
- System-wide Totals (summed for all years since the time the temporary rule waiver/variance was granted) for each of the following: EV fast charger line extensions installed, the number of EV fast chargers served, EV fast charger line extension costs, CIAC collected, total annual revenue collected (demand and energy), line extension

¹¹Document No. 008516-2020, TECO's Responses to Staff's Request for Additional Information, No. 18.

¹²See *id.*

¹³See *id.*

Date: March 19, 2020

usage metrics (demand and energy), and the balance of any related cross subsidy (total cost less CIAC collected less total energy/demand revenue collected to date); and

- Projected annual growth for the next five years in TECO's service territory of EVs, EV fast chargers, and EV fast charger line extensions.

As stated above, staff's underlying concern with this pilot program, aside from a lack of quantifiable information, relates to the potential level of cross subsidies that may result if this waiver is extensively utilized. However, staff believes that with the limited nature of the program, along with the monitoring and reporting requirements listed above, the level of the cross subsidies created by this program should be relatively small compared to TECO's net income.

Conclusion

Staff recommends that the Commission grant TECO's petition for temporary waiver of or variance from Rule 25-6.064(2)(c), F.A.C., subject to the condition that TECO make the annual reporting requirements set forth above. In addition, the Commission should approve TECO's Fourth Revised Tariff Sheet No. 5.105, which reflects the temporary rule waiver/variance. The effective date of the revised tariff sheet should be the date of the consummating order. Before the expiration of the 5-year rule waiver/variance period, TECO should be required to file a revised tariff sheet reflecting the removal of the temporary rule waiver/variance, which staff should be given administrative authority to approve.¹⁴

¹⁴Staff notes that TECO has the burden to file a new petition for rule waiver under Section 120.542, F.S., if it wishes to extend the rule waiver beyond the 5 years requested in its petition.

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. TECO's Fourth Revised Sheet No. 5.105 should become effective upon issuance of the consummating order. The docket should remain open for the annual reports. The docket should be administratively closed when TECO's revised tariff sheet reflecting the removal of the temporary rule waiver/variance is administratively approved by staff after the 5-year waiver/variance period expires. (Cibula)

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. TECO's Fourth Revised Sheet No. 5.105 should become effective upon issuance of the consummating order. The docket should remain open for the annual reports. The docket should be administratively closed when TECO's revised tariff sheet reflecting the removal of the temporary rule waiver/variance is administratively approved by staff after the 5-year waiver/variance period expires.

If a protest is filed, TECO's Fourth Revised Sheet No. 5.105 should not become effective.

25-6.064 Contribution-in-Aid-of-Construction for Installation of New or Upgraded Facilities.

(1) Application and scope. The purpose of this rule is to establish a uniform procedure by which investor-owned electric utilities calculate amounts due as contributions-in-aid-of-construction (CIAC) from customers who request new facilities or upgraded facilities in order to receive electric service, except as provided in Rule 25-6.078, F.A.C.

(2) Contributions-in-aid-of-construction for new or upgraded overhead facilities (CIAC_{OH}) shall be calculated as follows:

CIAC _{OH}	=	Total estimated work order job cost of installing the facilities	-	Four years expected incremental base energy revenue	-	Four years expected incremental base demand revenue, if applicable
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(a) The cost of the service drop and meter shall be excluded from the total estimated work order job cost for new overhead facilities.

(b) The net book value and cost of removal, net of the salvage value, for existing facilities shall be included in the total estimated work order job cost for upgrades to those existing facilities.

(c) The expected annual base energy and demand charge revenues shall be estimated for a period ending not more than 5 years after the new or upgraded facilities are placed in service.

(d) In no instance shall the CIAC_{OH} be less than zero.

(3) Contributions-in-aid-of-construction for new or upgraded underground facilities (CIAC_{UG}) shall be calculated as follows:

CIAC _{UG}	=	CIAC _{OH}	+	Estimated difference between cost of providing the service underground and overhead
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(4) Each utility shall apply the formula in subsections (2) and (3) of this rule uniformly to residential, commercial and industrial customers requesting new or upgraded facilities at any voltage level.

(5) The costs applied to the formula in subsections (2) and (3) shall be based on the requirements of Rule 25-6.0342, F.A.C., Electric Infrastructure Storm.

(6) All CIAC calculations under this rule shall be based on estimated work order job costs. In addition, each utility shall use its best judgment in estimating the total amount of annual revenues which the new or upgraded facilities are expected to produce.

(a) A customer may request a review of any CIAC charge within 12 months following the in-service date of the new or upgraded facilities. Upon request, the utility shall true-up the CIAC to reflect the actual costs of construction and actual base revenues received at the time the request is made.

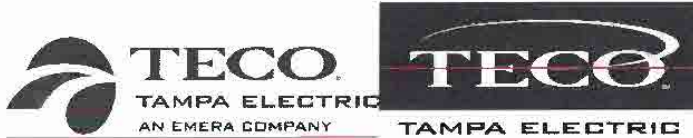
(b) In cases where more customers than the initial applicant are expected to be served by the new or upgraded facilities, the utility shall prorate the total CIAC over the number of end-use customers expected to be served by the new or upgraded facilities within a period not to exceed 3 years, commencing with the in-service date of the new or upgraded facilities. The utility may require a payment equal to the full amount of the CIAC from the initial customer. For the 3-year period following the in-service date, the utility shall collect from those customers a prorated share of the original CIAC amount, and credit that to the initial customer who paid the CIAC. The utility shall file a tariff outlining its policy for the proration of CIAC.

(7) The utility may elect to waive all or any portion of the CIAC for customers, even when a CIAC is found to be applicable. If however, the utility waives a CIAC, the utility shall reduce net plant in service as though the CIAC had been collected, unless the Commission determines that there is a quantifiable benefit to the general body of ratepayers commensurate with the waived CIAC. Each utility shall maintain records of amounts waived and any subsequent changes that served to offset the CIAC.

(8) A detailed statement of its standard facilities extension and upgrade policies shall be filed by each utility as part of its tariffs. The tariffs shall have uniform application and shall be nondiscriminatory.

(9) If a utility and applicant are unable to agree on the CIAC amount, either party may appeal to the Commission for a review.

Rulemaking Authority 366.05(1), 350.127(2) FS. Law Implemented 366.03, 366.05(1), 366.06(1) FS. History—New 7-29-69, Amended 7-2-85, Formerly 25-6.64, Amended 2-1-07.



~~FOURTH THIRD-REVISED~~
SHEET NO. 5.105
CANCELS ~~THIRDSECOND~~
REVISED SHEET NO. 5.105

Continued from Sheet No. 5.100

2.6.1 CONTRIBUTION IN AID OF CONSTRUCTION

The company recognizes its obligation to furnish electric service to customers throughout its entire service area, but necessarily must reserve the right to require a contribution in aid of construction (CIAC) when the additional distribution investment is not considered prudent. A CIAC will normally be required when the cost of the facilities required to serve a customer are in excess of those normally provided by the company. CIAC fees are intended to protect the general body of ratepayers from subsidizing special requests.

If the company considers the prospects of securing additional revenue from additional distribution investment to be favorable, (i.e. in public road right-of-way, other customers and/or additional load) such payment, or portion thereof, may be waived.

When a CIAC is required, the customer shall deposit with the company the specified amount prior to the company commencing construction. The company will install, own, and maintain the electrical distribution facilities up to the company designated point of delivery. Any payment by the customer under the provisions of this policy will not convey to the customer any rights of ownerships.

CIAC for the installation of new or upgraded overhead facilities (CIAC_{OH}) will be calculated as follows:

$$\text{CIAC}_{\text{OH}} = \begin{array}{l} \text{Total estimated work order} \\ \text{job cost of installing the} \\ \text{facilities} \end{array} - \begin{array}{l} \text{Four years expected} \\ \text{incremental base} \\ \text{energy charge revenue} \end{array} - \begin{array}{l} \text{Four years expected} \\ \text{incremental base} \\ \text{demand charge revenue} \end{array}$$

The cost of the service drop and meter shall be excluded in the total estimated work order job cost for new overhead facilities.

The net book value and cost of removal, net of the salvage value, for existing facilities shall be included in the total estimated work order job cost for upgrades to those existing facilities.

~~An~~ ~~For projects that do not include line extensions associated with electric vehicle fast charger projects,~~ investment allowance equal to four years expected annual base energy and demand charge revenue shall be estimated for a period not more than five (5) years after the new or upgraded facilities are placed in service. ~~For line extensions associated with~~ ~~For electric vehicle fast charger projects including associated line extensions, the revenue estimate shall be for four (4) consecutive years over~~ ~~within a period of not more than ten (10) years after the fast chargers are placed in service.~~

In no instance shall the CIAC_{OH} be less than zero.

Continued to Sheet No. 5.106

ISSUED BY: ~~G. L. Gillette~~ ~~N. G. Tower~~,
President

DATE EFFECTIVE: ~~September 18, 2012~~

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: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Office of the General Counsel (Lherisson) *BZ SC RA*
Office of Consumer Assistance and Outreach (Hicks, Plescow) *JP*
Division of Economics (Coston) *WR*

RE: Docket No. 20190216-EI – Complaint by Belkys Armenteros against Florida Power & Light Company regarding backbilling for alleged meter tampering.

AGENDA: 03/31/20 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On July 1, 2019, Ms. Belkys Armenteros filed an informal complaint with the Florida Public Service Commission (Commission) against Florida Power & Light Company (FPL or Utility).¹ In her informal complaint, Ms. Armenteros alleged that she was improperly back billed for up to 48 months of usage, for a total of \$11,545.44. Although FPL had found that her meter had been tampered with, Ms. Armenteros alleged that she did not tamper with the meter and wanted an explanation as to why her current kilowatt hour (kWh) usage is the same as her usage prior to the back billing.

By letter dated November 12, 2019, staff advised Ms. Armenteros that her informal complaint had been reviewed by the Commission's Process Review Team (PRT), in accordance with Rule

¹ Complaint Number 1311952E.

25-22.032, Florida Administrative Code (F.A.C.), and it appeared that FPL had not violated any applicable statutes, rules, company tariffs, or Commission orders. Staff advised Ms. Armenteros that if she disagreed with staff's complaint conclusion, she could file a petition for initiation of formal proceedings for relief against FPL.

Ms. Armenteros filed a formal complaint against FPL on December 11, 2019, pursuant to Rule 25-22.036, F.A.C. In her complaint, Ms. Armenteros denies any knowledge of meter tampering that led FPL to disconnect her service on June 4, 2019. She also stated that her current kWh usage is the same as the 48 months that FPL alleged she benefitted from 49.99% kWh meter readings. Ms. Armenteros stated she was forced to open another account with FPL and paid \$6,743.00 to restore her service.

On February 17, 2020, staff sent a letter to Ms. Armenteros requesting any additional information or documentation that might assist the Commission in addressing her complaint. Staff did not receive a response from Ms. Armenteros.

Ms. Armenteros requests for the Commission to find that FPL incorrectly back billed her account and to require FPL to give Ms. Armenteros a credit adjustment of \$11,545.44. This recommendation addresses the appropriate disposition of Ms. Armenteros's complaint against FPL. The Commission has jurisdiction over this matter pursuant to Section 366.04, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: What is the appropriate disposition of Ms. Armenteros's formal complaint?

Recommendation: Staff recommends that Ms. Armenteros's formal complaint be denied. Ms. Armenteros's account was properly back billed in accordance with Florida statutes and rules and FPL's tariffs. FPL did not violate any applicable statute, rule, company tariff, or order of the Commission in the processing of Ms. Armenteros's account. (Lherisson)

Staff Analysis: Pursuant to Rule 25-22.036(2), F.A.C., a complaint is appropriate when a person complains of an act or omission by a person subject to Commission jurisdiction that affects the complainant's substantial interests and that is in violation of a statute enforced by the Commission, or of any Commission rule or order. Ms. Armenteros's petition fails to show that FPL's back billing of her account violates a statute, rule, or order as required by Rule 25-22.036(2), F.A.C. Therefore, the Commission should deny Ms. Armenteros's petition for relief.

On August 20, 2003, Ms. Armenteros established an account for electric service with FPL at her residence. On July 21, 2011, FPL installed smart meter ACD3449 at Ms. Armenteros's residence. On March 18, 2019, FPL reviewed the communication from smart meter ACD3449 and found a drop in consumption occurred on September 19, 2014. On March 25, 2019, FPL replaced meter ACD3449 with meter ACD3876. An inspection of meter ACD3449, on March 25, 2019, revealed that the meter's inner seal was missing; the meter had been internally tampered by manipulating the current transformer (CT) wires (one of the two CT wires had been cut); and the meter test results showed Full Load (FL) at 49.84%, Light Load (LL) at 49.84%, and Weighted Average (WA) at 49.83%.

On May 31, 2019, a review of the data collected from Ms. Armenteros's meters indicated that consumption dropped on September 19, 2014, and increased after the new meter was installed on March 25, 2019. FPL back billed Ms. Armenteros's account for 48 months using the results of the meter test (WA 49.83%), and billed Ms. Armenteros for the 50.17% kWh difference that did not register on the meter due to the unauthorized condition.

Ms. Armenteros's bill for the billing period April 30, 2015, through March 29, 2019, totaled \$10,043.34. That bill was canceled by FPL and rebilled as \$20,860.60, a difference of \$10,817.26. FPL's revenue protection investigation classified the unauthorized condition of meter ACD3449 as non-inherited since Ms. Armenteros established the account in August 2003 and the meter tampering occurred in September 2014. As a result, investigation charges totaling \$528.18 and a tampering penalty of \$200 were also billed to Ms. Armenteros's account, bringing the total back billed amount to \$11,545.44.

On June 04, 2019, according to Ms. Armenteros, her service was disconnected without notice due to meter tampering. That same day, Ms. Armenteros spoke with FPL revenue protection investigator Ms. Ramos regarding the revenue protection investigation and the back bill. Ms. Ramos offered to reconnect Ms. Armenteros's service after a payment of \$8,500.00, and offered a payment arrangement for the remainder of the back bill with applicable late payment charges. Ms. Armenteros denied tampering with the meter, advised she would seek legal assistance, and ended the call. FPL reported that later that day, the account was accessed online and a request

was made to close the account as of June 04, 2019. A final bill was issued for \$11,552.66. Included in the final bill were: final bill charges of \$44.79 for service used from May 31, 2019, to June 04, 2019; a previous balance from her May 2019 bill of \$338.32; back bill charges of \$11,545.44; a \$369 deposit refund; and a \$6.89 deposit interest credit.

On June 05, 2019, Ms. Armenteros contacted FPL Customer Care Center and requested to open an account at her address in her son's name or the name of a tenant living at the property. She was advised that her request would be referred to FPL's revenue protection investigation department for investigation and response. On June 06, 2019, FPL contacted Ms. Armenteros and explained that a new account could not be established at the residence for another current occupant² and offered to reconnect the service and open a new account in Ms. Armenteros's name with an initial payment of \$5,500. Ms. Armenteros denied tampering with the meter and stated that she should not be held responsible for the back bill. FPL reiterated that the Utility was not accusing her of tampering with the meter and was simply holding her responsible for the unmetered electric use.

On June 07, 2019, FPL received a payment of \$5,500, leaving a final bill balance of \$6,052.66. Service was reconnected and a new account was established at the same address, in the name of Belkys Armenteros. A \$1,243.01 deposit bill, with a due date of June 17, 2019, was issued representing two months of electric use at the property because of the revenue protection back billing. A \$12 service charge was also issued, bringing the balance on the new account to \$1,255. On June 07, 2019, Ms. Armenteros contacted FPL and requested a payment arrangement for the deposit. A payment arrangement was established for the deposit to be paid in two installments: \$621 by June 17, 2019, and \$622.01 by June 29, 2019. Ms. Armenteros also requested an account audit of her final billed closed account. On June 15, 2019, FPL mailed a 24-month audit to her.

On June 17, 2019, FPL received payments totaling \$621, leaving a balance of \$634.01 on the new account. On June 28, 2019, a regular bill was issued for \$863.10, with a due date of July 22, 2019. Included in the regular bill were new charges of \$229.09, a \$12 service charge, and the remaining deposit balance of \$622.01.

On July 1, 2019, Ms. Armenteros contacted FPL questioning the time frame it took FPL to identify meter tampering and requested the results of the investigation and an audit of her payments. That same day, Ms. Armenteros filed two informal complaints with the Commission, one regarding the back bill balance on her closed account (Complaint 1311952E) and one regarding the deposit of her active account (Complaint 1311954E). FPL contacted Ms. Armenteros to discuss her deposit concerns, and as a courtesy, reduced the deposit from \$1,243.01 to \$768, with the understanding that future payments would be received by the due date. The \$475 deposit reduction resulted in a remaining account balance of \$388.09. FPL advised Ms. Armenteros that the remaining deposit balance of \$147.01 was past due.

On July 2, 2019, FPL contacted Ms. Armenteros and provided the sequence of events that led up to the back billing of her account, the meter test results, and the rebilling of the account using the meter test results. In addition, FPL explained that the back billed amount she was paying for is

² See Rule 25-6.105(8)(a), F.A.C.

half of the kWh usage since September 2014; however, the account was only back billed 48 months instead of the 54 months of unauthorized use. Ms. Armenteros requested a billing and payment audit, and copies of the meter tests performed before the meter was installed at her residence and after it was removed.

On July 3, 2019, FPL mailed the following to Ms. Armenteros: a billing audit from July 31, 2014, to May 31, 2019; a payment audit from July 25, 2014, to May 19, 2019; the meter tests for meter ACD3449; a copy of the notice left at the residence on June 4, 2019; and the data analytic graphs showing a drop in usage in 2014.

On July 4, 2019, FPL received a payment of \$147.01, leaving a balance of \$241.08 on Ms. Armenteros's active account. From July 5, 2019, to July 8, 2019, the total final bill balance of \$6,052.66 was transferred from Ms. Armenteros's closed account to her active account, bringing the balance of her active account to \$6,293.74.

On July 18, 2019, FPL contacted Ms. Armenteros and reminded her that her current bill for \$241.08 would become past due after July 22, 2019. In addition, FPL explained that a payment arrangement would be established for the transferred balance of \$6,052.66 to be paid in 24 monthly installments with applicable late penalty charges. The payment arrangement was established to commence with the August 2019 bill.

On August 7, 2019, a home energy survey was performed at Ms. Armenteros's residence. A load test was conducted on the A/C, five window A/C units, an electric water heater, and pool pump. The survey showed that the whole house energy usage was more than twice the usage of the 326 nearby homes of similar housing type, size, and appliances. Also, the A/C split was lower than the 14+ degrees recommended, causing the A/C to operate for longer periods of time. The home energy survey results were mailed to Ms. Armenteros with a letter reiterating the charges in her July 2019 bill, and stating that a \$40 returned payment charge was issued after the payment of \$622.01 was stopped and returned. The letter also stated that on July 8, 2019, the total of \$662.01 was transferred to the new account and that on July 17, 2019, the \$40 returned payment charge was credited. In addition, on August 1, 2019, the \$81.46 in late fees and the \$12 service charge for establishing a new account were also credited, yielding a balance of \$999.79 due on August 20, 2019. The account total balance was \$6,430.44 on August 20, 2019.

On August 30, 2019, Ms. Armenteros contacted Commission staff to request that her current meter (ACD3876) be tested because she believed that it was not accurately measuring her consumption. On September 12, 2019, the current meter ACD3876 on Ms. Armenteros's property was replaced with meter ACD1785. On September 19, 2019, both removed meters (ACD3449 and ACD3876) were tested in the presence of FPL's and Commission's staff. FPL's meter tests revealed that meter ACD3449 was registering a WA of 49.77%, and meter ACD3876 a WA of 99.95%. The Commission staff's meter tests revealed that meter ACD3449 was registering a WA of 49.84%, and meter ACD3876 a WA of 99.94%.

On September 26, 2019, FPL confirmed in a report that on September 25, 2019, at Ms. Armenteros's request, her account was removed from Ebill and that she would be receiving paper bills and final notices by regular mail. The same day, two late payment charges totaling \$179.36 were canceled, leaving a remaining unpaid back bill balance of \$5,429.92. In addition,

the previous payment arrangement was canceled and the unpaid back bill balance was temporarily deferred, pending the resolution of the complaint. On October 19, 2019, Ms. Armenteros paid \$375.66 in current charges of her October 2019 bill, which was due on October 21, 2019. As of October 21, 2019, the account has a protected balance³ of \$5,429.92.

Staff analyzed the information received from both Ms. Armenteros and FPL, including participating in a witnessed meter test. Based on the information, staff sent a letter to Ms. Armenteros on November 12, 2019, stating that it appeared that FPL had not violated any applicable statutes, rules, company tariffs, or Commission orders. Ms. Armenteros did not agree with staff's finding and filed a formal complaint on December 11, 2019. On February 17, 2020, staff sent a letter to Ms. Armenteros requesting any additional information or documentation that might assist the Commission in addressing her complaint. Staff did not receive a response from Ms. Armenteros.

Based on the information provided to staff and discussions with both the Utility and Ms. Armenteros, there is no evidence that FPL back billed Ms. Armenteros incorrectly. Meter tests performed by FPL and Commission staff on meter ACD3449 revealed a registration below the allowable tolerances due to the tampered CT wires. Ms. Armenteros was back billed for 48 months based on the data collected by FPL, which indicated that consumption dropped on September 19, 2014, one of the two CT wires in smart meter ACD3449 had been cut, and consumption increased after the new meter was installed on March 25, 2019. Ms. Armenteros was back billed the 50.17% kWh difference that did not register on the meter due to the meter tampering. Thus, staff recommends that the Commission deny Ms. Armenteros's petition as it does not demonstrate that FPL's back billing of her account violates any statutes, rules, or orders, or that FPL's back billing of 48 months is unreasonable.

³ Pursuant to Rule 25-22.032(3), F.A.C., a customer is afforded protection from disconnection during a complaint process; therefore, "a company shall not discontinue service to a customer because of any unpaid disputed amount until the complaint is closed by Commission staff."

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, this docket should be closed upon the issuance of a consummating order. (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, 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: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Office of Industry Development and Market Analysis (Deas, Fogleman) *JD. CH*
Office of the General Counsel (Weisenfeld, Passidomo) *AJW GP TJ*

RE: Docket No. 20190196-TP – Petition of North American Numbering Plan Administrator on behalf of the Florida telecommunications industry, for approval of consensus decision to recommend to the Commission an all-services overlay as the form of relief for the 813 numbering plan area.

AGENDA: 03/31/20 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: The estimated exhaust date for the 813 area code is the third quarter of 2022

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
2020 MAR 19 AM 11:04
COMMISSION CLERK

Case Background

On October 28, 2019, the North American Numbering Plan Administrator (NANPA), on behalf of Florida's telecommunications industry (Industry) filed a petition with the Florida Public Service Commission (Commission) for approval of its area code relief plan for the 813 Numbering Plan Area (NPA). The Industry reached a consensus decision to recommend an all-services distributed overlay as the form of relief for the 813 NPA. NANPA projects that the supply of central office codes in the 813 NPA will exhaust during the third quarter of 2022. Consequently, NANPA is also requesting that the Commission approve the recommended 13-month implementation schedule.

NANPA is the neutral third-party administrator of the North American Numbering Plan, which is the area code system shared by the United States, Canada, Bermuda, and 17 Caribbean countries. NANPA's responsibilities include assigning area codes and prefixes, and tracking numbering usage to ensure effective and efficient utilization. NANPA is also responsible for forecasting the exhaust of geographic area codes and area code relief planning. NANPA publishes its forecasted exhaust of all area codes on a semi-annual basis. This forecast is used to determine when to start the area code relief process. The area served by NANPA is divided into NPAs, which are each identified by a three-digit NPA code, commonly called an area code.

The 813 area code was introduced in 1953 when the 305 area code needed relief due to substantial growth in demand for telephone numbers. It was the second area code assigned in Florida. Originally, the 813 area code was assigned to 16 counties stretching from Pasco county to the inland portion of Monroe county. Prior to the implementation of number conservation methods in 2002, the area served by the 813 area code was split twice, which created the 941 and 727 area codes.¹ Currently, the 813 area code serves all of Hillsborough county, the City of Oldsmar in Pinellas county, and the central and southeastern portions of Pasco county.

In April 2019, NANPA forecasted a need for area code relief for the 813 area code. Subsequently, pursuant to the area code Relief Planning Guidelines, NANPA began the planning process by announcing the need for relief and distributing an initial planning document to the Industry.² NANPA then hosted an Industry meeting on September 16, 2019, to discuss possible relief alternatives for the 813 area code. During the meeting, the Industry reviewed five relief options and reached a consensus to recommend the all-services distributed overlay plan to the Commission as the preferred method of relief for the 813 area code. On October 28, 2019, NANPA filed a petition with the Commission on behalf of the Industry requesting approval of the consensus decision. The Commission has jurisdiction to address this issue pursuant to Section 364.16(7) and 120.80(13)(d), Florida Statutes, and 47 Code of Federal Regulations (C.F.R.) § 52.19.

¹ Originally, telephone numbers were assigned to carriers in number blocks of 10,000. However, in an effort to conserve numbering resources, the thousand-block number pooling system was implemented. The thousand-block number pooling system allocates telephone numbers to carriers in blocks of 1,000 instead of the historical 10,000. Under this system, an unused 1,000 number block can be reclaimed and returned to inventory if it is not activated within six months of being assigned, unless the carrier can provide the Commission with a valid reason for needing an extension.

² This document included descriptions, maps, general facts and assumptions, and the projected life of four area code relief alternatives. A geographic split in the 813 area code did not meet the NPA code relief planning guidelines; therefore, NANPA did not recommend a geographic split for consideration. The Industry also proposed one additional alternative.

Discussion of Issues

Issue 1: Should the Commission approve the Industry's consensus recommendation of an all-services distributed overlay as the area code relief plan for the 813 area code?

Recommendation: Yes, the Commission should approve the Industry's consensus recommendation of an all-services distributed overlay as the area code relief plan for the 813 area code. (Deas, Fogleman, Weisenfeld, Passidomo)

Staff Analysis: Area code relief responsibilities have been delegated to the states by the Federal Communication Commission (FCC) pursuant to 47 C.F.R. § 52.19. In Florida, the Commission is responsible for determining the appropriate form of area code relief when telephone numbers exhaust within an area code. There are a number of methods available to address area code exhaust issues; however, the two most commonly used methods are a geographic split or an overlay.

Geographic Split

The geographic split method divides the exhausting NPA into two, leaving the existing area code to serve one NPA and assigning a new area code to serve the other NPA. This method generally acknowledges jurisdictional or natural boundaries, but for technical reasons and number optimization considerations, the actual boundaries must conform to existing rate center boundaries. Under this method, customers on both sides of the split would retain seven digit dialing; however, it would require one half of the customers to change their area code. The last split implemented in Florida was 18 years ago. Industry guidelines specify that in the case of a geographic split, the difference in area code life expectancies between the split areas should be 10 years or less.³ According to NANPA, a geographic split in the 813 area code would result in an exhaust life that exceeds this 10 year limit between the two areas. Therefore, no split alternative was included in NANPA's petition.

Overlay

The overlay method adds a new area code to the same geographic area served by the area code requiring relief. This results in the assignment of more than one area code to the same NPA. Current customers keep their existing area code and number; however, new customers or customers adding additional lines would receive the new area code. Once an overlay is implemented, the FCC requires 10-digit dialing for all local calls within the NPA. There are four potential implementation strategies for an overlay, which are as follows:

- a) **All-Services Distributed Overlay** - The distributed overlay strategy may be considered in situations when growth in telephone numbers is expected to be more or less evenly distributed throughout the existing NPA. The new area code is added to the same geographic area as the code requiring relief and shares exactly the same geographic boundaries.

³ NPA Code Relief Planning & Notification Guidelines ATIS-0300061 - Section 5.0 (g).

b) Concentrated Growth Overlay - A concentrated growth overlay may be considered in situations when the majority of need for the new telephone numbers is expected to be concentrated in one section of the existing NPA. For example, a fast growing metropolitan area and a sparsely populated rural area could exist within the same NPA. The overlay area code would be assigned initially to the section of the NPA experiencing the fastest growth, and new phone numbers in that section would be assigned from the new area code. As more relief is required, the geographic area served by multiple area codes could expand to the rest of the NPA.

c) Boundary Elimination Overlay - With a boundary elimination overlay, the NPA requiring relief is adjacent to an NPA with available numbering resources. The boundary between these NPAs is eliminated, and spare telephone numbers from the adjacent area code are assigned within the NPA boundary where relief is required.

d) Multiple Overlay - The multiple overlay strategy may be considered where relief is required in an NPA served by two or more area codes. The new area code would be assigned to overlay the multiple existing area codes serving the entire geographic area. This essentially functions the same as an all-services distributed overlay.

During the September 16, 2019 Industry meeting hosted by NANPA, the following five relief plans were considered.

Alternative No. 1 - All-Services Distributed Overlay (see map in Attachment A)

A new area code would be assigned to the same geographic area occupied by the existing 813 area code. Customers would retain their current telephone numbers; however, 10-digit dialing would be required by all customers within the NPA. At the exhaust of the 813 area code, all future assignments will be made from the new area code. The projected life of this method would be approximately 37 years.

Alternative No. 2 - NPA Boundary Elimination Overlay (see map in Attachment B)

The boundary between the existing 813 and 727 area codes would be eliminated and both area codes would be assigned to the combined geographic area. This alternative would allow customers assigned the 813 and 727 area codes to retain their telephone numbers and would eliminate the need for a new area code. However, it would require 10-digit dialing for all customers within the combined NPA. The projected life of this method would be approximately 11 years.

Alternative No. 3 - NPA Boundary Elimination Overlay (see map in Attachment C)

The boundary between the existing 813 and 863 area codes would be eliminated and both area codes would be assigned to the combined geographic area. This alternative would allow customers assigned the 813 and 863 area codes to retain their telephone numbers and would eliminate the need for a new area code. However, it would require 10-digit dialing for all customers within the combined NPA. The projected life of this method would be approximately 17 years.

Alternative No. 4 - NPA Boundary Elimination Overlay (see map in Attachment D)

The boundary between the existing 813 and 941 area codes would be eliminated and both area codes would be assigned to the combined geographic area. This alternative would allow customers assigned the 813 and 941 area codes to retain their telephone numbers and would eliminate the need for a new area code. However, it would require 10-digit dialing for all customers within the combined NPA. The projected life of this method would be approximately 16 years.

Alternative No. 5 - Overlay of a New Area Code Over the Boundary Elimination (see map in Attachment E)

The boundary between the 813 and 727 area codes would be eliminated and a new area code would be assigned to the combined geographic area. This alternative would allow customers assigned the 813 and 727 area codes to retain their telephone numbers. However, it would require 10-digit dialing for all customers within the NPA. At the exhaust of the 813 and 727 area codes all future assignments would be made from the new area code. The projected life of this method would be approximately 41 years.

Industry Consensus

After review of the five alternatives the Industry reached a consensus recommending alternative No. 1, an all-services distributed overlay, as the recommended form of relief for the 813 NPA. The Industry decided against the boundary elimination overlay alternatives because they would impact a larger quantity of customers with 10-digit dialing than the all-services overlay. In addition, the Industry asserted that the boundary elimination alternatives would involve a more complex customer education process and lead to increased customer confusion.

Proposed Dialing Plan

If an all-services overlay is approved by the Commission, the Industry recommends the dialing plan be set forth as follows:

- Local Calls 10-digit dialing (as required by the FCC)
- Toll Calls 1 + 10-digit dialing
- Operator Calls 0 + 10-digit dialing

Proposed Implementation Schedule

The Industry has also recommended a 13-month implementation schedule. This schedule includes six-months for network preparation, followed by a six-month permissive 10-digit dialing and customer education period. New codes are not activated until one month after the mandatory 10-digit dialing period. However, the Industry notes that the new area code would not be assigned until all assignable prefixes in the 813 area code have been assigned. During the permissive dialing period, calls within the 813 area code can be completed using either 7-digits or 10-digits. The purpose of the permissive dialing period is to facilitate transition from 7-digit to 10-digit dialing by educating customers on the impending changes without impacting the calls. Following the six month permissive dialing period, mandatory 10-digit dialing will be required. If the required 10-digits are not dialed, the caller will receive a recorded message advising them that the area code is required to complete the call. This schedule will allow the Industry sufficient time to implement the new area code prior to the exhaustion of 813.

Staff Workshops

In an effort to educate and receive customer input, staff held customer workshops on February 6, 2020, in Tampa, FL, and February 7, 2020, in St. Petersburg, FL. During these workshops Commission staff and a representative from NANPA explained the area code relief process, the relief options being considered, and the customer impact. Staff also allotted time for customers to ask questions or give comments. There were no customers nor customer comments at either workshop; however, since that time, the Commission has received one customer comment favoring alternative No. 1.

Conclusion

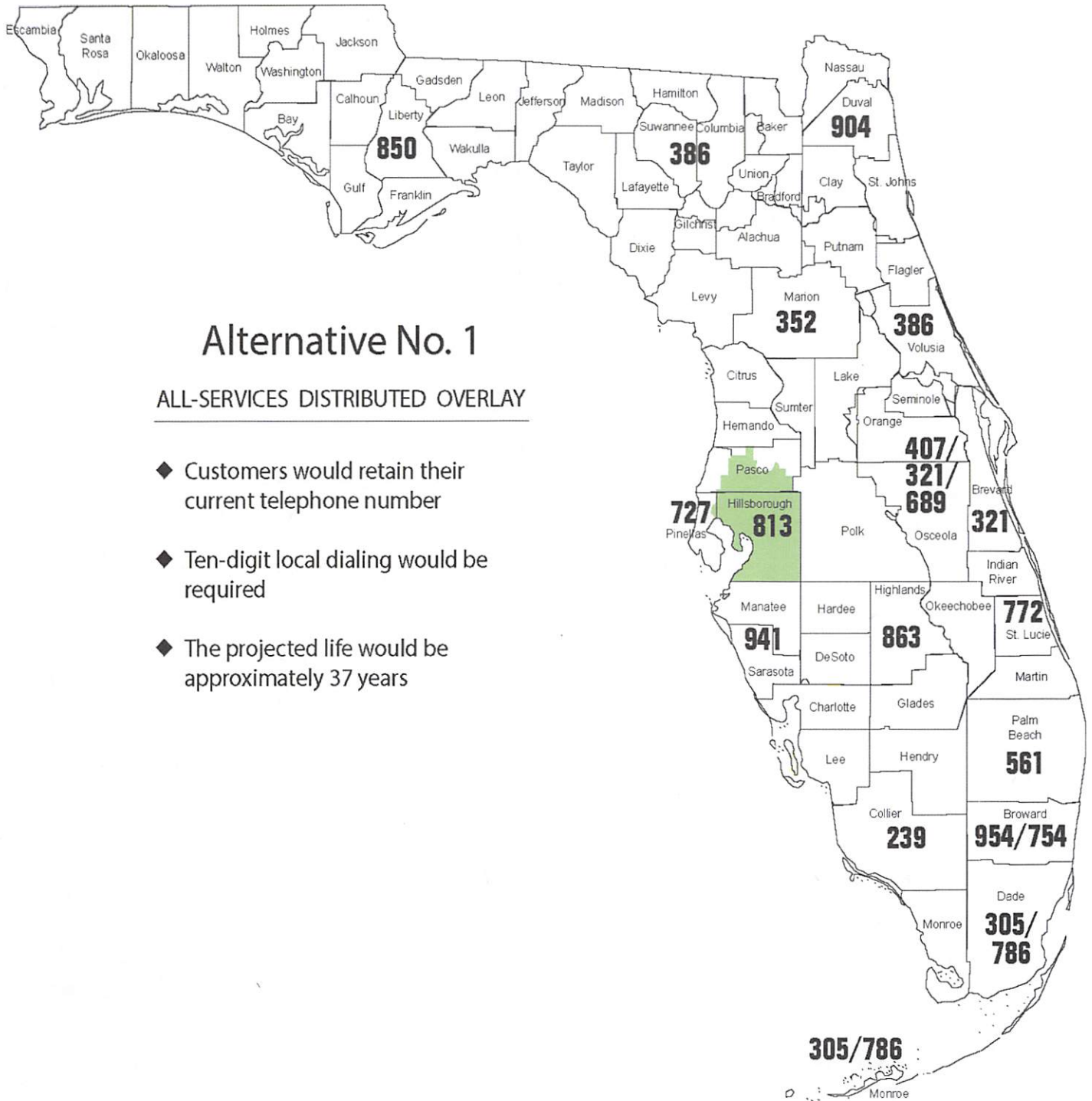
Staff reviewed the petition and analyzed all of the alternatives. Staff considered which alternative would provide the longest length of time before needing relief and the impact on customers. Alternative No. 5 provides the longest projected exhaust date; however, staff notes that all of the alternatives being considered share the same impact on customers. Customers would be required to dial 10-digits for all local calls. All things considered, alternative No. 5 provides the longest projected length of time, but would also negatively impact more customers by imposing 10-digit dialing for customers who otherwise would not be affected for another 28 years or more.

Staff agrees with the Industry that the more favorable approach is to minimize the number of customers that would be impacted by 10-digit dialing. Therefore, staff recommends the Commission approve the Industry's proposed all-services distributed overlay as the form of relief for the 813 area code. Additionally, staff recommends Commission approval of the proposed 13-month implementation schedule that includes a six-month customer permissive dialing period. Finally, staff recommends the Commission approve that central office codes in the new area code be available only when all assignable prefixes in the 813 area code have been assigned.

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 Proposed Agency Action Order, this docket should be administratively closed upon the issuance of a Consummating Order. (Weisenfeld, Passidomo)

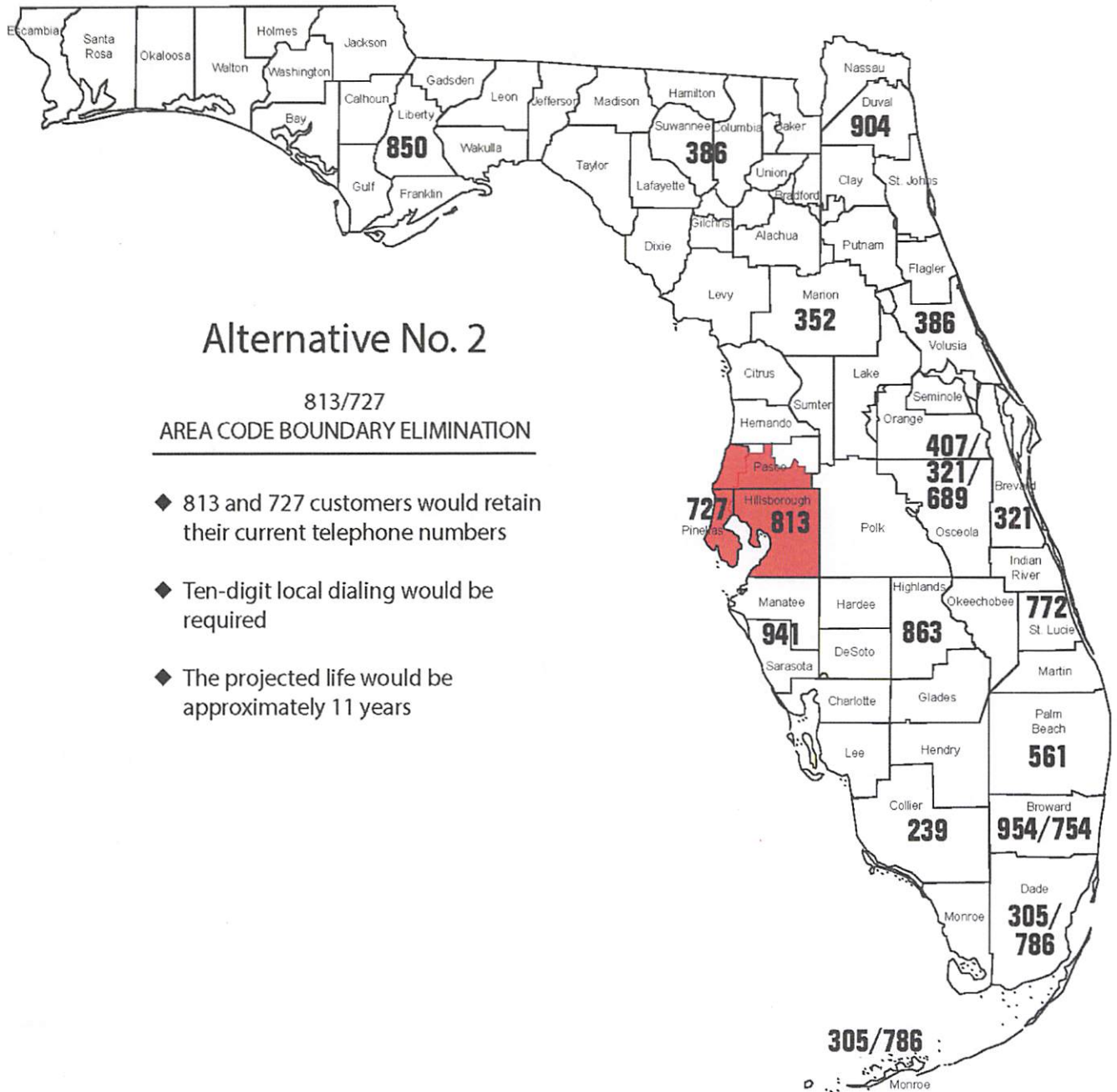
Staff Analysis: At the conclusion of the protest period, if no protest is filed, this docket should be administratively closed upon the issuance of a Consummating Order.

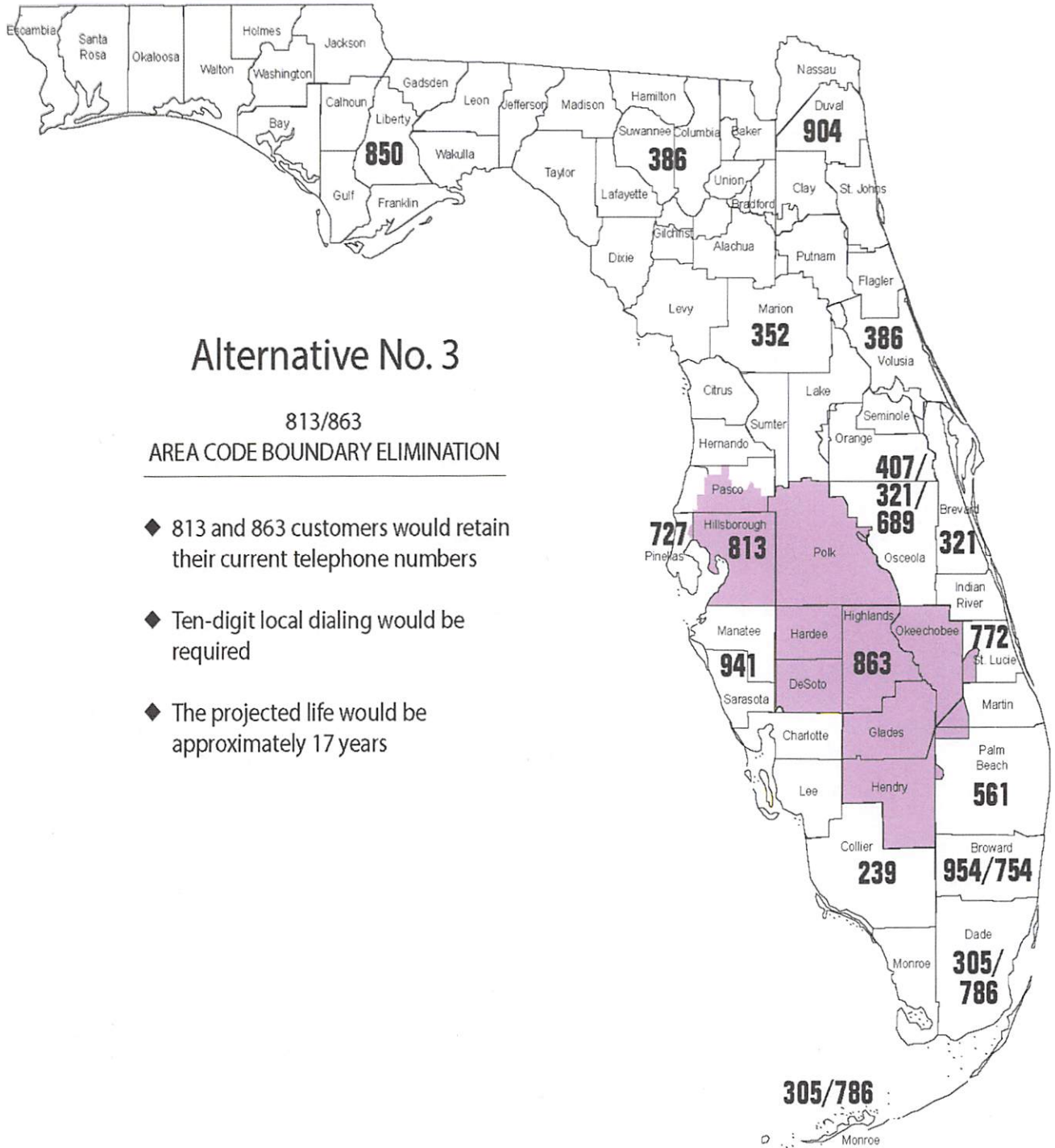


Alternative No. 1

ALL-SERVICES DISTRIBUTED OVERLAY

- ◆ Customers would retain their current telephone number
- ◆ Ten-digit local dialing would be required
- ◆ The projected life would be approximately 37 years



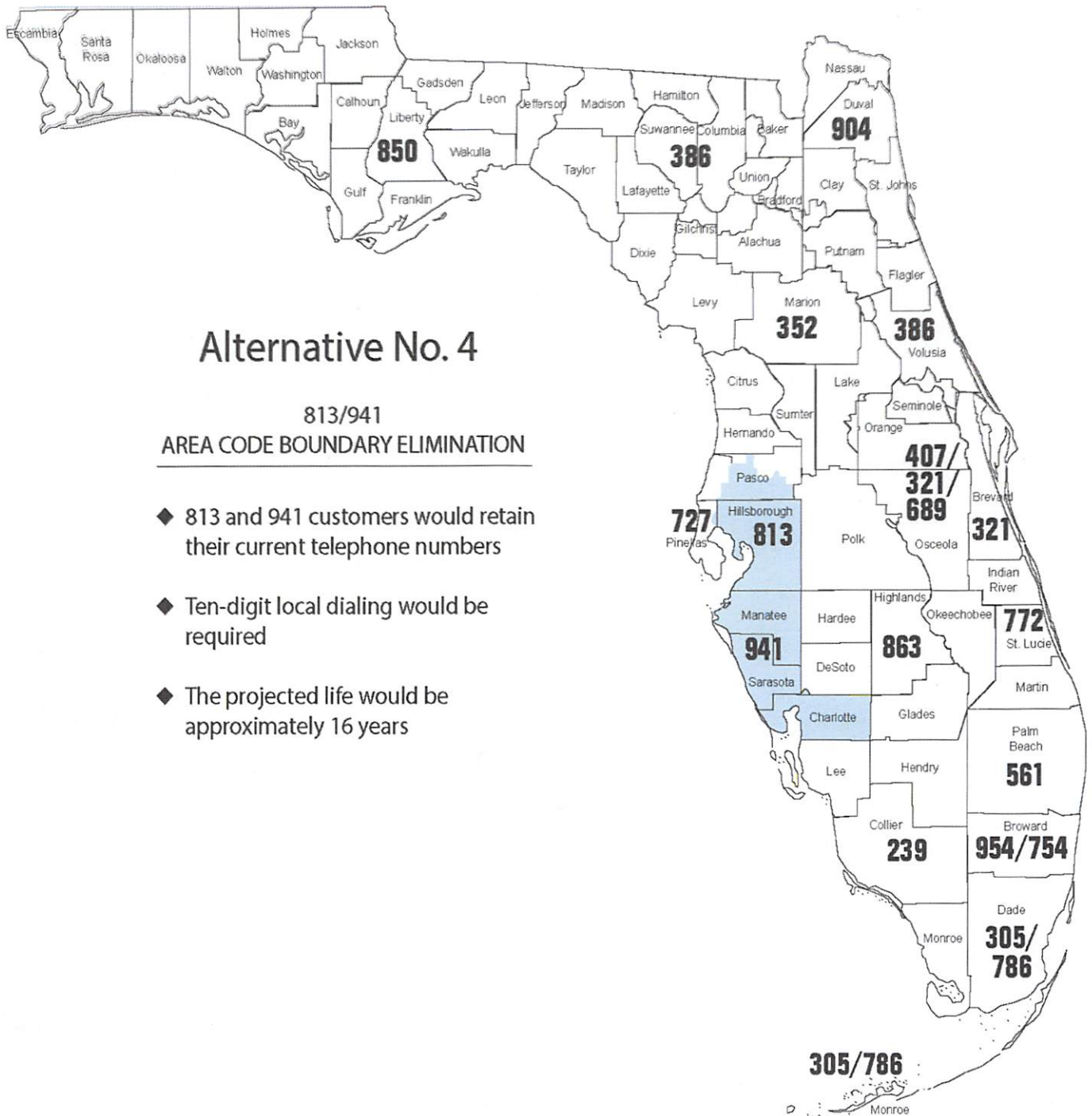


Alternative No. 3

813/863

AREA CODE BOUNDARY ELIMINATION

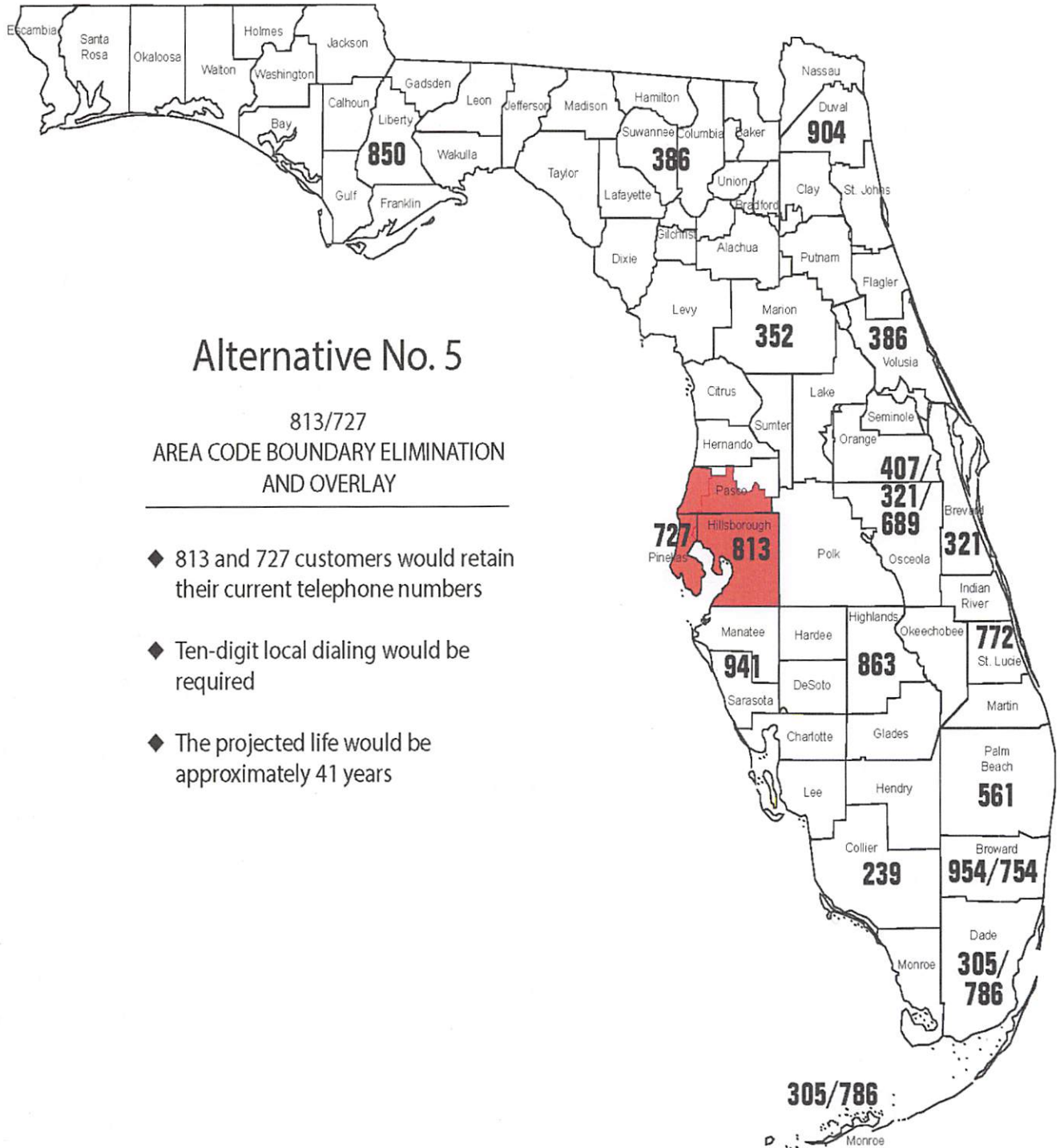
- ◆ 813 and 863 customers would retain their current telephone numbers
- ◆ Ten-digit local dialing would be required
- ◆ The projected life would be approximately 17 years



Alternative No. 4

813/941 AREA CODE BOUNDARY ELIMINATION

- ◆ 813 and 941 customers would retain their current telephone numbers
- ◆ Ten-digit local dialing would be required
- ◆ The projected life would be approximately 16 years



Alternative No. 5

813/727 AREA CODE BOUNDARY ELIMINATION AND OVERLAY

- ◆ 813 and 727 customers would retain their current telephone numbers
- ◆ Ten-digit local dialing would be required
- ◆ The projected life would be approximately 41 years

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: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Office of Industry Development and Market Analysis (Wendel, Fogleman) *BHW* *g7* *ctt*
Office of the General Counsel (Murphy) *cm* *TH*

RE: Docket No. 20180213-TL – Complaint by the Florida Inland Navigation District against BellSouth Telecommunications, LLC d/b/a AT&T Florida d/b/a AT&T Southeast for failure to relocate utility line.

AGENDA: 3/31/20 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
2020 MAR 19 AM 9:16
COMMISSION
CLERK

Case Background

On November 14, 2018,¹ the Florida Inland Navigation District (FIND) filed a complaint against BellSouth Telecommunications, LLC d/b/a AT&T Florida d/b/a AT&T Southeast (AT&T) for failure to relocate unpermitted subaqueous utility lines beneath the Intracoastal Waterway (IWW) in Broward County (2018 Complaint).² FIND is an independent special taxing district of the State of Florida that plans and implements IWW projects to promote safe navigation and the enjoyment of water-based activities along the east coast of Florida.³ FIND asserts that this failure by AT&T has delayed completion and increased the cost of the Broward Deepening Project, in which the IWW channel was to be deepened along a two mile section in the city of Fort

¹ The Complaint was dated October 2, 2018.

² In its 2018 Complaint, FIND variously refers to AT&T's facilities as "line" and "lines."

³ Chapter 374, Florida Statutes (F.S.).

Lauderdale. A major purpose of the project is to allow access of mega-yachts to the channel. The traffic of these vessels is believed to provide an economic benefit to the city. During the planning and design of the project, FIND located and identified submerged utility lines within the anticipated zone of the project.

In September 2015, FIND notified AT&T that an active set of unpermitted utility lines belonging to AT&T would need to be replaced with deeper permitted utility lines. AT&T notified FIND in December 2015, that after completing an analysis of the required efforts it would be able to have the utility lines replaced by December 2016. However, after receiving all of the necessary permitting, AT&T's replacement project did not proceed according to the schedule provided to FIND. In February 2017, AT&T notified FIND of the need for a larger manhole that would encompass the new subaqueous ducts required for the project. This resulted in a shift of the project from a utility line replacement, to a relocation effort. AT&T acquired all necessary new or modified permits by August 2017, and scheduled a pre-construction meeting for January 2018.

After the pre-construction meeting AT&T was notified by the City of Fort Lauderdale that its construction could not be accommodated, as the manhole drilling would be conducted in the footprint of a parking garage that was currently being constructed. AT&T was again required to acquire new or modified permits. AT&T revised its construction schedule and notified FIND that all permits would be submitted by the end of 2018, with construction beginning in early 2019.

In its 2018 Complaint, FIND asserts that AT&T's delay has caused FIND and the Florida taxpayers unnecessary costs, and that until AT&T relocates its utility lines, the full benefits of the Broward Deepening Project cannot be realized.

In the time since the 2018 Complaint was filed with the Commission, staff has been in contact with FIND, AT&T, the parking garage management, the United States Army Corps of Engineers, the Florida Department of Environmental Protection, and the Broward County Department of Environmental Protection and Growth Management. In June 2019, staff determined that there were still issues with AT&T obtaining needed permits and FIND indicated it would like for staff to continue to monitor this matter.

In October 2019, staff learned that AT&T had acquired all needed permits and that AT&T was taking bids for performing the work thereafter. Subsequently, staff learned of additional delays with the utility line relocation project because AT&T had not found a contractor to do the work. In late January 2020, staff learned that AT&T had named a contractor, and that FIND's engineers believe construction would begin in the first quarter of 2020. Nonetheless, FIND has asked that staff bring a recommendation to the Commission regarding FIND's 2018 Complaint. The relief requested by FIND in its 2018 Complaint is "that the Commission, in its supervisory role over Florida's regulated utilities, review and consider this situation, and encourage AT&T (and its permitting agents) to relocate its subaqueous utility lines in a timely and effective manner."

Discussion of Issues

Issue 1: Should the Commission require AT&T to relocate its subaqueous utility lines, beneath the Intracoastal Waterway in Broward County, in a timely and effective manner?

Recommendation: No. The Commission does not have jurisdictional authority to require AT&T to relocate its subaqueous utility lines, beneath the Intracoastal Waterway in Broward County, in a timely and effective manner. (Wendel, Fogleman, Murphy)

Staff Analysis: Neither Chapter 364, F.S., (governing Commission regulation of telecommunications companies) nor Chapter 350, F.S., (establishing the Commission's general authority) authorizes the Commission to require AT&T to relocate subaqueous utility lines currently located beneath the IWW. For a number of months, Commission staff has reviewed this matter, and encouraged AT&T to relocate its subaqueous utility lines as requested by FIND. However, absent Commission authority to compel action by both AT&T and the entities which must review and permit AT&T's line relocation, there does not appear to be anything the Commission can do to accelerate the project.

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 Proposed Agency Action Order, this docket should be closed upon the issuance of a Consummating Order. (Murphy)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Proposed Agency Action Order, this docket should be closed upon the issuance of a Consummating Order.

Item 8

State of Florida



Public Service Commission

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

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

DATE: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Mouring, Higgins, Fletcher) *M*
Division of Economics (Wu) *Wu*
Division of Engineering (P. Buys, Doehling, Ellis, Thompson) *TT*
Office of the General Counsel (Brownless) *TC*

RE: Docket No. 20180049-EI – Evaluation of storm restoration costs for Florida Power & Light Company related to Hurricane Irma. *ALM*

AGENDA: 03/31/20 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate *TC*

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On February 22, 2018, the Commission established this docket to review and evaluate Florida Power & Light Company's (FPL or Company) storm restoration costs associated with Hurricane Irma. On August 31, 2018, the Company filed testimony and exhibits in support of the Company's request to recover approximately \$1.27 billion by charging the incremental storm damage to base O&M expenses and offsetting this amount with projected tax savings as a result of the Tax Cuts and Jobs Act (TCJA) of 2017. On June 6, 2019, a Joint Motion to Approve a Stipulation and Settlement (Storm Settlement) between the Office of Public Counsel and FPL was filed in this case.¹ Subsequently, a hearing was held in this case on July 9, 2019, for the

¹ Although the Florida Industrial Power Users Group (FIPUG) was not initially a signatory to the proposed Storm Settlement, it subsequently endorsed the proposed Storm Settlement. See Document No. 04584-2019.

Commission to take final action regarding the evaluation of storm restoration costs for FPL associated with Hurricane Irma. By Order No. PSC-2019-0319-S-EI, the Commission approved the Storm Settlement.²

On February 25, 2020, OPC and FPL filed a Joint Motion to Approve the Hurricane Irma Settlement Implementation Agreement (Implementation Agreement). The Implementation Agreement is attached as Attachment A. If approved, the Implementation Agreement will only impact the timing of the one-time audit provision described in paragraph 18 of the Storm Settlement. The proposed Hurricane Irma Settlement Implementation Agreement would delay the one-time audit until FPL's smart phone application for tracking restoration crews' time and expenses is actually deployed during a hurricane restoration. The Florida Industrial Power Users Group (FIPUG) and the Florida Retail Federation (FRF), parties to this docket, take no position on this motion. If approved by the Commission, this Implementation Agreement will take effect upon Commission approval.

The Commission should vote on whether or not to grant the Joint Motion to Approve the Hurricane Irma Settlement Implementation Agreement.

² Order No. PSC-2019-0319-S-EI, issued August 1, 2019, in Docket No. 20180049-EI, *In re: Evaluation of storm restoration costs for Florida Power & Light Company related to Hurricane Irma*.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Evaluation of storm restoration costs for
Florida Power & Light Company related to Hurricane
Irma

Docket No. 20180049-EI

Dated: February 17, 2020

IMPLEMENTATION AGREEMENT

WHEREAS, Florida Power & Light Company (“FPL” or the “Company”) and Citizens through the Office of Public Counsel (“OPC”) (FPL and OPC together are referred to as the “Parties”) entered into a Stipulation and Settlement (the “Irma Settlement Agreement”) to resolve the issues raised in Docket No. 20180049-EI (In re: Evaluation of storm restoration costs for Florida Power & Light Company related to Hurricane Irma); and

WHEREAS, the Florida Public Service Commission issued its Final Order Approving Stipulation and Settlement Agreement, Order No. PSC-2019-0319-S-EI, on August 1, 2019 which approved the Irma Settlement Agreement; and

WHEREAS, paragraphs 5 through 20 of the Irma Settlement Agreement include a number of Process Provisions, some of which relate to FPL’s development, implementation and intended use of a new smart phone application for entry, recording, and approval of time and expense for line crews and vegetation management crews (the “App”); and

WHEREAS, although FPL intended to utilize the App during the 2019 season, additional testing and training was still ongoing when Hurricane Dorian formed in late August 2019; and

WHEREAS, because the testing and training in the use of the App was ongoing as Hurricane Dorian approached, FPL believed that the prudent course of action was to forego the use of the App in order to facilitate a more efficient restoration effort; and

WHEREAS, the Irma Settlement Agreement includes a process provision at paragraph 18 requiring FPL to engage an independent outside audit firm to conduct an audit of the Company's filed recoverable storm costs of the first named tropical system named by the National Hurricane Center for which claimed damages exceed \$250 million; and

WHEREAS, although Hurricane Dorian caused claimed damages in excess of \$250 million, the Parties agree that the most productive use of the one-time audit provision in paragraph 18 of the Irma Settlement Agreement will occur if the audit is undertaken in connection with FPL's use of the App during restoration efforts for a qualifying named tropical system; and

WHEREAS, in paragraph 19 of the Irma Settlement Agreement, the Parties agreed that the terms of the Irma Settlement Agreement are intended to reduce the amount of discovery in future storm cost recovery proceedings, and the Parties further agreed that they would meet within three months following the issuance of a final order in FPL's next storm cost recovery proceeding to discuss limitations on written discovery in future storm cost proceedings that the parties would provide to Staff for recommended use in future storm cost recovery proceedings.

WHEREAS, the Parties agree that although the one-time audit described in paragraph 18 of the Irma Settlement Agreement will be more productive if undertaken in connection with FPL's use of the App during restoration efforts for a qualifying named tropical system, the paragraph 19 provision for a meeting and potential agreement on proposed limitations on storm cost recovery discovery contains no reference to or condition on the use of the App, and accordingly the meeting

contemplated under paragraph 19 should still take place within three months following the issuance of a final order in the anticipated Hurricane Dorian docket.

IMPLEMENTATION AGREEMENT PROVISIONS

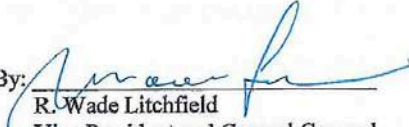
1. The Parties agree that the one-time audit provision described in paragraph 18 of the Irma Settlement Agreement will not be utilized or undertaken in connection with FPL's Hurricane Dorian restoration efforts or any docket to determine the prudence of FPL's Hurricane Dorian costs.
2. FPL will engage an independent outside audit firm to conduct an audit of the Company's filed recoverable storm costs of the first named tropical system named by the National Hurricane Center for which claimed damages exceed \$250 million, and for which FPL utilizes the App in connection with its restoration efforts.
3. In the event a docket is opened to determine the prudence of FPL's Hurricane Dorian costs, within three months following the issuance of a final order in that docket, and notwithstanding the unavailability of the App during the Hurricane Dorian event, the parties will still meet to discuss limitations on written discovery in future storm cost recovery proceedings.
4. In the event the Parties agree on any express limitations on written discovery for future storm cost recovery proceedings, the proposed limitations will be provided to Staff as

recommended for inclusion in the Order Establishing Procedure issued in future FPL storm cost recovery proceedings.

5. The Parties agree that the provisions of this Implementation Agreement are in the public interest.
6. This Implementation Agreement may be executed in counterpart originals, and a scanned .pdf copy of an original signature shall be deemed an original. Any person or entity that executes a signature page to this Implementation Agreement shall become and be deemed a Party with the full range of rights and responsibilities provided hereunder, notwithstanding that such person or entity is not listed in the first recital above and executes the signature page subsequent to the date of this Implementation Agreement, it being expressly understood that the addition of any such additional Party(ies) shall not disturb or diminish the benefits of this Implementation Agreement to any current Party.

In Witness Whereof, the Parties evidence their acceptance and agreement with the provisions of this Implementation Agreement by their signature.

FLORIDA POWER & LIGHT COMPANY
R. Wade Litchfield, Esq.
700 Universe Boulevard
Juno Beach, Florida 33408

By: 
R. Wade Litchfield
Vice President and General Counsel

OFFICE OF PUBLIC COUNSEL
J.R. Kelly, Esq.
The Florida Legislature
111 West Madison Street
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By: 
J.R. Kelly
Public Counsel

Item 9

State of Florida



Public Service Commission

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

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

DATE: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Snyder, M. Andrews, D. Buys, Mouring, Sowards) *PS MA*
Division of Engineering (P. Buys, King, Knoblauch, Lewis) *CL DS*
Office of the General Counsel (Trierweiler, Crawford, Schrader) *KS SC*

RE: Docket No. 20190109-GU – Petition for recovery of costs associated with Hurricane Michael and replenishment of storm reserve, by Peoples Gas System.

AGENDA: 03/31/20 – Regular Agenda – Proposed Agency Action – Interested Parties May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On April 25, 2019, Peoples Gas System (Peoples or Company) filed a petition to recover approximately \$3.4 million for the incremental restoration costs related to Hurricane Michael and to replenish the Company's storm reserve. On July 29, 2019, the Commission issued an order allowing Peoples to implement an interim storm recovery surcharge beginning with the first billing cycle of August 2019.¹ Collections for the storm surcharge concluded in December 2019.

On February 12, 2020, Peoples and OPC (The Parties) filed a Joint Petition for Approval of Stipulation and Storm Cost Settlement Agreement (Settlement Agreement). The Settlement

¹Order No. PSC-2019-0310-PCO-GU, issued July 29, 2019, in Docket No. 20190109-GU, *Petition for recovery of costs associated with Hurricane Michael and replenishment of storm reserve, by Peoples Gas System.*

Agreement is attached as Attachment A. The Settlement Agreement includes adjustments to the recoverable storm amount and future process improvements for cost effective and timely storm damage recovery and service restoration.

The Settlement Agreement includes total adjustments to the storm cost recovery amount of \$147,220, including \$115,867 for regular payroll to be reclassified as capital and added to the Company's Plant in Service balance. After adjustments, the revised recoverable storm amount is \$3,235,482. The amount collected through the interim storm restoration recovery charge was \$3,421,631. The resulting over-recovery amount of \$186,149 will be credited to Peoples' Energy Conservation Cost Recovery Clause filing in 2020.

The Parties agree to a set of future storm restoration process improvements intended to allow cost-effective and timely storm damage recovery and service restoration that reasonably balances the customers' right to have service promptly restored with the customers' right not to pay excessive or improper costs to achieve that restoration. The future process improvements cover a broad range of storm cost recovery issues, including: contracting and vendor engagement, travel and work policies, cost documentation, auditing and regulatory recovery processes, and a methodology for determining incremental costs.

If approved by the Commission, the over-recovery amount of \$186,149 will be credited to Peoples' Energy Conservation Cost Recovery Clause filing in 2020 and returned to customers through the trueup. The Parties will meet to evaluate the procedures and consider the need to amend them during the first quarter of 2022 and every three years thereafter.

The Settlement Agreement becomes effective after three milestones are met: the settlement agreement is approved by the Commission, a final order has been issued, and the final order becomes unappealable.

The Commission should vote on whether or not to grant the Joint Motion for Approval of Stipulation and Storm Cost Settlement Agreement at Attachment A.

FILED 2/12/2020
DOCUMENT NO. 00886-2020
FPSC - COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for recovery of costs associated with Hurricane Michael and replenishment of storm reserve, by Peoples Gas System

Docket No. 20190109-GU
Submitted for Filing: Feb. 12, 2020

JOINT PETITION FOR APPROVAL OF STIPULATION AND STORM COST SETTLEMENT AGREEMENT

Peoples Gas System (“Peoples” or the “Company”) and the Office of Public Counsel (“OPC”) hereby petition the Florida Public Service Commission to approve the Storm Cost Settlement Agreement “SCSA” dated February 6, 2020, which is attached hereto as Exhibit A which the joint petitioners have entered into for the resolution of all issues relating to Peoples’ recovery of costs associated with Hurricane Michael and the replenishment of its storm reserve. In support of this petition, the joint petitioners represent as follows:

- 1. The names, addresses and telephone numbers of the joint petitioners are as follows:

Peoples Gas System
702 N. Franklin Street
Tampa, Florida 33602
(813) 228-4111

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400
(850) 488-9330

- 2. The names and addresses of the persons authorized to receive notices and communications with respect to this Joint Petition are:

Andrew M. Brown, Esquire
AB@macfar.com
Macfarlane Ferguson & McMullen
P.O. Box 1531
Tampa, Florida 33601

Ms. Paula Brown
regdept@tecoenergy.com
Manager, Regulatory Coordination
Peoples Gas System
702 N. Franklin Street
Tampa, Florida 33602

Ms. Kandi Floyd
kfloyd@tecoenergy.com
Directory, Regulatory Affairs
Peoples Gas System
702 N. Franklin St.
Tampa, Florida 33602

J.R. Kelly, Esquire
A. Mireille Fall-Fry, Esquire
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400

3. Peoples is a public utility as defined by Section 366.02, Florida Statutes, and is subject to the regulatory jurisdiction of the Commission established by Chapter 366, Florida Statutes. The OPC provides legal representation for the people of the State of Florida in proceedings before the Commission as authorized and directed by Section 360.0611, Florida Statutes.

4. On October 10, 2018, Hurricane Michael made landfall east of Panama City, Florida, near Mexico Beach, Florida, as a category five hurricane with winds of 160 mph. The storm caused catastrophic damage in the panhandle of Florida, including significant damage to Peoples' infrastructure in the area. Peoples responded to approximately 3,500 calls to address customer needs and responded to approximately 1,550 emergency leak orders. At the time of the storm, Peoples had a balance of \$79,125 in the company's storm reserve account. Peoples incurred a total of \$3,872,698 of direct Hurricane Michael related storm responsive and restoration costs.

5. On April 25, 2019, Peoples filed its Petition for recovery of costs associated with Hurricane Michael and replenishment of storm reserve which was assigned Docket

Number 20190109-GU. In that Petition, Peoples sought recovery of \$3,312,052 of incremental storm response and restoration costs due to Hurricane Michael. Peoples alleged that it incurred a total of \$3,872,698 related to Hurricane Michael related storm response and restoration costs that included \$205,503 of capital expense and \$355,093 as operation and maintenance expense costs that Peoples was not seeking to recover. Included in the \$3,382,702, Peoples sought to recover \$27,255 related to the write-off of customer accounts due to the customers financial difficulties following the storm and \$79,125 to replenish the balance of the storm reserve to its pre-Hurricane Michael level.

6. The OPC intervened in this docket on May 2, 2019. On July 3, 2019, Peoples and OPC filed a Joint Notice of Partial Stipulation in which Peoples agreed that it would not seek recovery of \$27,255 in uncollectible accounts. As part of that stipulation, OPC waived objection to Peoples seeking to implement an interim surcharge in the form of the proposed storm cost recovery mechanism ("SCRM"), subject to final true-up of the allowable incremental costs.

7. On July 29, 2019, the Commission issued an order allowing Peoples to implement an interim SCRM beginning on the first billing cycle of August 2019 that would be subject to true-up and refund pending a formal proceeding to determine the prudence and reasonableness of the actual final restoration costs. The joint petitioners have engaged in discussions and negotiations and Peoples has provided requested information and supporting documentation concerning the storm recovery to the Commission and OPC in response to data and audit requests. The joint petitioners have engaged in discussions and negotiations and have reached an agreement on the prudent

and reasonable storm cost recovery costs that should be included for recovery including specific accounting procedures that the Company will follow for future storm costs and certain documentation that the Company will provide in future storm cost proceedings. Per Exhibit A to the original Petition, the requested recoverable storm amount was \$3,382,702. After the \$147,220 of specific adjustments detailed in the SCSA, the revised recoverable storm amount per this settlement is \$3,235,482. The amount collected pursuant to the interim storm restoration recovery charge was \$3,421,631. The details of the specific adjustments to the recoverable amount are contained in the SCSA attached as Exhibit A. The Parties have agreed that the over recovery amount of \$186,149 will be credited to Peoples' energy conservation cost recovery clause filing in 2020 and returned to customers through the true-up of that clause.

8. In addition to agreeing on the amount of recoverable costs, Peoples agreed to future process improvements including implementation of new processes with regard to contracting and vendor engagement, travel and work policies, cost documentation, auditing, and regulatory recovery process. The joint petitioners also agreed on use of a further defined incremental cost methodology and the calculation methodology for base payroll, overtime and other costs in future storm recovery scenarios.

9. The joint petitioners request that following review by the Commission of the Settlement Agreement, the Commission will consider and approve the SCSA Settlement Agreement at the earliest agenda conference practicable.

10. The joint petitioners represent that the SCSA is in the public interest, and fairly and reasonably balances the interests of Peoples and the short-term and long-term

interests of its customers on issues of storm cost recovery from the effects of Hurricane Michael and on the implementation of new processes for cost recovery. The joint petitioners further represent that the SCSA is fully consistent with and supportive of the Commission's longstanding policy of encouraging the settlement of proceedings in a manner that benefits the rate payers of utilities subject to the Commission's regulatory jurisdiction and will avoid the need for further costly and time consuming litigation of this matter before the Commission.

WHEREFORE, for the forgoing reasons, the joint petitioners respectfully request that the Commission approve in its entirety the SCSA which is attached hereto.

Respectfully submitted,

PEOPLES GAS SYSTEM



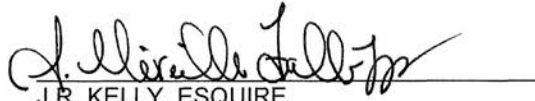
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Attorneys for Peoples Gas System

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Respectfully submitted,

OFFICE OF PUBLIC COUNSEL

A handwritten signature in black ink, appearing to read "A. Mireille Fall-Fry", written over a horizontal line.

J.R. KELLY, ESQUIRE
A. MIREILLE FALL-FRY, ESQUIRE
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Exhibit A

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for recovery of costs associated with / Docket No. 20190109-GU
Hurricane Michael and replenishment of storm /
reserve, by Peoples Gas System. _____ Filed: Feb. 12, 2020

STORM COST SETTLEMENT AGREEMENT

WHEREAS, this “Storm Cost Settlement Agreement (“Agreement”) is entered into by and between Peoples Gas System (“PGS” or the “Company”) and the Office of Public Counsel (“OPC”). Collectively, PGS and OPC shall be referred to herein as the “Parties.”

WHEREAS, this Agreement sets forth the Company’s allowable and recoverable prudent and reasonable Hurricane Michael storm costs and resolves all related issues for review and approval by the Florida Public Service Commission (“FPSC”).

I. Procedural Background

WHEREAS, on May 25, 2019, PGS filed the Petition of Peoples Gas System for Recovery of Costs Associated with Hurricane Michael and Replenishment of Storm Reserve, as well as testimony, schedules and other documentation in support of its request. In the Petition, PGS seeks approval for recovery of \$3,382,702 in “incremental storm response and restoration costs associated with Hurricane Michael, subject to final true-up.” The petition was the first of its kind for a gas company.

WHEREAS, in its filing and testimony, the Company states that it calculated the incremental costs in accordance with rule 25-6.0143(e), F.A.C. (“Rule”). The Rule does not strictly apply to gas companies. The Rule defines and limits the deferral of storm response and restoration costs to the storm damage reserve account, and ultimately, the recovery of those costs, to certain “incremental” costs. The Rule generally describes the calculation of the “incremental” costs using an Incremental Cost and Capitalization Approach (“ICCA”) methodology. The Rule allows deferral and, ultimately, recovery of prudent and reasonable costs “that are incremental to costs normally charged to non-cost recovery clause operating expenses in the absence of a storm.” The Rule also

allows deferral and, ultimately, recovery of capital expenditures in excess of the “normal costs for the removal, retirement and replacement of . . . [damaged] facilities in the absence of a storm.” The Rule provides no further guidance for the calculation of “incremental” or “normal” costs.

WHEREAS, on July 3, 2019, PGS and OPC filed a Joint Notice of Partial Stipulation (“Interim Stipulation”). The Interim Stipulation recites the essentials of the Company’s request, memorializes PGS’ agreement that it would not seek recovery of \$27,255 in uncollectible accounts expense as an incremental cost, and states that OPC otherwise does not object to the Company’s implementation of a surcharge in the form of the proposed storm cost recovery mechanism (“SCRM”), subject to final true-up of allowable incremental costs.

WHEREAS, on July 29, 2019, the Commission approved the interim storm restoration recovery charge, subject to final true-up. The interim recovery is subject to true-up and refund pending a formal proceeding to determine the prudence and reasonableness of the actual final restoration costs. The Commission authorized the interim recovery starting with the first billing cycle in August 2019. The Company estimated that the recovery would be complete in December 2019. Finally, the Commission ordered that the docket remain open until all reconciliations and true-ups, including the application of interest on over or under recovery, could be considered by the Commission at a later date.

WHEREAS, OPC has reviewed the Company’s filing, testimony, schedules, workpapers, and other supporting documentation. OPC has conducted discovery, through written interrogatories, requests for production, and a technical conference call, to review and assess the Company’s calculations of the “incremental” costs and the “normal” costs used in those calculations. OPC has audited the Company’s supporting documentation and calculations.

WHEREAS, OPC has identified categories of costs and items within categories of costs that it has determined should not be included in the calculation of “incremental” costs, which the Company agrees should not have been included and should be removed from its request, including, but not limited to: (a) costs that were not authorized pursuant to contracts and should not have been charged to PGS, including costs that were duplicative for certain products and/or services, (b) costs that were not incremental to non-clause recovery of operating expenses, (c) capital expenditures

that were not in excess of “normal” costs, and (d), costs that had inadequate documentation or other support, including the relevant hourly rate sheets for certain contractors.

WHEREAS, the Parties have engaged in discussions to reach a compromise regarding (a) the prudent and reasonable incremental storm costs that may be deferred pursuant to the Rule and that are recoverable through the SCRM and (b) specific accounting procedures that the Company will follow for future storm costs and certain documentation that the Company will provide in future storm cost proceedings that will assist OPC and the Commission in its review and assessment of the storm costs eligible for deferral and recovery.

WHEREAS, the Parties have entered into this Agreement in compromise of positions taken or that could have been taken consistent with their rights and interests under chapters 350, 366 and 120, Florida Statutes, as applicable, and as part of a negotiated exchange of consideration among the Parties, in which each Party has agreed to concessions to the other with the expectation, intent, and understanding that all provisions of this Agreement, upon approval by the Commission, will be enforced by the Commission as to all matters addressed herein with respect to all Parties. By entering into this Agreement, PGS does not admit any liability, wrongdoing, or imprudence with respect to its filing.

NOW THEREFORE, in light of the mutual covenants of the Parties and the benefits accruing to the Parties through this Agreement, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

II. Storm Cost Recovery Amount

A. Summary of Adjustments

OPC disputes certain amounts claimed by PGS as incremental storm costs deferred and recovered through the SCRM. OPC has identified and quantified specific adjustments for costs that are not prudent or reasonable or incremental to the amounts recoverable through base rates or clauses, or that are not in excess of normal costs for the removal, retirement and replacement of damaged facilities in the absence of a storm.

The Company agrees with certain of the specific adjustments identified by OPC and FPSC Staff (per Audit Control No, 2019-253-2-1) and agrees in compromise to the remaining specific and aggregate adjustments identified by OPC as set forth in the following sections.

B. Specific Adjustments

1. PGS agrees that it will forego deferral and recovery through the SCRM of \$27,255 in uncollectible accounts expense. (Interim Stipulation).
2. PGS agrees that it will forego deferral and recovery through the SCRM of \$200 for charges from Allied Universal for telephone costs. (OPC I-1-30).
3. PGS agrees that it will forego deferral and recovery through the SCRM of \$3,248 for charges from Mikell Enterprises to replace a fence that should have been capitalized. (OPC I-1-10).
4. PGS agrees that it will forego deferral and recovery through the SCRM of \$284 for charges from Latham Catering for incidental charges that were duplicative. (OPC I-1-17).
5. PGS agrees that it will forego deferral and recovery through the SCRM of \$72 for charges from Voyager SW Florida that were duplicative. (FPSC audit report).
6. PGS agrees that it will forego deferral and recovery through the SCRM of \$235 for charges from PowerKleen that were missing supporting documentation. (FPSC audit report).
7. PGS agrees that it will forego deferral and recovery through the SCRM of \$59 for charges for battery purchases that were duplicative. (FPSC audit report).
8. PGS agrees that it will forego deferral and recovery through the SCRM of \$115,867 for regular payroll and related costs that are “normal” capital expenditures. This \$115,867 reduction will be classified as capital and added to PGS’ Plant in Service balance in Account 376.02 Mains Plastic (vintage year 2018) for all surveillance and future rate-setting purposes. OPC agrees not to dispute the reasonableness or prudence of this additional \$115,867 of capital in any future rate proceeding. (No. 3 CONF_Bates.pdf at 314-315).

9. The specific adjustments to the SCRM listed above total \$147,220. Per Exhibit A to the Petition, the requested Recoverable Storm Amount was \$3,382,702. After the \$147,220 of specific adjustments detailed above, the revised Recoverable Storm Amount per this settlement is \$3,235,482. The amount collected pursuant to the interim storm restoration recovery charge was \$3,421,631. The over-recovery amount of \$186,149 will be credited to PGS' Energy Conservation Cost Recovery Clause filing in 2020 and returned to customers through the true-up.

III. Future Process Improvements

A. General Description of Storm Restoration, Documentation, Audit, and Rate Recovery Process Improvements

1. The Parties agree to a set of storm restoration process improvements (“procedures”) intended to allow cost effective and timely storm damage recovery and service restoration that reasonably balances the customers’ right to have service promptly restored with the customers’ equal right not to pay excessive or improper costs to achieve that restoration. The principles and process changes are described in greater detail below.
2. PGS agree that it will make a good faith effort to implement as many as possible of the new procedures described below for the 2020 hurricane season and will fully implement the procedures for the 2021 hurricane season. The procedures subsequently described will remain in effect until amended by agreement of the Parties to this Agreement or superseded by action of the FPSC applicable to PGS. The Parties will meet to evaluate the procedures and consider the need to amend them during the first quarter of 2022 and every three years thereafter.

B. Storm Restoration Process Improvements, Contracting and Vendor Engagement, Travel and Work Policies

1. The principles and procedures (and expectations) set forth below will be communicated to vendors and included in the engagement documentation (*i.e.* the documentation which is to be transmitted to a vendor immediately after it has agreed to perform storm restoration work for the Company). An asterisk (*) is placed in front of each applicable term. Additional specific guidance or reinforcement may be contained in individual policy statements.

2. *Contracting Policy.* The Company will make a good-faith effort to contract and establish major terms and conditions with independent vendors/ non-embedded contractors. Where applicable, the terms and conditions should reflect the procedures, policies and expectations outlined in this Agreement. An embedded contractor provides storm restoration services and also performs similar or additional types of services for the Company in non-storm-restoration (non-emergency) conditions on a year-round basis and are Operator Qualified as deemed by federal regulations to perform work on a natural gas system pipeline and other associated appurtenances. A non-embedded contractor does not provide similar or additional types of services for the Company in non-storm-restoration (non-emergency) conditions on a year-round basis.
3. Hourly labor and equipment rates for non-embedded contractors should be separated into hourly labor and daily equipment rates so that equipment rates are based on availability for the day (fixed cost), not by the hour (not variable). The pricing terms contained within existing contracts with embedded contractors will be utilized for storm restoration activities.
4. **Billing Start Point Policy.* The Company will establish a policy that vendor billing should begin at the point crews mobilize after acquisition. The term “mobilize” does not include the time or activity associated with crewmembers traveling to the point of travel departure, but may include reasonable and prudent time and activity associated with stocking supplies and making vehicles ready to travel. Any exceptions to this requirement will be documented.
5. **Travel Time Billing Policy.* The Company will establish a policy and use its best efforts to ensure that contracts with vendors include terms and conditions designed to limit compensation for travel time to the actual time traveled, with no minimum hours, and to require documentation of any exceptions to the policy and the reason therefor.
6. **Pace of Travel Guidance Policy.* The Company will establish a policy for invoice review and storm filing documentation purposes that it expects distribution vendor crews that bill for 12 or more hours of travel in a day to travel 500 miles per day and it will require explanations sufficient to explain the degree of divergence from the expected travel distance.

7. **Anti-Poaching Policy.* In the event that the Company needs to hire non-embedded contractors/vendors, the Company declares that, on an informed basis, it does not and will not “poach” such vendors or vendor crews who are committed to another utility or are part of another utility’s mutual aid allocation without the consent of the other utility. The Company will use its best efforts to communicate with Florida utilities regarding the engagement and the release of vendors. The standardized engagement documentation will communicate that the Company expects that vendors will communicate honestly with other utilities about any prior engagement to provide assistance to decrease the opportunity for “poaching.”
8. **Daily Time Sheet Review and Documentation Policy.* The Company will require, review, verify, and approve the daily time sheets for all applicable vendor crews (*i.e.*, other than those of a local distribution company or gas cooperative/municipality allocated through a mutual assistance organization) and will maintain documentation of the Company’s approval and any exceptions noted by the Company. Electronic interfacing for time sheet review and approval will be utilized by vendors where reasonably practicable, and a spreadsheet template will be made available to all contractors to facilitate consistent application to the maximum extent possible.
9. **16 Hour Work/8 Hour Rest Policy.* The Company will establish a policy (and use its best efforts to ensure that contracts with vendors include necessary terms and conditions) to limit work time to 16 hours on, with 8 hours of rest, with no minimum hours, including the avoidance of double-time billing through efficient management of prior day’s work time and/or current day’s end of rest time/start time. The Company will document any exceptions if it is unable to include such provisions in its contract and the reasons therefor. The Company will also document exceptions to the policy, if any, in the implementation of the policy, and the reasons therefor. The expectations in this policy will be communicated in the engagement documentation provided to all vendors.
10. **Meal and Fuel Policy.* In the event that a base camp exists, the Company will establish a policy for all vendors that all meals and fueling after vendor crews are on-boarded will occur at or be provided by the base camp; exceptions to this policy should be rare and all exceptions must be documented. Any authorized exception where meals are eaten off-site will not be

reimbursed if they exceed a reasonable and customary amount. This Company policy will also include an expectation that no vendor crews will eat sit down meals outside the base camp or will purchase fuel off-site during working hours. The Company will establish a policy that vendor crews receiving meal stipends are expected to eat or receive all meals at or by the base camp once on-boarded. Time related to any unauthorized meals will not be paid. A sit-down meal is defined as a meal served in a restaurant where the crew park and leave their vehicles, enter the restaurant and sit down for a meal served by a server, and the meal is eaten inside the restaurant. These policies will be communicated to all vendors through the standard engagement documentation and, where possible, spelled out in the terms and conditions.

C. Cost Documentation, Auditing and Regulatory Recovery Process

1. *Storm Cost Documentation.* The Company will maintain and provide supporting documentation for each named tropical storm in the form of electronic file folders for each contractor or affiliate. Each such electronic file folder will include one or more summary schedules; each relevant contract and related schedules, including rate sheets; each invoice; all time sheets, etc., as follows:
 - Summary schedule listing all contractor invoices and expenses, exclusions for embedded contractor costs, and total requested.
 - Summary identifying vendor, any reference number associated with discreet vendor crews, billing and point of origin location, distance to travel, assumed travel days, dates secured, date started travel, date arrived, date released, time released, released to whom and, if vendor travels home, the date arrived at home.
 - Contractor review showing the results of the Company's internal review that contains the detail listed on a Storm Audit Narrative, including documentation of all exceptions.
 - Filings will be very similar in organization, showing cost by storm and by cost category, including but not limited to Regular Payroll, Overtime Payroll, Payroll Overheads, Contractors Cost, Logistics, Materials & Supplies, Other.

- The Company will provide the information outlined above in a format that comports with the Company's record keeping and accounting practices on the timeline discussed below. Testimony will be filed after any required independent audit is concluded.
2. *Initial Audit Required.* The Company will conduct an internal audit of the Company's deferred storm costs before seeking recovery of the costs. The purpose, scope and activities of this audit will include, at a minimum, the following:
- **Audit Purpose and Scope**
 - a. The purpose of the audit is to validate that any and all storm costs paid were allowable, legitimate, accurate, incurred within the appropriate time period, adequately and completely supported, and properly approved, ensuring that only actual and approved storm costs are recovered in customer rates.
 - b. The scope of the audit should be sufficient to enable the auditor to evaluate the adequacy and effectiveness of the Company's internal controls (or processes) governing the vendor procurement process, including (1) complete rate agreement, (2) invoice/billing payment review process, and (3) the approval/denial/resolution process, including but not limited to, the Company's payment approval logic for reasonableness, allowability and compliance with contract terms.
 - **Audit Activities**
 - a. Review of operating policies and procedures.
 - b. Review of relevant documents, such as executed contracts, labor and equipment rates, established workday hours, over time and double time criteria, and vendor employee rosters.
 - c. Comparisons between vendor employee rosters and approved timesheets, and expense receipts (hotel, fuel or meal).
 - d. Inspection and comparison of paid invoices to submitted expense receipts, submitted timesheets.

- e. Recalculation and reconciliation of paid invoices.
 - f. Reconciliation of paid invoices with overall vendor invoice summaries or utility expense recap documents.
 - g. Interviews with key personnel if necessary.
3. *Provision of Supporting Documentation.* All supporting documentation will be provided to Parties in response to an agreed, standardized discovery request shortly after the filing of testimony.
 4. *Incremental cost methodology.* The Company will provide a detailed description in its supporting testimony of the methodology and calculations of incremental and non-incremental costs that it employed in accordance with rule 25-6.0143, F.A.C., and the Incremental Cost Methodology Addendum below.

D. Incremental Cost Methodology Addendum

1. The Parties agree that this Incremental Cost Methodology Addendum sets forth a reasonable approach to identifying and calculating incremental storm costs as that concept is used in the Rule.
2. **Base Payroll**
 - a. Affiliate employees. Charge time to the storm reserve charge codes. Then remove the difference between the actual and the 3-year historical average Affiliate base payroll dollars charged to LDC total Operation and Maintenance expense (“O&M”) for the month(s) of the activities directly related to the storm in the absence of a storm. This is the non-incremental portion.
 - b. Utility employees in Gas Operations working on the storm restoration: Charge all time to the storm reserve charge codes. For Gas Operations employees working on the storm restoration, remove the difference between the actual and the 3-year historical average

O&M base payroll dollars for the month(s) of the activities directly related to the storm in the absence of a storm. This is the non-incremental portion.

- c. Utility employees not in Gas Operations and not clause recoverable: Charge all base payroll time to normal charge codes as non-incremental.
 - d. Utility employees who are clause recoverable: Charge all base payroll time to the storm reserve charge codes. This amount is incremental and recoverable.
 - e. The costs attributed to the new processes agreed to by the parties will be treated the same as the “Utility employees who are clause recoverable” bullet above for the first storm these processes are in place, and thereafter will be treated the same as the “Utility employees not in Gas Operations and not clause recoverable” bullet above.
3. **Overtime (OT).** All affiliate and utility employees on storm duty charge OT to storm reserve charge codes. Remove the difference between the actual and the 3-year historical average total PGS OT (including Affiliate OT charged to the PGS) for the month(s) of the activities directly related to the storm in the absence of a storm. This is the non-incremental portion.
4. **Burdens.** Labor burdens follow base and OT payroll charge codes. Follow the same procedures as base and OT payroll above.
5. **Exempt Supplemental Compensation (ESC).** All ESC associated with storm duty for employees who are eligible for overtime is charged to the storm reserve charge codes and is incremental recoverable.
6. **Contractor Costs.** Non-embedded contractors: Charge all invoices to storm reserve charge codes as incremental recoverable. Embedded contractors: Charge all time to storm reserve charge codes. For each division impacted by the storm, remove the difference between the actual and the 3-year historical average embedded contractor O&M costs for the month(s) of the activities directly related to the storm plus the month(s) following the storm in the absence of a storm. This is the non-incremental portion.

7. **Capitalized Costs.** Use a combined simple average of hourly embedded and non-embedded contractor costs to determine amounts to capitalize to plant, property and equipment along with the materials and other cost of equipment.

Notes:

The term “utility” is the same as the Company and is used here to distinguish the operating regulated utility company from any affiliate. To the extent that the three-year period referenced above in this Addendum includes a rate case or settlement test period, the approved rate case or settlement test period data for that year will be used in lieu of the actuals for that year that would otherwise be used in setting the 3-year average, and the other two years will be based on the actual results for those years. The Company will include workpapers and journal entries that support the above calculations as part of its data request responses.

E. Other Provisions

1. The provisions of this Agreement are contingent upon approval of the Agreement in its entirety without modification. The Parties agree that approval of this Agreement is in the public interest. The Parties will support approval of this Agreement and will not request or support any order, relief, outcome or result in conflict with it. No Party to this Agreement will request, support or seek to impose a change to any provision of this Agreement without the agreement of the other Parties. Approval of this in its entirety will resolve all matters and issues in this docket. This docket will be closed effective on the date the Commission Order approving this Agreement is final, and no Party shall seek appellate review of any order issued in this docket.
2. The Parties agree that the non-confidential discovery answers and responses provided to the Parties in this docket will be admitted without cross-examination or objection into the evidentiary record in this docket to support this Agreement.
3. The Parties agree that the responses to OPC Interrogatories and Requests for Production for which PGS has claimed confidentiality will be filed under appropriate requests for confidential protection or classification, or both, and will be admitted without cross-examination or objection into the evidentiary record in this docket to support this Agreement.

4. The Parties agree that this Agreement may be executed in counterpart originals, and a scanned pdf copy of an original signature will be deemed an original. Any principal or entity that executes, or causes to be executed, a signature page to this Agreement will be deemed and become a Party with the full range of rights, obligations, and responsibilities provided hereunder, notwithstanding that such principal or entity is not listed in the first recital above or executes the signature page subsequent to the date of this Agreement. It is expressly understood that the addition of any such additional Party or Parties will not disturb or diminish the benefits of this Agreement to any current Party.
5. This Agreement will become effective when it is approved by the Commission, a final order has been issued, and the final order becomes unappealable ("Implementation Date").

IN WITNESS WHEREOF, the Parties evidence their acceptance and agreement with the provisions of this Storm Cost Recovery Agreement by their signature(s):

Dated this 3rd day of February 2020.

Peoples Gas System

By: 

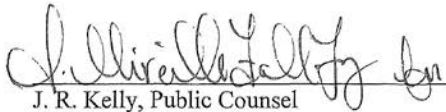
T.J. Szelistowski
President, Peoples Gas System

Signature Page to Stipulation and Settlement Agreement in Docket No. 20190109-GU

IN WITNESS WHEREOF, the Parties evidence their acceptance and agreement with the provisions of this Storm Cost Recovery Agreement by their signature(s):

Dated this 6th day of February 2020.

Office of Public Counsel



J. R. Kelly, Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400

Signature Page to Stipulation and Settlement Agreement in Docket No. 20190109-GU

Item 10

State of Florida



Public Service Commission

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

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

DATE: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (M. Andrews, B. Buys, Mouring, Fletcher, Richards, Cicchetti) *MA* *MB* *M* *ALM*
Division of Economics (Coston, Forrest) *ESD* *JCH*
Office of the General Counsel (Stiller, Crawford, Schrader) *Stiller* *CS*

RE: Docket No. 20200039-GU – Petition for approval to implement a temporary storm cost recovery surcharge, by St. Joe Natural Gas Company.

AGENDA: 03/31/20 – Regular Agenda – Participation is at the Commission’s Discretion

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On January 24, 2020, St. Joe Natural Gas Company (SJNG or Company) filed its petition to recover incremental storm restoration costs related to Hurricane Michael. SJNG’s service area includes Mexico Beach and Port St. Joe, and its natural gas distribution system sustained significant damage as a result of Hurricane Michael. The Company has incurred incremental costs of \$321,012 and projects \$60,500 in remaining costs to complete the restoration of its gas system to pre-storm condition. SJNG is requesting to recover the \$381,512 over a four-year period. Currently, SJNG is not a party to any settlement agreement regarding storm restoration expenditures, nor does SJNG have a storm reserve balance. The Company requests to implement a monthly per therm surcharge for all customer classes. Residential customers will see an impact that will range from approximately \$1.68 to \$3.10 per month based on the level of usage.

Docket No. 20200039-GU

Date: March 19, 2020

The Office of Public Counsel's intervention in this docket was acknowledged by Order No. PSC-2020-0066-PCO-GU, issued March 2, 2020.

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

Discussion of Issues

Issue 1: Should the Commission authorize SJNG to implement a temporary storm cost recovery surcharge?

Recommendation: Yes, the Commission should authorize SJNG to implement a temporary storm cost recovery surcharge. Once the total actual storm costs are known, SJNG should be required to file documentation of the total storm costs for Commission review and true-up of any over/under recovery. The disposition of any over/under recovery, and associated interest, will be considered by the Commission at a later date. (M. Andrews, Mouring)

Staff Analysis: As stated in the Case Background, SJNG filed a petition for approval of a temporary storm cost recovery surcharge to recover the incremental costs associated with Hurricane Michael. The Company's total requested recovery amount of \$381,512 includes \$321,012 in actual costs that SJNG has determined to be incremental and \$60,500 in projected costs. SJNG asserts that this amount was calculated in accordance with the Incremental Cost and Capitalization Approach (ICCA) methodology.

The approval of a temporary storm cost recovery surcharge 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 temporary storm cost recovery surcharge, a determination will be made whether any over/under recovery has occurred. The disposition of any over/under recovery, and associated interest, will be considered by the Commission at a later date. Under Section 366.06, F.S., the Commission has authority to allow for temporary storm cost recovery surcharges subject to refund: “[P]ursuant to the authority granted by the ‘file and suspend’ provisions of Section 366.06(3), Florida Statutes, this Commission may establish, prior to an evidentiary administrative hearing, rates subject to refund outside of full base rate proceedings.”¹

After reviewing the information provided by SJNG in its petition, staff recommends that the Commission authorize SJNG to implement a temporary storm cost recovery surcharge subject to refund. Once the total actual storm costs are known, SJNG should be required to file documentation of the storm costs for Commission review and true-up of any over/under recovery. Staff emphasizes that this recommendation is only for purposes of implementing temporary storm cost recovery surcharges and is not a confirmation or endorsement of the prudence of SJNG's actual or projected costs. This recommendation only allows SJNG to begin recovery on an interim basis. This interim recovery is subject to refund following a hearing or formal proceeding where the veracity and prudence of SJNG's actual restoration costs can be fully vetted.

¹Order No. PSC-05-0187-PCO-EI, issued February 17, 2005, in Docket No. 041291-EI, *In re: Petition for authority to recover prudently incurred storm restoration costs related to 2004 storm season that exceed storm reserve balance, by Florida Power & Light Company*, at p.14.

Date: March 19, 2020

Issue 2: Should the Commission approve SJNG's proposed Hurricane Michael temporary storm cost recovery tariff?

Recommendation: Yes, the Commission should approve SJNG's proposed tariff as shown in Attachment A to the recommendation, effective May 1, 2020. (Forrest)

Staff Analysis: SJNG is seeking approval of temporary storm cost recovery surcharges as shown in the second revised tariff sheet No. 83 (Attachment A to this recommendation). The Company is requesting the temporary surcharges to remain in effect for a period of 48 months, starting May 1, 2020. Staff reviewed the surcharge factor calculation shown on page 2 of Attachment B of the petition and believes the surcharges have been calculated correctly and consistent with the methodology used to calculate the Company's Commission-approved Energy Conservation Cost Recovery factors.

SJNG has three residential rate schedules, based on annual therm consumption. An RS-1 customer, using eight therms per month, will see a bill increase of \$1.68 per month. An RS-2 customer, using 18 therms per month, will see a bill increase of \$2.28 per month. Finally, a residential customer in the RS-3 class, with a monthly usage of 32 therms, will see a bill increase of \$3.10 per month. SJNG will notify its customers of the proposed surcharges during the April billing cycle.

Staff recommends that the Commission approve SJNG's proposed Hurricane Michael temporary storm cost recovery tariff, as shown in Attachment A to the recommendation, effective May 1, 2020.

Date: March 19, 2020

Issue 3: What is the appropriate security to guarantee the amount collected subject to refund through the temporary storm cost recovery surcharge?

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

Staff Analysis: The Company has requested a corporate undertaking to guarantee the amount collected through the temporary storm cost recovery surcharges. The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Staff reviewed SJNG's 2016, 2017 and 2018 annual reports filed with the Commission to determine the financial condition of the Company. SJNG has experienced a decreasing Net Income over the past three years, with a reported Net Income of \$68,489 in 2018. However, SJNG has \$3,058,268 of equity out of a total capitalization of \$3,778,268 indicating an equity ratio of 80.9 percent. Also, SJNG's relative level of liquidity over the most recent three-year period is within acceptable parameters and the Company's interest coverage ratio is 4.0, which demonstrates an ability to cover its interest obligations. Based on this analysis and the totality of the circumstances, staff recommends that SJNG be allowed to secure the amount collected through a corporate undertaking.

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.

Issue 4: Should this docket be closed?

Recommendation: No, this docket should remain open pending final reconciliation of actual recoverable Hurricane Michael storm costs with the amount collected pursuant to the temporary storm cost recovery surcharge. The disposition of any over or under recovery, and associated interest, will be considered by the Commission at a later date. (Stiller)

Staff Analysis: No, this docket should remain open pending final reconciliation of actual recoverable Hurricane Michael storm costs with the amount collected pursuant to the temporary storm cost recovery surcharge. The disposition of any over or under recovery, and associated interest, will be considered by the Commission at a later date.

ST. JOE NATURAL GAS COMPANY, INC.
Original Volume No. 4

Second Revised Sheet No. 83
Cancels First Revised Sheet No. 83

RATE SCHEDULE TEMPORARY STORM COST RECOVERY SURCHARGE

APPLICABILITY

Applicable to Customers receiving Gas Service under the following rate schedule.

DETERMINATION OF TEMPORARY STORM COST RECOVERY SURCHARGE

The Temporary Storm Cost Recovery Surcharge will be a per therm rate per month for the bills rendered for meter readings taken on or after May 1, 2020, beginning with the first or applicable billing cycle through the last billing cycle for April 30, 2024. The Customer's monthly bill for Gas Service shall be increased by the Temporary Storm Cost Recovery Surcharge determined in accordance with this tariff.

Temporary Storm Cost Recovery Surcharge factors are shown below:

RATE CLASS	ADJUSTMENT FACTOR
RS-1	21.038 cents per therm
RS-2	12.684 cents per therm
RS-3	09.689 cents per therm
GS-1	08.345 cents per therm
GS-2	04.014 cents per therm
GS-4/FTS-4	02.125 cents per therm

This rate schedule is subject to Rules and Regulations of the Company and the Florida Public Service Commission.

Issued By: Stuart L. Shoaf, President
Issued On:

Effective: May 1, 2020

Item 11

State of Florida



Public Service Commission

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

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

DATE: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Bennett, Norris) *WB*
Division of Economics (Bethea, Hudson) *TB St*
Division of Engineering (Graves, Knoblauch, M. Watts) *EK MFA*
Office of the General Counsel (Murphy) *Can TM*

RE: Docket No. 20190113-WS – Application for staff-assisted rate case in Manatee County by Heather Hills Utilities, LLC. *ALM*

AGENDA: 03/31/20 – Regular Agenda – Proposed Agency Action – Except for Issue Nos. 11, 13, and 14 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: 9/10/2020 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

Table of Contents

Issue	Description	Page
	Case Background.....	3
1	Quality of Service.....	4
2	Operating Conditions.....	7
3	U&U Percentages	8
4	Average Test Year Rate Bases	10
5	Rate of Return.....	12
6	Test Year Revenues	13
7	Operating Expenses	14
8	Operating Ratio	19
9	Appropriate Revenue Requirement	20
10	Appropriate Rate Structures	21
11	Appropriate Rate Reduction	23
12	Customer Deposits.....	24
113	Temporary Rate Approval.....	26
14	Books and Records	28
15	Docket Closure	29
	Schedule No. 1-A.....	30
	Schedule No. 1-B.....	31
	Schedule No. 1-C.....	32
	Schedule No. 2.....	33
	Schedule No. 3-A.....	34
	Schedule No. 3-B.....	35
	Schedule No. 3-C.....	36
	Schedule No. 3-D.....	38
	Schedule No. 3-E.....	39
	Schedule No. 4-A.....	40
	Schedule No. 4-B.....	41

Case Background

Heather Hills Utilities, LLC (Heather Hills or Utility) is a Class C water and wastewater utility providing service to approximately 354 residential customers and one general service customer in Manatee County. Effective October 30, 2018, Heather Hills was granted the approval of transfer for Certificate Nos. 577-W and 498-S from Heather Hills Estates Utilities, LLC.¹ According to Heather Hills' 2018 Annual Report, total gross revenues were \$63,397 for water and \$104,312 for wastewater, and total operating expenses were \$69,910 for water and \$114,689 for wastewater, resulting in net operating losses of \$6,513 and \$10,377, for water and wastewater, respectively.

On May 9, 2019, Heather Hills filed an application for a staff-assisted rate case (SARC). Pursuant to Section 367.0814(2), Florida Statutes (F.S.), the official filing date of the SARC is July 10, 2019. The 12-month period ended May 31, 2019, was selected as the test year for the instant docket.

During the test year the owner operated 14 utilities. Subsequent to the test year, the owner purchased an additional utility. As such, the Owner of the Utility now manages and owns 15 utilities. Common costs for each utility are allocated on the basis of customer count. Heather Hills' allocation is 5 percent for water and 5 percent for wastewater, for a total of 10 percent, unless otherwise noted.

This recommendation addresses Heather Hills' proposed rates. This Commission has jurisdiction pursuant to Sections 367.081, 367.0814, and 367.091, F.S.

¹ PSC-2018-0561-PAA-WS, issued November 26, 2018, in Docket No. 20170151-WS, *In re: Application for transfer of Certificate Nos. 577-W and 498-S in Manatee County from Heather Hills Estates Utilities, LLC to Heather Hills Utilities, LLC.*

Discussion of Issues

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

Recommendation: Staff recommends that the overall quality of service for Heather Hills should be considered satisfactory. (Knoblauch, M. Watts)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), the Commission, in every rate case, shall make a determination of the quality of service provided by the utility by evaluating the quality of the utility's product (water) and the utility's attempt to address customer satisfaction (water and wastewater). In accordance with the Rule, the most recent chemical analyses, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the county health department, along with any DEP and county health department officials' testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints shall also be considered.

Quality of the Utility's Product (Water)

Heather Hills does not have its own wells or water treatment facilities. It provides water to its customers by purchasing bulk water from Manatee County; therefore, the Utility only maintains its distribution system. As a reseller of water, Heather Hills is not subject to the DEP's secondary water standards which regulate contaminants that may impact the taste, odor, and color of drinking water. The chemical analyses required within Heather Hills' distribution system include microbiological, disinfection byproducts, asbestos, lead and copper. Staff reviewed the Utility's most recent results for the distribution system, and all results were in compliance with the DEP's rules and regulations which protect public health.

Staff held a customer meeting on November 5, 2019, to receive customer comments regarding the quality of service. At the meeting, 13 customers spoke and of those customers, none of the comments concerned the quality of the water. The concerns voiced at the customer meeting were largely related to customer service and the rate increase, which are discussed in more detail below.

Heather Hills has no outstanding citations, violations, and consent orders on file with the DEP. Additionally, there have been no complaints regarding the quality of the Utility's product filed with the Utility, the Commission, or the DEP, over the last five years.

The Utility's Attempt to Address Customer Satisfaction (Water & Wastewater)

Table 1-1 shows a summary of the complaints received at the customer meeting, as well as complaints received by the Commission's complaint tracking system, the DEP, and Heather Hills over the past five years.

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

Complaint Type	Customer Meeting	Commission Records	DEP Records	Utility Records
Billing	4	10	0	0
Customer Service	6	1	0	0
Leak	0	1	1	0
Wastewater	0	0	0	1
Rate Case	6	0	0	0
Infrastructure	3	0	0	0
Other*	0	1	0	1
Total**	19	13	1	2

*Other complaints relate to a meter and improper disconnect.

**A single customer complaint may be counted more than once if it fits into multiple categories.

Customer Meeting

At the customer meeting, six customers voiced dissatisfaction with Heather Hills’ customer service; specifically, that it is difficult to reach the Utility by phone or that customers’ calls are not returned. The customers also voiced concern about the distance of the Utility’s office from the service territory, resulting in additional travel time for service problems to be addressed, as well as the excessive use of weed killer around the meter boxes. The remaining concerns were related to the rate case, billing issues, and the age of Heather Hills’ infrastructure.

In response to the comments made at the customer meeting, Heather Hills stated that when Utility employees are unable to answer calls, customers can leave a voicemail and calls are returned the same day or by the following business day.² During non-business hours, the Utility employs an answering service; however, the service is for emergency calls only. In regard to the distance of the Utility’s office from the service territory, Heather Hills asserted that there have been no instances of delays due to this distance, and a maintenance technician visits the system frequently. Additionally, as part of ongoing maintenance, the Utility stated that weed killer is used to ensure meters can be read in a timely manner.

The Utility further stated that a full-time position had been previously approved by the Commission, and this position would help to address comments about Heather Hills’ customer service. In Order No. PSC-2018-0439-PAA-WU, the Commission found it appropriate to increase a part-time billing position to full time.³ However, the Utility indicated that the position is vacant and it is currently seeking applicants.

² Document No. 11248-2019, filed December 9, 2019, in Docket No. 20190113-WS, *In re: Application for staff-assisted rate case in Manatee County by Heather Hills Utilities, LLC.*

³ Order No. PSC-2018-0439-PAA-WU, issued August 28, 2018, in Docket No. 20170230-WU, *In re: Application for staff-assisted rate case in Pasco County by Orange Land Utilities, LLC.*

Complaints

As noted above, there were no complaints on the quality of the Utility's product over the last five years; however, 13 non-water quality and 1 wastewater complaints were found. A review of the Commission's complaint tracking system revealed 11 complaints in the previous five-year period. Eight complaints were related to billing and one complaint was related to an improper disconnection. The complaints were forwarded to the Utility for resolution, and each complaint has been closed. The remaining two complaints were recorded as quality of service complaints in the Commission's complaint tracking system, and were regarding a disconnection fee and leak repair work with a billing issue. For the first complaint, staff found that the disconnect fees being charged were correct according to Heather Hills' tariff. The second complaint was made about a delay in repairing a water leak, unprofessional customer service, and a late fee. The customer stated that the leak was addressed, and the late fee concern was resolved. It should be noted that in Table 1-1, both of these complaints have been recorded as relating to billing, and the second complaint was also recorded as a leak and a customer service complaint. Furthermore, of the 11 complaints received by the Commission, only 4 were received after the system was purchased by the current owner in 2017. All four of these complaints were regarding billing problems and were resolved.

In response to staff's first data request, Heather Hills provided two complaints that were received by the Utility. On July 19, 2018, a customer indicated that wastewater was backing up into her yard. The customer was advised to contact a plumber, who found that the problem was not with the customer's line, and the issue was resolved by the Utility. On March 28, 2019, the Utility received a complaint that a customer's water meter was not recording usage, and the customer's meter was replaced. In addition, staff contacted the DEP requesting complaints regarding Heather Hills for the prior five years, and one complaint was provided. The complaint was received on January 3, 2018, and was in regard to a leaking flow meter and that a precautionary boil water notice was not issued. The complaint was resolved after it was determined that, due to the location, the customer was responsible for the repair of the leak.

Conclusion

The Utility's water quality is in compliance with DEP rules and regulations and there were no water quality complaints. While there were some concerns raised about the Utility's responsiveness to customers, this does not appear to be a wide-spread issue considering Heather Hills' total customer base. The Utility stated that it is attempting to fill the approved billing position to assist with customer service. Therefore, in consideration of the information discussed above, staff recommends that the overall quality of service for Heather Hills should be satisfactory.

Issue 2: Are the infrastructure and operating conditions of Heather Hills' water and wastewater systems in compliance with DEP regulations?

Recommendation: Yes, Heather Hills' water and wastewater systems are currently in compliance with DEP regulations. (M. Watts, Knoblauch)

Staff Analysis: Rule 25-30.225(2), F.A.C., requires each water and wastewater utility to maintain and operate its plant and facilities by employing qualified operators in accordance with the rules of the DEP. Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, the Commission must consider any testimony of the DEP and county health department officials, compliance evaluation inspections, citations, violations, and consent orders issued to the utility, customer testimony, comments, and complaints, and utility testimony and responses to the aforementioned items.

Water and Wastewater System Operating Condition

Heather Hills does not have its own wells, water treatment facilities or wastewater treatment facilities. It provides water and wastewater service to its customers by purchasing bulk water and wastewater treatment service from Manatee County; therefore, the Utility only maintains its distribution and collection systems. Systems that purchase bulk water and/or wastewater treatment are referred to as "consecutive" systems. The most recent inspection report from the DEP, dated July 24, 2018, indicated that the Utility was substantially compliant with its regulations and requirements with the exception of on-site operation and maintenance procedures, manuals, and logs. The Utility provided a response to DEP's inspection report that addressed its concerns on September 17, 2018. Additionally, Heather Hills has no outstanding citations, violations, and consent orders on file with the DEP.

Conclusion

Heather Hills' water and wastewater systems are currently in compliance with DEP regulations.

Date: March 19, 2020

Issue 3: What are the used and useful (U&U) percentages for the Utility's water distribution and wastewater collection system?

Recommendation: Staff recommends that the water distribution system and the wastewater collection system be considered 100 percent U&U. There is no excessive unaccounted for water (EUW). Staff is unable to calculate inflow and infiltration (I&I) due to the nature of the Utility's provision of wastewater service. Therefore, no adjustment to operating expenses is recommended. (M. Watts, Knoblauch)

Staff Analysis: As discussed in Issue 2, Heather Hills does not have its own wells or water and wastewater treatment plants. The Utility's water distribution system consists of 15,300 feet of three-quarter inch polyvinyl chloride pipe (PVC). The wastewater collection system is composed of 15,300 feet of six-inch PVC pipe with 38 manholes.

Water Distribution and Wastewater Collection System Used and Useful

Heather Hills serves a mobile home park that was built in 1967. The service territory is built out, with no growth occurring over the past five years and no prospect for further growth. Therefore, the U&U for the water distribution system and the wastewater collection system is 100 percent.

Excessive Unaccounted for Water

Rule 25-30.4325(1)(e), F.A.C., defines EUW as unaccounted for water in excess of 10 percent of the amount produced. The Commission recognizes that some uses of the water are readily measurable and others are not. Unaccounted for water is all water that is produced that is not sold, metered, or accounted for in the records of the utility. The rule provides that to determine whether adjustments to operating expenses, such as purchased water in the case of a consecutive system, are necessary the Commission will consider all relevant factors as to the reason for EUW, solutions implemented to correct the problem, or whether a proposed solution is economically feasible. The unaccounted for water is calculated by subtracting both the gallons used for other purposes, such as flushing, and the gallons sold to customers from the total gallons purchased for the test year. During the test year, Heather Hills purchased 7,505,800 gallons of water from Manatee County. The Utility sold 7,119,102 gallons to customers, and did not report any gallons used for other purposes. Subtracting the gallons sold from the gallons purchased, there are 386,698 gallons unaccounted for, or 5.2 percent of the total purchased. Since this is less than 10 percent of the amount purchased, there is no excessive unaccounted for water and no adjustment is recommended.

Infiltration and Inflow

Typically infiltration results from groundwater entering a wastewater collection system through broken or defective pipes and joints; whereas, inflow results from water entering a wastewater collection system through manholes or lift stations. Because the amount of wastewater treated by Manatee County Utilities on behalf of Heather Hills is not measured separately, staff is unable to calculate whether there is excessive infiltration and inflow and thus no adjustment is recommended.

Conclusion

Staff recommends that the water distribution system and the wastewater collection system be considered 100 percent U&U. There is no excessive unaccounted for water. Staff is unable to calculate inflow and infiltration due to the nature of the Utility's provision of wastewater service. Therefore, no adjustment to operating expenses is recommended.

Issue 4: What are the appropriate average test year water and wastewater rate bases for Heather Hills, LLC?

Recommendation: The appropriate average test year rate base for Heather Hills is \$46,622 for water and \$16,998 for wastewater. (Bennett, Knoblauch, M. Watts)

Staff Analysis: Rate base was last established for the Heather Hills water and wastewater systems on April 7, 2017. The test year ended May 31, 2019, was used for the instant case. A summary of each water and wastewater rate base component and recommended adjustments are discussed below.

Utility Plant in Service (UPIS)

The Utility recorded a UPIS balance of \$89,864 for water and \$73,240 for wastewater. Based on staff's review of the Utility's books and records, UPIS should be decreased by \$364 for wastewater to reflect an averaging adjustment. The Utility is requesting pro forma for a new van, a new computer, and a trailer. The Utility provided two bids for the van, as well as estimated costs for the trailer. In Order No. PSC-2019-0503-PAA-SU, the Commission approved two new maintenance technicians to be allocated to all of the Florida Utility Services 1's (FUS1) systems.⁴ The Utility indicated that the new van requested in this docket would be required for one of the new maintenance technicians and that the lowest bid was selected. Based on Heather Hills' allocation, this results in an increase of \$1,367 for each system. In the same order, the Commission approved the allocation of a new computer for FUS1. As such, UPIS has been increased by \$26 for each system to reflect Heather Hills' allocation. In regards to the trailer, Heather Hills stated that because the Utility is a reseller and does not have a plant, a trailer is needed to store parts and equipment needed for repairs. The trailer will be used at Heather Hills and Sunny Shores Utilities, Inc. Allocating the cost of the trailer between the two utilities by customer count results in an increase of \$1,210 for Heather Hills water and wastewater system. The Utility explored other alternatives, such as renting storage space; however, it determined that purchasing a used storage trailer would be a more cost-effective option. As such, staff recommends an increase of \$2,603 (\$1,367 + \$26 + \$1,210) for each system to reflect pro forma plant additions. Therefore staff recommends a UPIS balance of \$92,467 (\$89,864 + \$2,603) for water and \$75,479 (\$73,240 - \$364 + \$2,603) for wastewater.

Land & Land Rights

The Utility recorded a land balance of \$389 for water and \$389 for wastewater. Based on staff's review, no adjustment is necessary. Therefore, staff recommends that the appropriate balance is \$389 for water and \$389 for wastewater.

Used and Useful

As discussed in Issue 2, Heather Hill's water distribution system and the wastewater collection system are considered 100 percent U&U. Therefore, no U&U adjustments are necessary.

⁴ Order No. PSC-2019-0503-PAA-SU, issued November 25, 2019, in Docket No. 20180202-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.*

Accumulated Depreciation

Heather Hills recorded an accumulated depreciation balance of \$55,042 for water and \$72,603 for wastewater. Staff increased accumulated depreciation by \$1,038 for water and decreased accumulated depreciation by \$6 for wastewater to reflect depreciation pursuant to Rule 25-30.140, F.A.C. In addition, staff decreased accumulated depreciation by \$2,091 for water and \$30 for wastewater to reflect an averaging adjustment. Staff also increased accumulated depreciation by \$431 for water and \$431 for wastewater to reflect pro forma plant requests staff is recommending. Staff's adjustments to accumulated depreciation result in a net decrease of \$622 ($\$1,038 - \$2,091 + \431) for water and a net increase of \$395 ($-\$6 - \$30 + \431) for wastewater. Therefore, staff recommends an accumulated depreciation balance of \$54,420 for water and \$72,998 for wastewater.

Contributions in Aid of Construction (CIAC)

The Utility recorded a CIAC balance of \$26,625 for water and \$0 for wastewater. Based on staff's review, no adjustment is necessary. Therefore, staff recommends that the appropriate balance is \$26,625 for water and \$0 for wastewater.

Accumulated Amortization of CIAC

The Utility recorded an accumulated amortization of CIAC balance of \$26,625 for water and \$0 for wastewater. Based on staff's review, no adjustment is necessary. Therefore, staff recommends that the appropriate balance is \$26,625 for water and \$0 for wastewater.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(3), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Section 367.081(9), F.S., prohibits a utility from earning a return on the unamortized balance of rate case expense. As such, staff has removed the rate case expense balance of \$374 for this calculation resulting in an adjusted O&M expense balance of \$65,491 ($\$65,865 - \374) for water and \$113,019 ($\$113,393 - \374) for wastewater. Applying this formula approach to the adjusted O&M expense balance, staff recommends a working capital allowance of \$8,186 ($\$65,491 / 8$) for water and \$14,127 ($\$113,019 / 8$) for wastewater.

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate test year average rate base is \$46,622 for water and \$16,998 for wastewater. Rate base is shown on Schedule Nos. 1-A and 1-B. The related adjustments are shown on Schedule No. 1-C.

Issue 5: What is the appropriate return on equity and overall rate of return for Heather Hills?

Recommendation: The appropriate return on equity (ROE) is 10.55 percent with a range of 9.55 percent to 11.55 percent. The traditional rate of return does not apply in this case due to rate base being less than 125 percent of O&M expenses. (Bennett)

Staff Analysis: As discussed in Issue 8, staff is recommending the operating ratio methodology be used in this case. Although the traditional rate of return does not apply in this case due to rate base being less than 125 percent of O&M expenses, staff recommends that an ROE still be established for this Utility.

According to staff's audit, Heather Hills' test year capital structure reflects negative equity, a long-term debt balance of \$142,515, and no customer deposits. It is Commission practice to set a negative equity balance to zero for rate making purposes.⁵ The appropriate ROE for the Utility is 10.55 percent based on the Commission approved leverage formula currently in effect.⁶ As such, staff recommends an ROE of 10.55 percent, with a range of 9.55 percent to 11.55 percent. The ROE is shown on Schedule No. 2. The traditional rate of return does not apply in this case due to rate base being less than 125 percent of O&M expenses.

⁵ Order Nos. PSC-2008-0548-PAA-WS, issued August 19, 2008, in Docket No. 20070416-WS, *In re: Application for staff-assisted rate case in Polk County by Plantation Landings, Ltd.*; PSC-1995-0480-FOF-WS, issued April 13, 1995, in Docket No. 19940895-WS, *In re: Application for a staff-assisted rate case in Palm Beach County by W.P. Utilities, Inc.*; and PSC-1997-0263-FOF-SU, issued March 11, 1997, in Docket No. 19960984-SU, *In re: Investigation of possible overearnings in Volusia County by North Peninsula Utilities Corporation.*

⁶ Order No. PSC-2019-0326-CO-WS issued July 1, 2019, in Docket No. 20190006, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

Issue 6: What are the appropriate test year revenues for the water and wastewater systems?

Recommendation: The appropriate test year revenues for Heather Hills' water is \$65,206 and wastewater is \$117,484. (Bethea)

Staff Analysis: The Utility recorded total test year revenues of \$63,674 for water and \$104,642 for wastewater. The water revenues included \$62,662 of service revenues and \$1,012 of miscellaneous revenues. The wastewater revenues included \$104,642 of service revenues and no miscellaneous revenues. The Utility had a rate increase during the test year as well as subsequent to the test year as a result of price index and pass through adjustments. Staff annualized revenues to reflect those changes in rates.

By applying the rates subsequent to the end of the test year along with the test year billing determinants, staff determined test year service revenues to be \$64,700 for water and \$116,978 for wastewater. This results in an increase of \$2,038 ($\$64,700 - \$62,662$) for water and \$12,336 ($\$116,978 - \$104,642$) for wastewater test year service revenues. Staff also made adjustments to miscellaneous revenues for water and wastewater to equally allocate the revenues collected as a result of miscellaneous services. This results in miscellaneous revenues of \$506 ($\$1,012 / 2$) for water and \$506 for wastewater. Based on the above, the appropriate test year revenues for Heather Hills' water is \$65,206 ($\$64,700 + \506) and \$117,484 ($\$116,978 + \506) for wastewater.

Date: March 19, 2020

Issue 7: What is the appropriate amount of operating expenses for Heather Hills?

Recommendation: The appropriate amount of operating expenses for Heather Hills is \$72,522 for water and \$118,902 for wastewater. (Bennett, Knoblauch, M. Watts)

Staff Analysis: Heather Hills recorded operating expenses of \$75,047 for water and \$122,162 for wastewater for the test year ended May 31, 2019. The test year O&M expenses have been reviewed, including invoices, canceled checks, and other supporting documentation. Staff has made adjustments to the Utility's operating expenses as summarized below.

Operating & Maintenance Expense

Salaries and Wages – Employees Expense (601/701)

Heather Hills recorded salaries and wages – employees expense of \$13,233 for water and \$13,233 for wastewater. The Utility filed a request for two new maintenance technicians on September 18, 2019.⁷ However, the same request had also been filed in Docket No. 20180202-SU for West Lakeland Wastewater, LLC. The request for the two maintenance technicians was subsequently approved by Order No. PSC-2019-0503-PAA-SU, stating that the “two additional maintenance technicians are needed and shall be allocated to all of the FUS1's systems, including West Lakeland.”⁸ Therefore, staff allocated the two maintenance technicians to Heather Hills based on the approval of these positions in Docket No. 20180202-SU. Therefore, staff recommends an increase of \$1,835 each for water and wastewater. As such, staff recommends salaries and wages – employees expense of \$15,068 (\$13,233 + \$1,835) for water and \$15,068 (\$13,233 + \$1,835) for wastewater.

Salaries and Wages – Officers Expense (603/70)

The Utility recorded salaries and wages – officers expense of \$4,015 for water and \$4,015 for wastewater in the test year. In Order No. PSC-2018-0439-PAA-WU, the President was approved a salary of \$80,000.⁹ As such, staff annualized the approved salary which results in a salaries and wages – officers expense of \$4,000 ($\$80,000 \times 0.10 / 2$) for each system. Therefore, staff recommends a decrease of \$15 ($\$4,000 - \$4,015$) for each system.

Employees Pensions and Benefits Expense (604/704)

The Utility recorded employee pensions and benefits expenses of \$333 for each system. In Order No. PSC-2019-0503-PAA-SU,¹⁰ FUS1 was granted employees pensions and benefits for the two additional technicians. The corresponding allocation of employee pensions and benefits expense for Heather Hills associated with the two new technicians allocated across all systems results in an increase of \$567 for each system. As such, staff recommends employees pensions and benefits expense of \$900 ($\$333 + \567) for each system.

⁷ Document No. 08855-2019

⁸ Order No. PSC-2019-0503-PAA-SU, issued November 25, 2019, in Docket No. 20180202-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.*

⁹ Order No. PSC-2018-0439-PAA-WU, issued August 28, 2018, in Docket No. 20170230-WU, *In re: Application for staff-assisted rate case in Pasco County by Orange Land Utilities, LLC.*

¹⁰ Order No. PSC-2019-0503-PAA-SU, issued November 25, 2019, in Docket No. 20180202-WU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.*

Purchased Water and Wastewater Expense (610/710)

The Utility recorded purchased water expense of \$33,638. The Utility recorded purchased wastewater treatment expense of \$84,012. Staff increased purchased water expense by \$40 and decreased purchased wastewater treatment by \$40 to reflect actual amount of invoices for Heather Hills. As such, staff recommends purchased water expense of \$33,678 (\$33,638 + \$40) and purchased wastewater treatment expense of \$83,972 (\$84,012 - \$40).

Purchased Power (615/715)

The Utility originally recorded purchased power in the miscellaneous expense account. Staff increased purchased power expense of \$134 for each system based on actual invoices and proper allocation for Heather Hills. As such, staff recommends purchased power expense of \$134 each for water and wastewater.

Materials and Supplies Expense (620/720)

The Utility recorded materials and supplies expense of \$548 for water and \$941 for wastewater in the test year. Staff decreased materials and supplies expense by \$155 for water and \$548 for wastewater to reflect actual amount of invoices and allocation for Heather Hills. As such, staff recommends a materials and supplies expense of \$393 (\$548 - \$155) for water and \$393 (\$941 - \$548) for wastewater.

Contractual Services – Professional Expense (631/731)

Heather Hills recorded contractual services - professional expense of \$389 for water and \$389 for wastewater in the test year. Staff increased contractual services - professional expense by \$235 for water and \$197 for wastewater to reflect actual amount of invoices and allocations for Heather Hills. Staff also increased contractual services – professional by \$526 for water and \$526 for wastewater to reclassify expenses from regulatory commission expense. The Utility requested pro forma expense allocations for accounting services to assist FUS1 in this docket. However, in Docket No. 20180202-SU the Commission did not approve this specific expense, as it determined the expense was primarily related to the preparation of the Owner’s personal tax return. Therefore, staff recommends contractual services – professional expense in the amount of \$1,150 (\$389 + \$235 + \$526) for water and \$1,112 (\$389 + \$197 + \$526) for wastewater.

Contractual Services – Testing Expense (635/735)

Heather Hills recorded contractual services testing of \$1,786 for water and \$108 for wastewater. Staff increased contractual services testing by \$212 for water and decreased this expense by \$108 for wastewater to reflect actual amount of invoices. Therefore, staff recommends contractual services – testing expense of \$1,998 (\$1,786 + \$212) for water and \$0 (\$108 - \$108) for wastewater.

Contractual Services – Other Expense (636/736)

The Utility recorded contractual services – other expense of \$573 for water and \$65 for wastewater. Staff increased this account by \$110 for water and decreased it by \$12 for wastewater to reflect actual amount of invoices and allocations. As such, staff recommends contractual services – other expense of \$683 (\$573 + \$110) for water and \$53 (\$65 - \$12) for wastewater.

Date: March 19, 2020

Rent Expense (640/740)

Heather Hills recorded rent expense of \$1,894 for water and \$1,895 for wastewater. The rental expense for the test year was overstated by \$519 (\$1,894 - \$1,375) for water and \$520 (\$1,895 - \$520) for wastewater based on invoices and proper allocations. The Utility has requested pro forma expense for an increase in rent, property tax, and insurance associated with its office lease agreement. FUS1 has a triple net lease¹¹ for the office space that is allocated to all the utilities. As such, staff annualized the rental expense and recommends an increase of \$510 for both water and wastewater. Therefore, staff recommends rent expense of \$1,884 (\$1,894 - \$519 + \$510) for water and \$1,884 (\$1,895 - \$519 + \$510) for wastewater. As such, staff is recommending a decrease in rent expense of \$10 (\$1,884 - \$1,894) for water and \$11 (\$1,884 - \$1,895) for wastewater.

Transportation Expense (650/750)

Heather Hills recorded transportation expense of \$3,044 for water and \$3,044 for wastewater. Staff decreased this account by \$2,107 for water and \$2,107 for wastewater to reflect the correct allocation amount and to remove loan payments for FUS1 vehicles allocated to UPIS. Therefore, staff recommends transportation expense of \$937 (\$3,044 - \$2,107) for water and \$937 (\$3,044 - \$2,107) for wastewater.

Insurance Expense (655/755)

Heather Hills recorded insurance expense of \$2,442 for water and \$2,442 for wastewater. Staff decreased this account by \$631 for water and \$631 for wastewater to reflect actual invoices and proper allocations. Additionally, the Utility requested pro forma expense to recover the increased cost of workers compensation insurance. The Utility provided documentation of the policy increasing to \$8,149 and requests a total increase of \$422, based on an allocation of 12.02 percent, with \$211 ($\$422 / 2$) going to each system. Based on Heather Hills' 10 percent allocation, the updated policy would total \$816 annually, or \$408 ($\$816 / 2$) for each system. The test year expense for workers compensation insurance was \$328 for each system. As such, staff recommends an increase of \$80 ($\$408 - \328) for each system. Therefore, staff recommends insurance expense of \$1,891 ($\$2,442 - \$631 + \80) for water and \$1,891 ($\$2,442 - \$631 + \80) for wastewater.

Regulatory Commission Expense (665/775)

The Utility recorded regulatory commission expense of \$1,054 for water and \$1,054 for wastewater in the test year. Staff decreased this account by \$514 for each system to reflect actual invoices and the amortization of the Utility's transfer costs. In addition, staff decreased this account by \$526 for each system to reclassify contractual services professional.

Generally, the regulatory commission expense account includes expenses incurred by a utility in connection with formal cases before the regulatory commissions such as noticing costs and filing fees. The Utility is required by Rule 25-22.0407, F.A.C., to provide notices of the customer meeting and notices of final rates in this case to its customers. Staff is recommending that the Utility also be required to provide notice of the four-year rate reduction to its customers when the rates are reduced to remove the amortized rate case expense. For noticing, staff estimated \$586

¹¹ A Triple Net Lease is a lease agreement on a property whereby the tenant or lessee promises to pay all the expenses of the property including real estate taxes, building insurance, and maintenance.

for postage expense, \$355 for printing expense, and \$53 for envelopes. This results in \$994 ($\$586 + \$355 + \53) for the noticing requirements. The Utility paid a total of \$2,000 in rate case filing fees (\$1,000 for water and \$1,000 for wastewater). Based on the above, staff recommends total rate case expense of \$2,994 ($\$994 + \$2,000$), which should be amortized pursuant to Section 367.081(8), F.S. Staff recommends that rate case expense be amortized over four years, as the Utility did not request a different amortization period be used. This represents an annual increase of \$374 ($\$2,994 / 4 / 2$) per system. As such, staff recommends a decrease to regulatory commission expense of \$666 ($-\$514 - \$526 + \374) for each system, respectively. Therefore staff recommends a regulatory commission expense amount of \$389 ($\$1,054 - \666) for each system.

Miscellaneous Expense (675/775)

The Utility recorded miscellaneous expense of \$5,957 for water and \$5,763 for wastewater. Staff decreased this account by \$3,323 for water and \$3,229 for wastewater to properly reflect the amount from provided invoices, remove purchased power expense, and correct allocations. As such, staff recommends miscellaneous expense of \$2,634 ($\$5,957 - \$3,323$) for water and \$2,534 ($\$5,763 - \$3,229$) for wastewater.

Operation & Maintenance Expense Summary

Based on the above adjustments, staff recommends that O&M expense be decreased by \$3,167 for water and \$4,027 for wastewater, resulting in total O&M expense of \$65,865 for water and \$113,393 for wastewater. Staff's recommended adjustments to O&M expense are shown on Schedule No 3-C.

Net Depreciation Expense

Heather Hills recorded depreciation expense of \$3,137 for water and \$73 for wastewater during the test year. Staff recalculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and has decreased depreciation expense by \$432 for water and \$28 for wastewater. Additionally, staff calculated the net depreciation expense for the pro forma plant additions and retirements discussed in Issue 3 and increased depreciation expense by \$431 for water and wastewater. Therefore, staff recommends net depreciation expense of \$3,136 ($\$3,137 - \$432 + \431) for water and \$476 ($\$73 - \$28 + \431) for wastewater.

Taxes Other Than Income (TOTI)

Heather Hills recorded a TOTI balance of \$2,878 for water and \$4,669 for wastewater. Staff increased TOTI by \$140 for water and \$140 for wastewater to reflect the requested pro forma increase of salaries and wages – employees expense as discussed above. This results in an increase of \$140 for water and \$140 for wastewater.

In addition, as discussed in Issue 8, revenues have been increased by \$11,179 for water and \$4,948 for wastewater to reflect the change in revenue required to cover expenses and allow the Commission-approved operating margin. TOTI should be increased by \$503 for water and \$223 for wastewater to reflect regulatory assessment fees (RAFs) of 4.5 percent on the change in revenues. Therefore, staff recommends TOTI of \$3,521 ($\$2,878 + \$140 + \503) for water and \$5,032 ($\$4,669 + \$140 + \223) for wastewater.

Operating Expense Summary

The application of staff's recommended adjustments to Heather Hills' test year operating expenses results in operating expenses of \$72,522 for water and \$118,902 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule Nos. 3-C, 3-D and 3-E.

Date: March 19, 2020

Issue 8: Does the Utility meet the criteria for the application of the Operating Ratio Methodology?

Recommendation: Yes. The Utility meets the requirement for application of the operating ratio methodology for calculating the revenue requirement for Heather Hills. The margin should be 12 percent of O&M expenses. (Bennett)

Staff Analysis: Rule 25-30.4575(2), F.A.C., provides that, in rate cases processed under Rule 25-30.455 F.A.C., the Commission will use the operating ratio methodology to establish the utility's revenue requirement when the utility's rate base is no greater than 125 percent of O&M expenses and the use of the operating ratio methodology does not change the utility's qualification for a SARC. Under the operating ratio methodology, instead of calculating the utility's revenue requirement based on a rate of return on the utility's rate base, the revenue requirement is calculated using a margin of 12 percent of O&M expenses, not to exceed \$15,000. Purchased water and wastewater must be removed from O&M expenses prior to calculating the margin of 12 percent.

As discussed in Issues 4 and 7, staff has recommended a rate base of \$46,622 for water and \$16,998 for wastewater and O&M expenses of \$65,865 for water and \$113,393 for wastewater. Based on these recommended amounts, Heather Hills' water and wastewater rate bases are only 71 percent and 15 percent of its O&M expenses, respectively. Based on a margin of 12 percent, the operating margin for Heather Hills is \$3,862 for water and \$3,531 for wastewater, which does not exceed \$15,000. Furthermore, the application of the operating ratio methodology does not change the Utility's qualification for a SARC. As such, Heather Hills meets the criteria for the operating ratio methodology established in Rule 25-30.4575(2), F.A.C. Therefore, staff recommends the application of the operating ratio methodology at a margin of 12 percent of O&M expense for determining the revenue requirement for both the water and wastewater systems.

Issue 9: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$76,385 for water and \$122,432 for wastewater resulting in an annual increase of \$11,179 for water and \$4,788 for wastewater. (Bennett)

Staff Analysis: Heather Hills should be allowed an annual increase of \$11,179 for water (17.14 percent) and \$4,948 for wastewater (4.21 percent). The calculations are shown below in Table 9-1 for water and Table 9-2 for wastewater.

**Table 9-1
 Water Revenue Requirement**

Adjusted O&M (Less Purchased Water)	\$32,187
Operating Margin (%)	<u>x 12.00%</u>
Operating Margin (\$15,000 Cap)	\$3,862
Adjusted O&M Expense	65,865
Depreciation Expense (Net)	3,136
Taxes Other Than Income	<u>3,521</u>
Revenue Requirement	\$76,385
Less Adjusted Test Year Revenues	<u>65,206</u>
Annual Increase	<u>\$11,179</u>
Percent Increase	17.14%

**Table 9-2
 Wastewater Revenue Requirement**

Adjusted O&M (Less Purchased Wastewater Treatment)	\$29,421
Operating Margin (%)	<u>x 12.00%</u>
Operating Margin (\$15,000 Cap)	\$3,531
Adjusted O&M Expense	113,393
Depreciation Expense (Net)	476
Taxes Other Than Income	<u>5,032</u>
Revenue Requirement	\$122,432
Less Adjusted Test Year Revenues	<u>117,484</u>
Annual Increase	<u>\$4,948</u>
Percent Increase	4.21%

Issue 10: What are the appropriate rate structures and rates for the water and wastewater systems of Heather Hills Utilities, LLC?

Recommendation: The recommended rate structures and quarterly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of this notice. (Bethea)

Staff Analysis:

Water Rates

The Utility is located in Manatee County within the Southwest Florida Water Management District. Heather Hills provides water service to approximately 354 residential customers and one general service customer. Typically, staff evaluates the seasonality of Utility customers based on the percentage of bills at zero gallons, which is 12 percent. However, the Utility bills on a quarterly basis, so an average was used to determine the approximate monthly usage. Averaging the quarterly bill on a monthly basis may allocate usage to a month in the quarter where there could have been no usage. Therefore, staff believes it is appropriate to evaluate the seasonality based on the percentage of bills at the 1,000 gallon level, which is 40 percent. As a result, it appears that the customer base is seasonal, which is consistent with the Utility's assessment of the demographics for its customer base. The average residential water demand is 1,666 gallons per month. The average water demand excluding zero gallon bills is 1,894 gallons per month. The Utility's current water system rate structure for residential and general service customers consists of a quarterly base facility charge (BFC) based on meter size and uniform gallonage charge.

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

Due to the customers' low average monthly consumption and seasonal customer base, staff recommends that 60 percent of the revenue requirement be recovered through the BFC in an effort to maintain revenue stability. Consistent with Commission practice, monthly billing is the preferred method for conservation efforts because it allows customers to monitor their water usage in an effort to minimize the impact of their bill. However, in this instance, due to the usage characteristics of the customer base, the cost of implementing monthly billing outweighs any benefits because there are no issues with excessive usage. Therefore, staff recommends a continuation of the Utility's existing rate structure, which is a quarterly base facility charge based on meter size and uniform gallonage charge for both residential and general service

customers. Rates were designed based upon the recommended revenue requirement excluding miscellaneous service charges.

Wastewater Rates

Heather Hills provides wastewater service to approximately 354 residential customers and 1 general service customer. Currently, the wastewater rate structure for residential customers consists of a quarterly uniform BFC for all meter sizes and gallonage charge with no gallonage cap. General service customers are billed a BFC by meter size and gallonage charge that is 1.2 times higher than the residential gallonage charge.

Staff performed an analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages and gallonage caps for the residential wastewater customers. The goal of the evaluation was to select the rate design parameters that: 1) produce the recommended revenue requirement; 2) equitably distribute cost recovery among the Utility's customers; and 3) implement a gallonage cap, where appropriate, that considers approximately the amount of water that may return to the wastewater system.

Consistent with Commission practice, staff allocated 50 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants. The Utility does not have a gallonage cap for residential customers because the Utility purchases water and wastewater treatment from Manatee County and is billed wastewater treatment on all water gallons purchased. As a result, staff recommends a continuation of no residential wastewater gallonage cap. In addition, for the same reasons provided for the water system, staff recommends a continuation of quarterly billing. Staff recommends a continuation of the existing wastewater rate structure for residential customers, which consists of a quarterly uniform BFC for all meter sizes and a gallonage charge with no gallonage cap. General service customers should continue to be billed a quarterly BFC by meter size and gallonage charge that is the same as residential. Rates were designed based upon the recommended revenue requirement excluding miscellaneous service charges.

Issue 11: What is the appropriate amount by which the rates should be reduced after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.081(8), F.S.?

Recommendation: The rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S. Heather Hills should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Bethea, Bennett) (Procedural Agency Action)

Staff Analysis: Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the recovery period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reduction is \$392 for each system.

Staff recommends that the rates should be reduced as shown on Schedule No. 4 to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S. Heather Hills should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 12: Should the requested initial customer deposits for Heather Hills Utilities, LLC. be approved?

Recommendation: The appropriate initial customer deposits should be \$106 for the single family residential 5/8 inch x 3/4 inch meter size for water and \$172 for the single family residential 5/8 inch x 3/4 inch meter size for wastewater. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water and wastewater. The approved initial 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 deposits until authorized to change them by the Commission in a subsequent proceeding. (Bethea)

Staff Analysis: Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.¹² Currently, the Utility's initial deposit for single family residential water customers is \$78 for the 5/8 inch x 3/4 inch meter size and two times the average estimated bill for the general service customers. For wastewater, the Utility's initial deposit for single family residential service is \$124 for the 5/8 inch x 3/4 inch meter size and two times the average estimated bill for the general service customers.

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 billing periods based on the average consumption for a 12-month period for each class of customers.¹³ The Utility's average monthly residential usage is 1,666 gallons per customer. Heather Hills bills on a quarterly basis; therefore, an average residential bill for one quarterly billing period based on staff's recommended rates is approximately \$53 for water and \$86 for wastewater.

Based on the above, the appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size are \$106 for water and \$172 for wastewater. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated quarterly bill for water and wastewater. The approved initial 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

¹² Order No. PSC-2018-0446-FOF-SU, issued September 4, 2018, in Docket No. 20170141-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

¹³ Order Nos. 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.*

customer deposits until authorized to change them by the Commission in a subsequent proceeding.

Date: March 19, 2020

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

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

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

Heather Hills should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$10,898. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

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

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

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

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

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

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

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

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

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

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

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

Issue 15: Should this docket be closed?

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

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Proposed Agency Action 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.

Heather Hills Utilities, LLC		SCHEDULE NO. 1-A	
TEST YEAR ENDED 5/31/2019		DOCKET NO. 20190113-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$89,864	\$2,603	\$92,467
LAND & LAND RIGHTS	389	0	389
ACCUMULATED DEPRECIATION	(55,042)	622	(54,420)
CIAC	(26,625)	0	(26,625)
AMORTIZATION OF CIAC	26,625	0	26,625
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>8,186</u>	<u>8,186</u>
RATE BASE	<u>\$35,211</u>	<u>\$11,411</u>	<u>\$46,622</u>

Heather Hills Utilities, LLC		SCHEDULE NO. 1-B	
TEST YEAR ENDED 5/31/2019		DOCKET NO. 20190113-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$73,240	\$2,239	\$75,479
LAND & LAND RIGHTS	389	0	389
ACCUMULATED DEPRECIATION	(72,603)	(395)	(72,998)
CIAC	0	0	0
AMORTIZATION OF CIAC	0	0	0
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>14,127</u>	<u>14,127</u>
WASTEWATER RATE BASE	<u>\$1,026</u>	<u>\$15,972</u>	<u>\$16,998</u>

Heather Hills Utilities, LLC		SCHEDULE NO. 1-C	
TEST YEAR ENDED 5/31/19		DOCKET NO. 20190113-WS	
ADJUSTMENTS TO RATE BASE			
	<u>WATER</u>	<u>WASTEWATER</u>	
<u>UTILITY PLANT IN SERVICE</u>			
1. To reflect an averaging adjustment.	\$0	(\$364)	
2. To reflect pro forma plant addition for allocation of new computer to Acct. No. 390.	26	26	
3. To reflect pro forma plant addition for allocation of new van to Acct. No. 391.	1,367	1,367	
4. To reflect pro forma plant addition for allocation of new trailer to Acct. No. 391.	<u>1,210</u>	<u>1,210</u>	
Total	<u>\$2,603</u>	<u>\$2,239</u>	
<u>ACCUMULATED DEPRECIATION</u>			
1. To reflect accumulated depreciation per Rule 25-30.140, F.A.C.	(\$1,038)	\$6	
2. To reflect an averaging adjustment.	2,091	30	
3. To reflect pro forma accumulated depreciation for pro forma plant additions.	<u>(431)</u>	<u>(431)</u>	
Total	<u>\$622</u>	<u>(\$395)</u>	
<u>WORKING CAPITAL ALLOWANCE</u>			
To reflect 1/8 of test year O & M expenses.	<u>\$8,186</u>	<u>\$14,127</u>	

Heather Hills Utilities, LLC							SCHEDULE NO. 2		
TEST YEAR ENDED 05/31/2019							DOCKET NO. 20190113-WS		
SCHEDULE OF CAPITAL STRUCTURE									
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST RATE	WEIGHTED COST	
1. LONG-TERM DEBT	\$142,515	\$0	\$142,515	(\$78,895)	\$63,620	100.00%	4.50%	4.50%	
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	(34,890)	34,890	0	0	0	0.00%	10.55%	0.00%	
5. CUSTOMER DEPOSITS	0	0	0	0	0	0.00%	2.00%	0.00%	
6. DEFERRED INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	
7. TOTAL CAPITAL	<u>\$107,625</u>	<u>\$34,890</u>	<u>\$142,515</u>	<u>(\$78,895)</u>	<u>\$63,620</u>	<u>100.00%</u>	<u>4.50%</u>	<u>4.50%</u>	
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>		
RETURN ON EQUITY						<u>9.55%</u>	<u>11.55%</u>		
OVERALL RATE OF RETURN						<u>4.50%</u>	<u>4.50%</u>		

Heather Hills Utilities, LLC			SCHEDULE NO. 3-A		
TEST YEAR ENDED 5/31/19			DOCKET NO. 20190113-WS		
SCHEDULE OF WATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$63,674</u>	<u>\$1,532</u>	<u>\$65,206</u>	<u>\$11,179</u> 17.14%	<u>\$76,385</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$69,032	(\$3,167)	\$65,865	\$0	\$65,865
3. DEPRECIATION (NET)	3,137	(1)	3,136	0	3,136
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	2,878	140	3,018	503	3,521
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$75,047</u>	<u>(\$3,028)</u>	<u>\$72,019</u>	<u>\$503</u>	<u>\$72,522</u>
8. OPERATING INCOME/(LOSS)	<u>(\$11,373)</u>		<u>(\$6,813)</u>		<u>\$3,862</u>
9. WATER RATE BASE	<u>\$35,211</u>		<u>\$46,622</u>		<u>\$46,622</u>
10. OPERATING RATIO					<u>12.00%</u>

Heather Hills Utilities, LLC		SCHEDULE NO. 3-B			
TEST YEAR ENDED 5/31/19		DOCKET NO. 2019011WS			
SCHEDULE OF WASTEWATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$104,716</u>	<u>\$12,768</u>	<u>\$117,484</u>	<u>\$4,948</u> 4.21%	<u>\$122,432</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$117,420	(\$4,027)	\$113,393	\$0	\$113,393
3. DEPRECIATION (NET)	73	403	476	0	476
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	4,669	140	4,809	223	5,032
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$122,162</u>	<u>(\$3,483)</u>	<u>\$118,679</u>	<u>\$223</u>	<u>\$118,902</u>
8. OPERATING INCOME/(LOSS)	<u>(\$17,446)</u>		<u>(\$1,195)</u>		<u>\$3,531</u>
9. WASTEWATER RATE BASE	<u>\$1,026</u>		<u>\$16,998</u>		<u>\$16,998</u>
10. OPERATING RATIO					<u>12.00%</u>

Heather Hills Utilities, LLC		Schedule No. 3-C	
TEST YEAR ENDED 5/31/19		DOCKET NO. 20190113-WS	
ADJUSTMENTS TO OPERATING INCOME		Page 1 of 2	
		<u>WATER</u>	<u>WASTEWATER</u>
OPERATING REVENUES			
1.	To reflect the appropriate test year revenues.	<u>\$1,532</u>	<u>\$12,768</u>
OPERATION AND MAINTENANCE EXPENSES			
1.	Salaries and Wages - Employee (601/701)		
	a. To reflect pro forma technician positions.	<u>\$1,835</u>	<u>\$1,835</u>
2.	Salaries and Wages - Officer (603/703)		
	a. To reflect appropriate amount of salaries expense.	<u>(\$15)</u>	<u>(\$15)</u>
3.	Pensions and Benefits (604/704)		
	a. To reflect pro forma technician positions.	<u>\$567</u>	<u>\$567</u>
4.	Purchased Water and Wastewater Treatment (610/710)		
	a. To reflect appropriate test year amount based on invoices.	<u>\$40</u>	<u>(\$40)</u>
5.	Purchased Power (615/715)		
	a. To reflect appropriate allocation for Heather Hills.	<u>\$134</u>	<u>\$134</u>
6.	Materials and Supplies (620/720)		
	a. To reflect the appropriate allocation for Heather Hills.	<u>(\$155)</u>	<u>(\$548)</u>
7.	Contractual Services - Professional (631/731)		
	a. To reflect appropriate amounts and allocations.	\$235	\$197
	b. To reclassify expenses from Acct. 665/765.	<u>526</u>	<u>526</u>
	Subtotal	<u>\$761</u>	<u>\$723</u>
8.	Contractual Services - Testing (635/735)		
	a. To reflect actual invoices provided.	<u>\$212</u>	<u>(\$108)</u>
9.	Contractual Services - Other (636/736)		
	a. To reflect actual invoices and allocations.	<u>\$110</u>	<u>(\$12)</u>
10.	Rent (640/740)		
	a. To reflect pro forma.	<u>(\$10)</u>	<u>(\$11)</u>

Heather Hills Utilities, LLC		Schedule No. 3-C	
TEST YEAR ENDED 5/31/19		DOCKET NO. 20190113-WS	
ADJUSTMENTS TO OPERATING INCOME		Page 2 of 2	
		<u>WATER</u>	<u>WASTEWATER</u>
11. Transportation (650/750)			
a. To reflect appropriate allocation.		<u>(\$2,107)</u>	<u>(\$2,107)</u>
12. Insurance (655/755)			
a. To reflect appropriate test year allocation.		(\$631)	(\$631)
b. To reflect pro forma policy increase.		<u>80</u>	<u>80</u>
Subtotal		<u>(\$551)</u>	<u>(\$551)</u>
13. Regulatory Commission Expense (665/765)			
a. To reflect amortized transfer costs.		(\$514)	(\$514)
b. To reclassify contractual services expense.		(526)	(526)
c. To reflect appropriate amortized rate case expense.		<u>374</u>	<u>374</u>
Subtotal		<u>(\$666)</u>	<u>(\$666)</u>
14. Miscellaneous Expense (675/775)			
a. To adjust for allocations.		<u>(\$3,323)</u>	<u>(\$3,229)</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS		<u>(\$3,167)</u>	<u>(\$4,027)</u>
DEPRECIATION EXPENSE			
1. To reflect test year depreciation calculated per Rule 25-30.140, F.A.C.		(\$432)	(\$28)
2. To reflect pro forma.		<u>431</u>	<u>431</u>
Subtotal		<u>(\$1)</u>	<u>\$403</u>
TAXES OTHER THAN INCOME			
1. To reflect payroll tax for pro forma technicians.		<u>\$140</u>	<u>\$140</u>

Heather Hills Utilities, LLC		SCHEDULE NO. 3-D	
TEST YEAR ENDED 5/31/19		DOCKET NO. 20190113-WS	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$13,233	\$1,835	\$15,068
(603) SALARIES AND WAGES - OFFICERS	4,015	(15)	4,000
(604) EMPLOYEE PENSIONS AND BENEFITS	333	567	900
(610) PURCHASED WATER	33,638	40	33,678
(615) PURCHASED POWER	0	134	134
(620) MATERIALS AND SUPPLIES	548	(155)	393
(631) CONTRACTUAL SERVICES - PROFESSIONAL	389	761	1,150
(635) CONTRACTUAL SERVICES - TESTING	1,786	212	1,998
(636) CONTRACTUAL SERVICES - OTHER	573	110	683
(640) RENTS	1,894	(10)	1,884
(650) TRANSPORTATION EXPENSE	3,044	(2,107)	937
(655) INSURANCE EXPENSE	2,442	(551)	1,891
(665) REGULATORY COMMISSION EXPENSE	1,054	(666)	389
(670) BAD DEBT EXPENSE	126	0	126
(675) MISCELLANEOUS EXPENSE	<u>5,957</u>	<u>(3,323)</u>	<u>2,634</u>
TOTAL	<u>\$69,032</u>	<u>(\$3,167)</u>	<u>\$65,865</u>

Heather Hills Utilities, LLC		SCHEDULE NO. 3-E	
TEST YEAR ENDED 5/31/19		DOCKET NO. 20190113-WS	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$13,233	\$1,835	\$15,068
(703) SALARIES AND WAGES - OFFICERS	4,015	(15)	4,000
(704) EMPLOYEE PENSIONS AND BENEFITS	333	567	900
(710) PURCHASED WASTEWATER TREATMENT	84,012	(40)	83,972
(715) PURCHASED POWER	0	134	134
(720) MATERIALS AND SUPPLIES	941	(548)	393
(731) CONTRACTUAL SERVICES - PROFESSIONAL	389	723	1,112
(735) CONTRACTUAL SERVICES - TESTING	108	(108)	0
(736) CONTRACTUAL SERVICES - OTHER	65	(12)	53
(740) RENTS	1,895	(11)	1,884
(750) TRANSPORTATION EXPENSE	3,044	(2,107)	937
(755) INSURANCE EXPENSE	2,442	(551)	1,891
(765) REGULATORY COMMISSION EXPENSES	1,054	(666)	389
(770) BAD DEBT EXPENSE	126	0	126
(775) MISCELLANEOUS EXPENSE	<u>5,763</u>	<u>(3,229)</u>	<u>2,534</u>
TOTAL	<u>\$117,420</u>	<u>(\$4,027)</u>	<u>\$113,393</u>

HEATHER HILLS UTILITIES, LLC		SCHEDULE NO. 4-A	
TEST YEAR ENDED MAY 31, 2019		DOCKET NO. 20190113-WS	
QUARTERLY WATER RATES			
	UTILITY CURRENT RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" X 3/4"	\$28.36	\$32.08	\$0.17
3/4"	\$42.54	\$48.12	\$0.25
1"	\$70.90	\$80.20	\$0.42
1-1/2"	\$141.80	\$160.40	\$0.83
2"	\$226.88	\$256.64	\$1.33
3"	\$453.76	\$513.28	\$2.67
4"	\$709.00	\$802.00	\$4.17
6"	\$1,418.00	\$1,604.00	\$8.34
Charge per 1,000 gallons	\$3.44	\$4.27	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
5,000 Gallons	\$45.56	\$53.43	
10,000 Gallons	\$62.76	\$74.78	
15,000 Gallons	\$79.96	\$96.13	

HEATHER HILLS UTILITIES, LLC		SCHEDULE NO. 4-B	
TEST YEAR ENDED MAY 31, 2019		DOCKET NO. 20190113-WS	
QUARTERLY WASTEWATER RATES			
	UTILITY CURRENT RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential</u>			
Base Facility Charge - All Meter Sizes	\$37.17	\$42.96	\$0.14
Charge per 1,000 gallons	\$7.73	\$8.59	\$0.03
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" X 3/4"	\$37.17	\$42.96	\$0.14
3/4"	\$55.76	\$64.44	\$0.21
1"	\$92.93	\$107.40	\$0.34
1-1/2"	\$185.85	\$214.80	\$0.69
2"	\$297.36	\$343.68	\$1.10
3"	\$594.72	\$687.36	\$2.20
4"	\$929.25	\$1,074.00	\$3.44
6"	\$1,858.50	\$2,148.00	\$6.87
Charge per 1,000 gallons	\$9.04	\$8.59	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
5,000 Gallons	\$75.82	\$85.91	
10,000 Gallons	\$114.47	\$128.86	
15,000 Gallons	\$153.12	\$171.81	

Item 12

State of Florida



Public Service Commission

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

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

DATE: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Knoblauch, K. Johnson, M. Watts)
Division of Accounting and Finance (D. Brown, T. Brown, Wilson)
Division of Economics (Hudson, Sibley)
Office of the General Counsel (Weisenfeld)

Handwritten initials and signatures:
MK, CR, ME, TS, EK, KA, ALM, ESD, JSH, JH, JH

RE: Docket No. 20190071-WS – Application for staff-assisted rate case in Polk County by Deer Creek RV Golf & Country Club, Inc.

AGENDA: 03/31/20 – Regular Agenda – Proposed Agency Action Except for Issue Nos. 13, 14, and 15 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: 08/13/2020 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

TABLE OF CONTENTS

Case Background	1
Issue 1 – Quality of Service	2
Issue 2 – Infrastructure and Operating Conditions	5
Issue 3 – Used and Useful.....	6
Issue 4 – Average Test Year Rate Base	9
Issue 5 – Rate of Return.....	11
Issue 6 – Test Year Revenues	12
Issue 7 – Operating Expenses	13
Issue 8 – Operating Ratio.....	21
Issue 9 – Revenue Requirements	22
Issue 10 – Deferred Legal Expenses.....	24
Issue 11 – Appropriate Rate Structure	26
Issue 12 – Customer Deposits.....	29
Issue 13 – Four-Year Rate Reduction.....	30
Issue 14 – Temporary Rates.....	31
Issue 15 – Proof of Adjustments.....	33
Issue 16 – Cross Connection Control and Backflow Tariff.....	34
Issue 17 – Docket Closure	35
Schedule No. 1-A – Water Rate Base	36
Schedule No. 1-B – Wastewater Rate Base	37
Schedule No. 1-C – Adjustments to Rate Base.....	38
Schedule No. 2 – Capital Structure.....	39
Schedule No. 3-A – Water Operating Income	40
Schedule No. 3-B – Wastewater Operating Income	41
Schedule No. 3-C – Adjustments to Operating Income.....	42
Schedule No. 3-D – Water Operation and Maintenance Expense	43
Schedule No. 3-E – Wastewater Operation and Maintenance Expense	44
Schedule No. 4-A – Monthly Water Rates	45
Schedule No. 4-B – Monthly Wastewater Rates	46

Case Background

Deer Creek RV Golf & Country Club, Inc. (Deer Creek or Utility) is a Class C utility providing water and wastewater service to approximately 752 residential and 39 commercial customers in Polk County. Deer Creek is part of a Development of Regional Impact (DRI), which was established in the early 1980s.¹ Under the DRI, several contiguous mobile home communities and commercial properties were developed. The ownership of the developments has changed hands several times and several different agreements were made as to how utility service would be managed and billed. On December 5, 2013, Deer Creek acquired the recreational facilities, amenities, and other property exclusively serving several of the communities. The Florida Public Service Commission (Commission) granted original Certificate Nos. 670-W and 572-S to Deer Creek on November 17, 2017, to provide water and wastewater service.² The Utility's rates were also approved in the original certificate proceeding.

On March 25, 2019, Deer Creek filed an application for a staff-assisted rate case (SARC). Pursuant to Section 367.0814(2), Florida Statutes, (F.S.), the official filing date of the SARC has been determined to be May 13, 2019. Staff selected the test year ended December 31, 2018, for the instant case. According to the Utility's 2018 Annual Report, it reported total operating revenues of \$132,542 for water and \$194,307 for wastewater, and a net operating loss of \$124,265 for water and \$81,798 for wastewater.

The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 367.091, and 367.121, F.S.

¹ Pursuant to Section 380.06(1), F.S., a Development of Regional Impact is defined as "any development that, because of its character, magnitude or location, would have a substantial effect upon the health, safety, or welfare of citizens of more than one county."

² Order No. PSC-2017-0440-FOF-WS, issued November 17, 2017, in Docket No. 20160248-WS, *In re: Application for original certificates to provide water and wastewater service in Polk County by Deer Creek RV Golf & Country Club, Inc.*

Discussion of Issues

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

Recommendation: Yes. Staff recommends that the overall quality of service provided by Deer Creek be considered satisfactory. (Knoblauch)

Staff Analysis: Pursuant to Rule 25-30.433(1), F.A.C., the Commission, in every rate case, shall make a determination of the quality of service provided by the utility by evaluating the quality of utility's product (water) and the utility's attempt to address customer satisfaction (water and wastewater). The Rule states that the most recent chemical analyses, and outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the county health department, along with any DEP and county health department officials' testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints shall also be considered.

Quality of the Utility's Product (Water)

Deer Creek does not have its own wells or water treatment facilities. It provides water to its customers by purchasing bulk water from Polk County; therefore, the Utility only maintains its distribution system. As a reseller of water, Deer Creek is not subject to the DEP's secondary water standards which regulate contaminants that may impact the taste, odor, and color of drinking water. The chemical analyses required within Deer Creek's distribution system include microbiological, disinfection byproducts, as well as lead and copper. Staff reviewed the Utility's most recent results for the distribution system, and all results were in compliance with the DEP's rules and regulations which protect public health.

Staff held a customer meeting on December 17, 2019, to receive customer comments regarding the quality of service. At the meeting, ten customers spoke, two of whom provided comments on the water quality. One customer remarked positively about the water. The second customer stated that they recently had to replace their water filter after three months, and that the filter was rust colored. The other customer comments that were made at the customer meeting are discussed below.

Deer Creek has no outstanding citations, violations, or consent orders on file with the DEP. Additionally, there have been no complaints regarding the quality of the Utility's product filed with the Utility, the Commission, or the DEP, over the last five years.

The Utility's Attempt to Address Customer Satisfaction (Water & Wastewater)

Table 1-1 shows a summary of the complaints received at the customer meeting, as well as complaints received by the Commission's complaint tracking system, the DEP, and Deer Creek over the past five years.

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

Complaint Type	Customer Meeting	Commission Records	DEP Records	Utility Records
Water Quality	2	0	0	0
Leaks	2	0	0	0
Infrastructure	4	0	0	0
Non-Utility Customers	3	0	0	0
Rate Increase	7	0	0	0
Wastewater	0	0	0	0
Billing	4	1	0	3
Total	22	1	0	3

*A single customer complaint may be counted more than once if it fits into multiple categories.

Customer Meeting

At the customer meeting, the majority of the customers spoke about the magnitude of the rate increase, the proposed rate structure, and the uncompensated use of Deer Creek’s distribution and collection lines by non-Utility customers. Two customers also voiced concerns about the number of water line breaks and outages that they had experienced. In response, the Utility provided staff with details for all leaks and repairs that had occurred since 2018, the year it began retaining such records. The data showed that these occurrences were largely related to small service line leaks. Additionally, the Utility provided staff with all precautionary boil water alerts that were issued since receiving its certificates in 2017. Two alerts were issued in 2018 due to water main breaks, and one alert was issued in 2019 when water was shut off from Polk County, the Utility’s water provider.

Deer Creek shares its customers’ concerns regarding the uncompensated use of its distribution and collection lines by non-Utility customers, which includes a community of approximately 180 residential customers and a commercial strip of businesses. These non-Utility customers receive water and wastewater service from Polk County, but utilize a portion of Deer Creek’s distribution and collection systems. Deer Creek met with staff on June 12, 2019, to discuss whether the Commission could suggest a mechanism to obtain payment for the use of its distribution and collection mains. Staff advised during the meeting that because the entities in question are not customers of record, staff could not recommend a means of compensation.

Complaints

As noted above, there were no complaints on the quality of the Utility’s product over the last five years; however, four non-water quality complaints were found. A review of the Commission’s complaint tracking system revealed one billing complaint in the previous five-year period. The complaint was forwarded to the Utility for resolution and was subsequently closed. In response to staff’s first data request asking for complaints received during the test year and four years prior, Deer Creek provided three. All of the complaints were concerning billing, with one of the complaints relating to the previously discussed Commission-received complaint. Of the two remaining complaints, one was resolved with a meter test performed by the Utility, and the other was resolved after the customer’s meter was replaced. In addition, staff contacted the DEP

requesting complaints regarding Deer Creek for the prior five years, and there were no complaints on file with the DEP.

Conclusion

The Utility's water quality is in compliance with DEP rules and regulations. Additionally, the majority of the concerns raised by customers were related to the rate increase, and not Deer Creek's quality of service. Therefore, staff recommends that the overall quality of service provided by Deer Creek be considered satisfactory.

Issue 2: Are the infrastructure and operating conditions of Deer Creek’s water and wastewater systems in compliance with DEP regulations?

Recommendation: Yes. Deer Creek’s water and wastewater systems are currently in compliance with DEP regulations. (Knoblauch, M. Watts)

Staff Analysis: Rule 25-30.225(2), F.A.C., requires each water and wastewater utility to maintain and operate its plant and facilities by employing qualified operators in accordance with the rules of the DEP. Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, the Commission must consider testimony of the DEP and county health department officials, compliance evaluation inspections, citations, violations, and consent orders issued to the utility, customer testimony, comments, and complaints, and utility testimony and responses to the aforementioned items.

Deer Creek does not have its own wells, water treatment facilities, or wastewater treatment facilities. It provides water and wastewater service to its customers by purchasing bulk water and wastewater treatment service from Polk County; therefore, the Utility maintains its distribution and collection systems. Systems that purchase bulk water and/or wastewater treatment are referred to as “consecutive” systems. The most recent inspection report from the DEP, dated May 15, 2019, indicated that the Utility was in compliance with its regulations and requirements except that the Utility had no testing records of the distribution system’s backflow prevention devices. The Utility stated that the deficiency was corrected on May 31, 2019, and provided documentation of the test results for its backflow devices. Additionally, Deer Creek has no outstanding citations, violations, or consent orders on file with the DEP.

Conclusion

Deer Creek’s water and wastewater systems are currently in compliance with DEP regulations.

Issue 3: What are the used and useful (U&U) percentages for Deer Creek’s water distribution system and wastewater collection system?

Recommendation: Staff recommends that the water distribution system and the wastewater collection system be considered 100 percent U&U. A 20.6 percent excessive unaccounted for water (EUW) adjustment should be made to purchased water expense and purchased wastewater expense to reflect excessive water loss. Staff is unable to calculate inflow and infiltration (I&I) due to the nature of the Utility’s provision of wastewater service. Therefore, no adjustment to operating expenses is recommended for I&I. (M. Watts)

Staff Analysis: As discussed in Issue 2, Deer Creek does not have its own wells or water and wastewater treatment plants. The Utility’s water distribution system consists of polyvinyl chloride (PVC) pipe and 21 fire hydrants. The wastewater collection system is composed of PVC pipe, 110 manholes, and a lift station. A summary of Deer Creek’s distribution and collection system is provided in Table 2-1.

**Table 2-1
Water Distribution System and Wastewater Collection System Mains**

Diameter of Pipe	No. of Feet of Pipe	
	Water Mains	Wastewater Collecting Mains
4-inch	5,430	
6-inch	10,810	
8-inch	10,247	15,841
10-inch	580	6,011

Source: Deer Creek RV Golf & Country Club, Inc. 2018 Annual Report.

Water Distribution and Wastewater Collection System Used & Useful

Deer Creek serves several contiguous mobile home communities and commercial properties that were developed in the 1980s. The service territory is built out, with no growth occurring over the past five years and no prospect for further growth. Therefore, the U&U for the water distribution system and the wastewater collection system should be considered 100 percent.

Excessive Unaccounted for Water

Rule 25-30.4325(1)(e), F.A.C., describes EUW as unaccounted for water in excess of 10 percent of the amount produced. The Commission recognizes that some uses of the water are readily measurable and others are not. Unaccounted for water is all water that is produced that is not sold, metered, or accounted for in the records of the utility. The Rule provides that to determine whether adjustments to operating expenses (such as purchased water in the case of a consecutive system) are necessary, the Commission will consider all relevant factors as to the reason for EUW, solutions implemented to correct the problem, or whether a proposed solution is economically feasible. The unaccounted for water is calculated by subtracting both the gallons used for other purposes (such as flushing) and the gallons sold to customers from the total gallons purchased for the test year.

Prior to filing its application for a SARC, the Utility was aware that it had a high level of unaccounted for water, and hired a firm to do a leak detection survey on its distribution system. The firm did not find any leaks within the system. However, it did identify two gate valves that are inoperable and in an unknown position. If they are open, they could allow for uncompensated water flow that could bypass the master meters for two residential communities. The Utility is seeking bids to repair or replace the gate valves.

Additionally, during on-site discussions between Polk County Utilities and Deer Creek over the water loss issue, it was discovered that a business entity within its certificated territory had been receiving potable water from Deer Creek without paying for it for an unknown period of time. Deer Creek serves the tenants of a commercial business center called Deer Creek Crossing (DCC). The tenants are metered and billed separately, but DCC provides for irrigation of the common areas around the building. The irrigation system is designed to use a surface water well for irrigation, with a metered connection to Deer Creek's distribution system as a backup when the surface water well does not provide a sufficient quantity of water. The current owners of Deer Creek were unaware of this connection and had not billed DCC for service. Upon investigation, Deer Creek determined that the last time the meter was read was in December 2017. In the 21-month period from December 2017 to September 2019 (when Deer Creek found and read the meter), DCC consumed 2,954,500 gallons of uncompensated potable water, or an average of 140,690 gallons per month. Thus, during the test year, DCC used an estimated 1,692,880 gallons of water. Deer Creek is seeking compensation from DCC, and offered to have DCC become a customer of record. DCC refused to become a customer of record, and Deer Creek subsequently removed the meter and connection to its distribution system.

The Utility's bills from Polk County show that it purchased 25,929,000 gallons. According to its billing records, the Utility sold 16,304,762 gallons of water during the test year. The Utility reported that it flushes the system once per year, using a minimal volume of water, and so it did not record any water for other uses. As stated above, the Utility was able to account for approximately 1,692,880 gallons of water provided to DCC. Adding the water sold to the water provided to DCC, and subtracting the sum from the amount produced yields an unaccounted for water total of 7,931,358 gallons, or 30.6 percent, yielding an EUW of 20.6 percent. Since Polk County bills the Utility for wastewater based on the number of gallons of water sold to the Utility, unaccounted for water affects the amount it is charged for wastewater. Therefore, staff recommends that a 20.6 percent adjustment be made to purchased water expense and purchased wastewater expense due to EUW.

Infiltration and Inflow

Typically infiltration results from groundwater entering a wastewater collection system through broken or defective pipes and joints; whereas, inflow results from water entering a wastewater collection system through manholes or lift stations. Because the amount of wastewater treated by Polk County on behalf of Deer Creek is not measured separately, staff is unable to calculate whether there is excessive I&I and thus no adjustment is recommended.

Conclusion

Staff recommends that the water distribution system and the wastewater collection system be considered 100 percent U&U. A 20.6 percent EUW adjustment should be made to purchased

water expense and purchased wastewater expense to reflect excessive water loss. Staff is unable to calculate I&I due to the nature of the Utility's provision of wastewater service. Therefore, no adjustment to operating expenses is recommended for I&I.

Issue 4: What is the appropriate average test year water rate base and wastewater rate base for Deer Creek?

Recommendation: The appropriate average test year rate base for Deer Creek is \$58,509 for water and \$110,351 for wastewater. (D. Brown, T. Brown)

Staff Analysis: The appropriate components of a Utility's rate base include utility plant in service, land, contributions in aid of construction (CIAC), accumulated depreciation, amortization of CIAC, and working capital. Rate base has not previously been established for Deer Creek, but the Commission approved the Utility's existing rates in its original certificate docket.³ The test year ended December 31, 2018, was used for the instant case. Deer Creek operated at an operating loss in 2017 and 2018 based on the Utility's Annual Reports. Commission audit staff determined that the Utility's books and records are in compliance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). A summary of each water rate base and wastewater rate base component, and recommended adjustments, are discussed below.

Utility Plant in Service (UPIS)

The Utility recorded UPIS of \$44,553 for water and \$95,948 for wastewater. The Utility does not operate a water treatment facility or a wastewater facility. Deer Creek's utility plant consists of a water distribution system, water meters, and a wastewater collection system with a master lift station. Water is purchased from Polk County via a single master meter. Effluent from the lift station is transferred to Polk County for treatment and disposal. Staff decreased UPIS by \$11,034 for water and \$6,900 for wastewater to reflect averaging adjustments. Therefore, staff recommends a UPIS balance of \$33,519 for water and \$89,048 for wastewater.

Land and Land Rights

The Utility recorded no land for water and wastewater. Audit staff verified that the Utility has no land deeds and determined that there have been no changes to land since the Utility was acquired on December 5, 2013. The lift station is on common property owned by the Utility's parent. Audit staff did not determine the value of land, nor was a cost assigned to the Utility. Accordingly, no adjustments are necessary. Staff recommends a land and land rights balance of \$0 for water and wastewater.

Non-Used and Useful Plant

As discussed in Issue 3, Deer Creek's water distribution system and wastewater collection system are considered 100 percent U&U. Therefore, no U&U adjustments are necessary.

Contributions In Aid of Construction

The Utility does not collect any CIAC and had none recorded for water or wastewater; therefore, no adjustments are necessary. As such, staff's recommended CIAC balances are \$0 for water and wastewater.

³ Order No. PSC-2017-0440-FOF-WS, issued November 17, 2017, in Docket No. 20160248-WS, *In re: Application for original certificates to provide water and wastewater service in Polk County by Deer Creek RV Golf & Country Club, Inc.*

Accumulated Depreciation

According to the Utility's general ledger, the accumulated depreciation balances for water and wastewater were \$1,651 and \$7,171, respectively, as of December 31, 2018. Staff recalculated accumulated depreciation and depreciation expense using the audited UPIS balances and the depreciation rates established by Rule 25-30.140(2), F.A.C. Staff decreased this account by \$7 for water and \$37 for wastewater to reflect the audited balances. In addition, staff decreased accumulated depreciation by \$670 for water and \$2,421 for wastewater, to reflect an averaging adjustment. Staff's adjustments to this account result in accumulated depreciation balances of \$974 ($\$1,651 - \$7 - \670) for water and \$4,714 ($\$7,171 - \$37 - \$2,421$) for wastewater.

Accumulated Amortization of CIAC

As mentioned previously, the Utility does not collect any CIAC and there is no CIAC to amortize; therefore, no adjustments are necessary. As such, staff's recommended accumulated amortization of CIAC balances are \$0 for water and wastewater.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses of the Utility. Consistent with Rule 25-30.433(3), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Staff also removed the unamortized balance of rate case expense of \$947 for water and \$947 for wastewater pursuant to Section 367.081(9), F.S.⁴ Applying this formula, staff recommends a working capital allowance of \$25,964 ($\$207,709 / 8$) for water, based on the adjusted O&M expense of \$207,709 ($\$208,657 - \947). Further, staff recommends a working capital allowance of \$26,016 ($\$208,130 / 8$) for wastewater, based on the adjusted O&M expense of \$208,130 ($\$209,077 - \947).

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$58,509 for water and \$110,351 for wastewater. Water and wastewater rate bases are shown on Schedule Nos. 1-A and 1-B, respectively. The related adjustments are shown on Schedule No. 1-C.

⁴ Section 367.081(9), F.S., which became effective July 1, 2016, states, "A utility may not earn a return on the unamortized balance of the rate case expense. Any unamortized balance of rate case expense shall be excluded in calculating the utility's rate base." The unamortized balance of rate case expense is reflected in Issue 7 and in Schedule Nos. 3-D and 3-E.

Issue 5: What is the appropriate return on equity and overall rate of return for Deer Creek?

Recommendation: The appropriate return on equity (ROE) is 10.55 percent with a range of 9.55 percent to 11.55 percent. The appropriate overall rate of return is 4.86 percent. (D. Brown, T. Brown)

Staff Analysis: Deer Creek's capital structure consists of long-term debt and customer deposits. Audit staff determined that common equity for the Utility resulted in a negative balance. As such, common equity was set to zero consistent with Commission practice. The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE for the Utility is 10.55 percent based upon the Commission-approved leverage formula currently in effect.⁵ Staff recommends an ROE of 10.55 percent, with a range of 9.55 percent to 11.55 percent, and an overall rate of return of 4.86 percent. The ROE and overall rate of return are shown on Schedule No. 2.

⁵ Order 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.*

Date: March 19, 2020

Issue 6: What are the appropriate test year revenues for Deer Creek?

Recommendation: The appropriate test year revenues are \$120,048 for the water system and \$197,354 for the wastewater system. (Sibley)

Staff Analysis: The Utility recorded total test year revenues of \$132,542 for water and \$194,307 for wastewater. The water revenues included \$128,765 of service revenues and \$3,777 of miscellaneous revenues. The wastewater revenues included \$194,307 of service revenues and no miscellaneous revenues.

Based on staff's review of the Utility's billing determinants and the service rates that were in effect during the test year, staff determined test year service revenues should be \$118,162 for water and \$195,467 for wastewater. This results in a decrease of \$10,603 (\$128,765 - \$118,162) for water and an increase of \$1,160 (\$195,467 - \$194,307) for wastewater test year service revenues. The decrease in water service revenues is attributable to revenues collected for a Polk County tax which is non-jurisdictional. The increase in wastewater service revenues is due to the Utility incorrectly billing its approved tariffed rates; staff recalculated the revenues based on the appropriate billing determinants from the billing register.

Staff also made adjustments to miscellaneous revenues for water and wastewater. Staff decreased the Utility's water miscellaneous revenues by \$4 to reflect the appropriate miscellaneous revenues based on the number of test year occurrences and the approved miscellaneous service charges. In addition, miscellaneous revenues were reallocated equally between the water and wastewater systems. Therefore, staff recommends miscellaneous revenues of \$1,886 for the water system and \$1,887 for the wastewater system.

Based on the above, the appropriate test year revenues are \$120,048 (\$118,162 + \$1,886) for the water system and \$197,354 (\$195,467 + \$1,887) for the wastewater system.

Issue 7: What is the appropriate amount of operating expenses for Deer Creek?

Recommendation: The appropriate amount of operating expenses for Deer Creek are \$222,823 for water and \$225,982 for wastewater. (D. Brown, T. Brown)

Staff Analysis: Deer Creek recorded operating expenses of \$254,463 for water and \$276,106 for wastewater for the test year ended December 31, 2018. The test year O&M expenses have been reviewed, including invoices, canceled checks, and other supporting documentation. Staff made several adjustments to the Utility's operating expenses as summarized below.

Salaries and Wages - Employees (601/701)

The Utility recorded salaries and wages – employees expense of \$36,793 for water and \$26,701 for wastewater during the test year. There are two parent company employees assigned to the Utility. The parent company, Deer Creek Corp., charges 100 percent of the employees' time plus overhead to Utility operations. There is no pension and benefit expense recorded by the Utility. Deer Creek Corp. recovers these types of costs from the Utility by means of a corporate overhead calculation applied to the bi-weekly salary charged for the Utility's employees. The overhead rates are set by Deer Creek Corp.'s property management company, Artemis Lifestyle Services (ALS). ALS is the property management company contracted to provide administrative services. These administrative services consist of: management, payroll, insurance, financial accounting, and human resource services. The 41 percent and 37 percent overhead rates are the estimated cost for ALS to provide these services to all properties that ALS services.⁶ Staff believes the overhead rates are appropriate. Therefore, staff recommends salaries and wages-employees expense for the test year of \$36,793 for water and \$26,701 for wastewater.

Purchased Water (610)

Deer Creek recorded purchased water expense of \$175,431 in the test year. Supporting documentation confirming the purchased water expense was provided. In December 2019, the Utility also requested consideration of a pro forma increase to purchased water to reflect a Polk County rate increase that went into effect on October 1, 2019.⁷ Staff recommends the increase be included because it is known, measurable, and already in effect. As a result, staff increased purchased water by \$6,969 to reflect annualized purchased water using the new rates, which results in purchased water expense of \$182,400 (\$175,431 + \$6,969). As discussed in Issue 3, staff is also recommending an EUW adjustment of 20.6 percent. Therefore, staff reduced purchased water by \$37,574 (\$182,400 x .206) to reflect the 20.6 percent EUW adjustment. As such, staff recommends purchased water expense for the test year of \$144,826 (\$175,431 + \$6,969 - \$37,574).

Purchased Sewage Treatment (710)

The Utility recorded purchased wastewater expense of \$202,710 in the test year. Supporting documentation confirming the purchased wastewater expense was provided. As discussed in Issue 3, staff is also recommending an EUW adjustment of 20.6 percent. Therefore, staff reduced purchased wastewater expense by \$41,758 (\$202,710 x .206) to reflect the 20.6 percent EUW

⁶ There are two overhead rates; 41 percent, and 37 percent. The 41 percent overhead rate is for field employees, and the 37 percent rate is for office employees.

⁷ Document No. 11317-2019, filed December 13, 2019.

Date: March 19, 2020

adjustment. Staff is making an EUW adjustment, instead of an infiltration and inflow adjustment, in the instant docket as Polk County uses the purchased water gallonage to determine the gallonage billed for treatment, and excess unaccounted-for water results in higher wastewater charges for customers. As such, staff recommends purchased wastewater expense for the test year of \$160,952 (\$202,710 - \$41,758).

Purchased Power (615/715)

Deer Creek recorded purchased power expense of \$2,059 for wastewater for the test year. No purchased power expense was recorded for water. Supporting documentation confirming the purchased power expense was provided by the Utility. Staff made no adjustments to this account. Therefore, staff recommends purchased power expense of \$2,059 for wastewater.

Materials and Supplies (620/720)

The Utility recorded materials and supplies expense of \$1,079 for water. No materials and supplies expense was recorded for wastewater during the test year.⁸ Staff made no adjustments to this account. Accordingly, staff recommends materials and supplies expense for the test year of \$1,079 for water.

Contractual Services - Billing (630/730)

Deer Creek recorded billing expense of \$600 for water and \$600 for wastewater for the test year. Staff made no adjustments to this account for either system. Accordingly, staff recommends contractual services – billing expense for the test year of \$600 for water and \$600 for wastewater.

Contractual Services - Professional (631/731)

Deer Creek recorded contractual services – professional expense of \$15,190 for water and \$15,190 for wastewater for the test year. Contractual services – professional expense was comprised of the following:

Table 7-1
Test Year Contractual Services – Professional

Description	Water	Wastewater
Saxon Gilmore (Legal)	\$9,509	\$9,509
OCBOA (Accounting)	3,491	3,491
Copley (Training)	278	278
Def. Asset	<u>1,913</u>	<u>1,913</u>
Total	<u>\$15,190</u>	<u>\$15,190</u>

Source: Audit Report and audit work papers.

⁸ The materials and supplies balance was \$0 for both 2017 and 2018 according to the Utility's Annual Reports for each of those years.

The bulk of the expense, \$13,000 for water and \$13,000 for wastewater, was related to legal and accounting consulting services. Staff noted that the amount for consulting services appeared excessive, especially since the Utility is a reseller. This could have been a result of the Utility being newly certificated, so staff requested the Utility’s consulting expense for 2019. The updated consulting expense was comprised of the following:

**Table 7-2
 2019 Consulting Expense**

Description	Recurring	Rate Case	Irrigation Meter (Non-recurring)
Saxon Gilmore (Legal)	\$2,162	\$1,032	\$4,806
OCBOA (Accounting)	<u>2,574</u>	<u>2,593</u>	<u>812</u>
Total	<u>\$4,736</u>	<u>\$3,625</u>	<u>\$5,618</u>

Source: Document No. 00534-2020, filed January 24, 2020.

The 2019 consulting expense totaled \$13,979 (\$4,736 + \$3,625 + \$5,618), or \$6,989 for water and \$6,989 for wastewater.

Staff made no adjustments to the recurring expense reflected in Table 7-2 as it was utility related. As such, legal recurring expense should be allocated equally between the water and wastewater systems, \$1,081 ($\$2,162 / 2$) per system and accounting recurring should be allocated equally between the water and wastewater systems, \$1,287 ($\$2,574 / 2$) per system.

As for the rate case portion, staff removed \$3,137 for professional consulting expenses that were incurred by the Utility prior to the Staff Report filing date of November 18, 2019, as required by Section 367.0814(3), F.S. As such, staff recommends the \$488 recommended for consultant rate case expense for 2019 should be reassigned to regulatory commission expense (Account 665 / 765) and split evenly between each system.

**Table 7-3
 Consultant Expense Related to Rate Case**

Description	Rate Case	Adjustment	Staff Recom.
Saxon Gilmore (Legal)	\$1,032	(\$782)	\$250
OCBOA (Accounting)	<u>2,593</u>	<u>(2,355)</u>	<u>238</u>
Total	<u>\$3,625</u>	<u>(\$3,137)</u>	<u>\$488</u>

Source: Document No. 00534-2020 and staff calculations.

Regarding the non-recurring consulting expense related to the irrigation meter, Deer Creek has requested Commission approval to create a deferred regulatory asset account that would be used to record attorney fees and other related cost associated with the Utility’s effort to recover the uncompensated service revenues from the alleged unauthorized use of water for irrigation. This

is more fully discussed in Issue 10. As referenced in Table 7-2, the Utility has already incurred \$5,618 of legal and consulting fees related to this matter, as of December 31, 2019. Staff did not include the expense in its rate case expense calculations in the instant docket. Staff recommends that upon completion of the Utility’s legal matters, the Commission determine the appropriate accounting and recovery methodology for these costs that may result from the anticipated legal matter.

Staff also made an adjustment to training, related to office training on a new system. In its test year, the Utility included \$278 for water and \$278 for wastewater to provide Quick Books training for the Utility Supervisor at start-up. Staff believes that the training is a one-time expense that should be amortized over five years, or \$56 (\$278 / 5 years) per year for each system.⁹

The annual amortization amount of \$1,913, to water and wastewater services is for non-recurring legal fees that were incurred by the Utility. These fees were not related to the Utility’s certificate application. These fees included legal matters with Polk County, development and passage of the Utility’s backflow prevention plan, the cancelation and procurement of a new billing system vendor, and other various legal matters that were deemed as non-recurring by the Utility. Staff made no adjustments to the deferred asset allocated to both the water and wastewater systems.

Staff’s recommended contractual services – professional expense and adjustments for water and wastewater appear in Table 7-4 and Table 7-5, respectively.

Table 7-4
Recommended Professional Expense for Water

Description	As Filed	Staff Rec.	Adj.
Saxon Gilmore (Legal)	\$9,509	\$1,081	(\$8,428)
OCBOA (Accounting)	3,491	1,287	(2,204)
Copley (Training)	278	56	(222)
Def. Asset	<u>1,913</u>	<u>1,913</u>	<u>0</u>
Total	<u>\$15,190</u>	<u>\$4,336</u>	<u>(\$10,854)</u>

Source: Audit work papers, Utility responses to data requests, staff calculations.

Table 7-5
Recommended Professional Expense for Wastewater

Description	As Filed	Staff Rec.	Adj.
Saxon Gilmore (Legal)	\$9,509	\$1,081	(\$8,428)
OCBOA (Accounting)	3,491	1,287	(2,204)
Copley (Training)	278	56	(222)
Def. Asset	<u>1,913</u>	<u>1,913</u>	<u>0</u>
Total	<u>\$15,190</u>	<u>\$4,336</u>	<u>(\$10,854)</u>

Source: Audit work papers, Utility responses to data requests, staff calculations.

⁹ Per Rule 25-30.433(9), F.A.C.

Staff recommends contractual services – professional expense for the test year of \$4,336 (\$15,190 - \$10,854) for water and \$4,336 (\$15,190 - \$10,854) for wastewater.

Contractual Services - Testing (635/735)

The Utility recorded testing expense of \$6,110 for water only. No testing expense was reflected for wastewater. Staff decreased water testing by \$3,030 to reflect the testing expense supported by actual invoices.¹⁰ Staff recommends that the \$3,030 should be reassigned to contractual services – other, since it relates to monthly contract operations. Based on the above, staff recommends contractual services – testing expense for the test year of \$3,080 (\$6,110 - \$3,030) for water.

Contractual Services - Other (636/736)

The Utility recorded contractual services – other expense of \$1,051 for water and \$3,945 for wastewater. As discussed in Issue 3, Deer Creek recorded a significant amount of unaccounted for water during the test year. In order to determine the source of the unaccounted for water, the Utility requested bids for a leak detection survey project. Three bids were received, and Deer Creek stated that the lowest bid of \$20,400 was selected. The Utility requested recovery of expenses related to the leak detection project, which was completed in August 2019.¹¹ The leak detection survey was unable to identify the source of the unaccounted for water; however, as stated in Issue 3, the Utility recently become aware of a customer that was receiving unbilled water from Deer Creek. Based on the documentation provided, staff recommends an amount of \$20,400 for the leak detection survey project be included in contractual services – other. Staff also recommends recovery of this project should be amortized over five years, or \$4,080 (\$20,400 / 5 years) per year.¹² In addition, staff has increased water contractual services – other by \$3,030 to reflect the monthly contractual service amount removed from contractual services – testing. Staff made no adjustments to wastewater contractual services – other expense. Based on the discussion above, staff recommends contractual services – other expense for the test year of \$8,161 (\$1,051 + \$4,080 + \$3,030) for water and \$3,945 for wastewater.

Rent Expense (640/740)

Deer Creek recorded rent expense of \$3,600 for water and \$3,600 for wastewater. According to the Utility, the lease amount was determined based on the square footage occupied by the Utility Supervisor's office. The price per square foot was determined by using an existing lease between Deer Creek's parent and a non-related third-party lessee, Oaks Realty, which is located in the same building. In addition to the lease amount of \$600 per month, there is a \$300 per month allocation for office supplies and the use of office equipment such as facsimile, printers, scanners, copiers, telephones, etcetera. This includes use of common areas such as the bathroom, kitchen, and conference room. Utilities are also included in rent. The \$300 per month for office supplies is split between water and wastewater and is included in the miscellaneous expense balances discussed below. Total rent for the test year is \$7,200 (\$600 x 12 months), which is then split between water and wastewater. The Utility provided staff with a copy of the lease in

¹⁰ Document No. 09174-2019, filed on October 3, 2019.

¹¹ The Utility initially requested recovery of four pro forma projects, but later withdrew all but one of the pro forma projects. Deer Creek indicated that it anticipates addressing the additional pro forma projects in a separate proceeding at the conclusion of this SARC. Document No. 09174-2019, filed October 3, 2019.

¹² Per Rule 25-30.433(9), F.A.C.

Date: March 19, 2020

response to staff's third data request.¹³ Staff made no adjustments to this account. Therefore, staff recommends rent expense for the test year of \$3,600 for water and \$3,600 for wastewater.

Regulatory Commission Expense (665/765)

The Utility did not record any regulatory commission expense in this account. Staff recommends that the Utility's original certificate application filing fee should be included in the instant docket since it has not been recovered to date.¹⁴ Rule 25-30.433(9), F.A.C., requires that non-recurring expenses be amortized over a five-year period unless a shorter or longer period of time can be justified. As such, staff increased water by \$300 ($\$1,500 / 5$) and wastewater by \$300 ($\$1,500 / 5$) to reflect the five-year amortization of the Utility's original certificate application filing fee.

Regarding the instant case, the Utility is required by Rule 25-22.0407, F.A.C., to provide notices of the customer meeting and notices of final rates in this case to its customers. Staff is also recommending that the Utility be required to provide notice of the four-year rate reduction to its customers when the rates are reduced to remove the amortized rate case expense. For noticing, staff estimated \$1,305 for postage expense, \$712 for printing expense, and \$119 for envelopes. This results in \$2,136 ($\$1,305 + \$712 + \119) for the noticing requirement. The Utility paid a total of \$2,000 in rate case filing fees (\$1,000 for water and \$1,000 for wastewater) in this docket. Staff has also reallocated \$488 from contractual services - professional expense to regulatory commission expense because it relates to the instant rate case. This amount was limited to those professional consulting expenses that were incurred by the Utility after the Staff Report was filed on November 18, 2019, as required by Section 367.0814(3), F.S.

On March 4, 2020, the Utility also provided additional consultant expense incurred through February 2020, estimated expense to complete the rate case, and travel expense to attend the Commission Conference.¹⁵ The Utility requested \$1,449 for accounting expense in January and February 2020 related to the current rate case. The amount was based on a total of 15.25 hours at \$95 per hour. The majority of the hours were associated with responding to staff requests for information. Staff made no adjustments to the consultant expense incurred through February 2020. The Utility also estimated seven additional hours of accounting consultant expense, or \$665 (7 hours x \$95 / hour), would be necessary to complete the rate case. This amount includes responding to additional formal and informal data requests, review of the staff recommendation, discussing the recommendation with the Utility, and preparing for and attending the Commission Conference. Staff believes that \$665 for seven hours is reasonable for the services outlined in the Utility's request.

Finally, the Utility estimated \$842 of travel expense for the accounting consultant and a Utility representative to attend the Commission Conference. The estimated travel expense was comprised a total of \$40 for meals, \$230 for hotel ($\$115 / \text{room} \times 2 \text{ rooms}$), and \$572 for mileage based on one person traveling from Orlando and one traveling from Davenport round trip. The mileage was based on Florida Department of Transportation official mileage and the 2020 IRS

¹³ Document No. 09174-2019, filed October 3, 2019.

¹⁴ Docket No. 20160248-WS, *In re: Application for original certificates to provide water and wastewater service in Polk County by Deer Creek RV Golf & Country Club, Inc.*

¹⁵ Document No. 01273-2020, filed on March 4, 2020.

mileage rate. As such, staff believes the estimated travel expense of \$842 is reasonable for two people to attend the Commission Conference.

Based on the above, staff recommends the following total rate case expense:

**Table 7-6
 Rate Case Expense**

Item	Staff Recommended
Noticing (includes four-year rate reduction notice)	\$2,136
Filing Fee	2,000
Expense from Contractual Services – Professional (631/731)	488
Actual accountant expense (January-February 2020)	1,449
Estimated expense to complete	665
Travel	<u>842</u>
Total	<u>\$7,580</u>
Annual Rate Case Expense (\$7,580 / 4 years)	<u>\$1,895</u>

Source: Utility filings, responses to staff data requests, staff calculations.

Staff allocated the annual rate case expense to the water and wastewater systems equally, resulting in annual rate case expense of \$947 for water and \$947 for wastewater. Therefore, staff recommends regulatory commission expense for the test year of \$1,247 (\$300 + \$947) for water and \$1,247 (\$300 + \$947) for wastewater.

Bad Debt Expense (670/770)

Deer Creek recorded \$57 in bad debt expense for water and no bad debt expense for wastewater. Staff notes that no bad debt expense was included in the Utility’s 2017 or 2018 Annual Reports. Staff recommends bad debt expense for the test year of \$57 for water and \$0 for wastewater.

Miscellaneous Expense (675/775)

The Utility recorded test year miscellaneous expense of \$4,878 for water and \$5,997 for wastewater. Staff decreased the wastewater account by \$360 to remove past due amounts from the test year balance. Staff made no adjustments to water. As mentioned previously, there is a \$300 per month allocation for office supplies and the use of office equipment such as facsimile, printers, scanners, copiers, telephones, etcetera included as part of the Utility’s lease. The amount is split between each system, \$150 for water and \$150 for wastewater on a monthly basis. The amounts are included in the recorded amounts reflected above. As such, staff recommends miscellaneous expense for the test year of \$4,878 for water and \$5,637 (\$5,997 - \$360) for wastewater.

Date: March 19, 2020

Operation and Maintenance Expense (O&M Summary)

Based on the above adjustments, O&M expense should be decreased by \$36,132 for water and by \$51,725 for wastewater, resulting in total O&M expense of \$208,657 for water and \$209,077 for wastewater. Staff's recommended adjustments to O&M expense are shown on Schedule Nos. 3-A through 3-C.

Depreciation Expense (Net of Amortization of CIAC)

The Utility's records reflect test year depreciation expense of \$1,340 for water and \$4,841 for wastewater. Staff calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and found that no adjustments were necessary. As mentioned in Issue 4, Deer Creek does not collect any CIAC and there is no CIAC to amortize; therefore, no adjustments are necessary. As such, staff's recommended CIAC amortization expense balances should be \$0 for water and wastewater. Therefore, staff recommends net depreciation expense of \$1,340 for water and \$4,841 for wastewater.

Taxes Other Than Income (TOTI)

Deer Creek recorded TOTI of \$8,334 for water and \$10,463 for wastewater for the test year. Staff decreased water by \$477 and increased wastewater by \$53 to reflect the appropriate test year Regulatory Assessment Fees (RAFs).

As discussed in Issue 9, revenues have been increased by \$110,435 for water and \$34,403 for wastewater to reflect the change in revenue required to cover expenses and allow an opportunity to recover the operating margin on water and wastewater. As a result, TOTI should be increased by \$4,970 for water and \$1,548 for wastewater to reflect RAFs of 4.5 percent of the change in revenues. Therefore, staff recommends TOTI of \$12,827 for water and \$12,064 for wastewater.

Operating Expenses Summary

The application of staff's recommended adjustments to Deer Creek's test year operating expenses results in operating expenses of \$222,823 for water and \$225,982 for wastewater. Operating expenses are shown on Schedules No. 3-A and 3-B. The adjustments are shown on Schedule No. 3-C.

Issue 8: Does Deer Creek meet the criteria for the application of the Operating Ratio Methodology?

Recommendation: Yes. The Utility meets the requirement for application of the operating ratio methodology for calculating the revenue requirement for Deer Creek. The margin should be 12 percent of O&M expenses. (D. Brown, T. Brown)

Staff Analysis: Rule 25-30.4575(2), F.A.C., provides that, in rate cases processed under Rule 25-30.455 F.A.C., the Commission will use the operating ratio methodology to establish the utility's revenue requirement when the utility's rate base is no greater than 125 percent of O&M expenses and the use of the operating ratio methodology does not change the utility's qualification for a SARC. Under the operating ratio methodology, instead of calculating the utility's revenue requirement based on a rate of return on the utility's rate base, the revenue requirement is calculated using a margin of 12 percent of O&M expenses, not to exceed \$15,000. Purchased water and wastewater must be removed from O&M expenses prior to calculating the margin of 12 percent.

As discussed in Issues 4 and 7, staff has recommended a rate base of \$58,509 for water and \$110,351 for wastewater and O&M expenses of \$208,657 for water and \$209,077 for wastewater. Based on these recommended amounts, Deer Creek's water and wastewater rate bases are only 28 percent and 53 percent of its O&M expenses, respectively. Based on a margin of 12 percent, the operating margin for Deer Creek is \$7,660 for water and \$5,775 for wastewater, which do not exceed \$15,000. Furthermore, the application of the operating ratio methodology does not change the Utility's qualification for a SARC. As such, Deer Creek meets the criteria for the operating ratio methodology established in Rule 25-30.4575(2), F.A.C. Therefore, staff recommends the application of the operating ratio methodology at a margin of 12 percent of O&M expense for determining the revenue requirement for both the water and wastewater systems.

Issue 9: What is the appropriate revenue requirement for Deer Creek?

Recommendation: The appropriate revenue requirement is \$230,483 for water and \$231,757 for wastewater, resulting in an annual increase of \$110,435 for water (91.99 percent) and \$34,403 for wastewater (17.43 percent). (D. Brown, T. Brown)

Staff Analysis: Deer Creek should be allowed an annual increase of \$110,435 for water (91.99 percent) and \$34,403 for wastewater (17.43 percent). This will allow the Utility the opportunity to recover its expenses and a 12 percent margin on O&M expenses for its water and wastewater systems.¹⁶ The calculations are shown below, in Tables 9-1 and 9-2 for water and wastewater, respectively:

**Table 9-1
 Water Revenue Requirement**

Adjusted O&M Expense (less Purchased Water)	\$63,831
Operating Margin (%)	x 12.00%
Operating Margin (\$15,000 Cap)	\$7,660
Adjusted O&M Expense	208,657
Depreciation Expense (Net)	1,340
Taxes Other Than Income	7,857
Test Year RAFs	4,970
Revenue Requirement	\$230,483
Less Adjusted Test Year Revenues	120,048
Annual Increase	<u>\$110,435</u>
Percent Increase	91.99%

¹⁶ For utilities that are resellers, purchased water and purchased wastewater expenses are removed from operation and maintenance expense before the 12 percent margin is applied.

Table 9-2
Wastewater Revenue Requirement

Adjusted O&M Expense (less Purchased Wastewater)	\$48,125
Operating Margin (%)	x 12.00%
Operating Margin (\$15,000 Cap)	\$5,775
Adjusted O&M Expense	209,077
Depreciation Expense (Net)	4,841
Taxes Other Than Income	10,516
Test Year RAFs	1,548
Revenue Requirement	\$231,757
Less Adjusted Test Year Revenues	197,354
Annual Increase	<u>\$34,403</u>
Percent Increase	17.43%

Issue 10: Should the Commission approve Deer Creek’s request to defer legal fees and other related costs associated with the recovery of uncompensated service revenues from a business entity in its certificated service area?

Recommendation: Yes. The Commission should approve the request by Deer Creek to defer the legal fees and other related costs associated with the recovery of uncompensated service revenues from a business entity in its certificated service area pending a final determination of whether any prudent costs incurred should be capitalized, amortized, or expensed. (D. Brown, T. Brown)

Staff Analysis: On March 2, 2020, Deer Creek filed a letter related to the Utility’s efforts to recover uncompensated service revenues (as discussed in Issue 3) from a business entity in its certificated service area. In the letter, Deer Creek requested Commission approval to create a deferred regulatory asset account that would be used to record legal fees and other related cost associated with the Utility’s effort to recover the uncompensated service revenues. The Utility had previously updated the Commission on its efforts to recover the uncompensated service revenues in letters filed on October 22, 2019,¹⁷ and January 13, 2020.¹⁸ The Utility estimated a consolidated bill of \$44,561 for the 12-month period from October 2018 through September 2019. The Utility also requested a customer deposit of \$7,427, and indicated that it may pursue an additional payment of \$33,421 for potable water service for another 9-month period based on Rule 25.30-351, F.A.C.¹⁹

In the January 13, 2020 update, the Utility noted that a demand for payment was authorized by the Board of Directors for Deer Creek RV Golf & Country Club, Inc. in a board meeting held in December 2019. The demand letter was sent by the Utility’s attorney on January 7, 2020. As of March 3, 2020, there has been no contact or response from the business entity or their legal counsel on this matter. Given the lack of response, the Utility is considering legal action to recover the uncompensated service revenues at issue from the commercial property owner. As of December 31, 2019, the Utility has incurred \$5,618, of legal and consulting fees for this matter.²⁰ Staff notes that the Commission previously approved the creation of a similar account for “legal expenses and other costs associated with the resolution of land rights issues involving the utility’s ponds and spray fields” in a 2016 decision.²¹ In that decision, West Lakeland had already incurred some legal expenses and additional expenses were anticipated going forward.

The concept of deferral accounting allows companies to defer costs due to events beyond their control and seek recovery through rates at a later time. The alternative would be for the company to seek a rate case each time it experiences an exogenous event. The costs in the instant docket relate to legal fees incurred by the Utility in trying to recover uncompensated service revenues from a business entity in its certificated service area. Since this situation is still ongoing,

¹⁷ Document No. 09523-2019, filed October 22, 2019.

¹⁸ Document No. 00282-2020, filed January 14, 2020.

¹⁹ Document No. 09523-2019, filed October 22, 2019.

²⁰ Document No. 01201-2020, filed March 2, 2020.

²¹ Order No. PSC-16-0030-PAA-SU, issued January 19, 2016, in Docket No. 20150137-SU, *In re: Petition for approval to defer legal expenses associated with the resolution of land use issues for utility treatment facilities that are located in Polk County by West Lakeland Wastewater, Inc.*

allowing recovery of a regulatory asset is not possible at this time. Upon completion of the legal matters, the Commission can determine the appropriate accounting and recovery methodology for these costs in a future proceeding. Therefore, staff recommends the Commission approve the request by Deer Creek to defer the legal fees associated with the uncompensated service revenues, pending a final determination of whether any prudent costs incurred should be capitalized, amortized, or expensed.

Issue 11: What are the appropriate rate structure and rates for Deer Creek?

Recommendation: The recommended rate structure and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Sibley)

Staff Analysis: Deer Creek is located in Polk County within the Southwest Florida Water Management District. The Utility provides water service to approximately 752 residential customers and 39 general service customers. Approximately 28 percent of the residential customer bills during the test year had zero gallons, indicating a seasonal customer base. The average residential water demand is 1,431 gallons per month. The average residential water demand excluding zero gallon bills is 1,997 gallons per month. The Utility's current water system rate structure for residential and general service customers consists of a base facility charge (BFC) and a four-tier inclining block rate structure. The rate blocks are: (1) 0-2,400 gallons; (2) 2,401-4,700 gallons; (3) 4,700-9,500 gallons; and (4) all usage in excess of 9,500 gallons per month.

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

The Utility is currently generating approximately 17 percent of its revenues from the BFC. Due to the seasonal nature of the customer base, a 17 percent cost recovery could lead to revenue shortfalls during months when customers are out of residence. Therefore, staff recommends that 40 percent of the water revenues be generated from the BFC to provide some revenue stability. In addition, it allows for sufficient revenues to design gallonage charges that send pricing signals to customers consuming water above the non-discretionary level.

The Utility's existing four-tier rate structure is patterned after Polk County's rates from which the Utility purchases water. As mentioned previously, this customer base is seasonal and has low average consumption. Consequently, a four-tier rate structure is too aggressive for the usage characteristics of the customer base. The average people per household served by the water system is two; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 3,000 gallons per month.²² Staff recommends a BFC and a two-tier inclining block rate structure, which includes separate gallonage charges for discretionary and non-discretionary usage for

²² Average person per household was researched via www.census.gov/quickfacts/polkcountyflorida.

residential water customers. The rate blocks are: (1) 0-3,000 gallons; and (2) all usage in excess of 3,000 gallons per month. Staff notes that the rate structure changes create higher bill increases for seasonal customers and customers with low consumption levels. However, this rate structure is consistent with Commission practice in determining the appropriate BFC cost recovery and tiers. General service customers should be billed a BFC based on meter size and a uniform gallonage charge.

Based on a recommended revenue increase of 93.5 percent, which excludes miscellaneous revenues, residential consumption can be expected to decline by 1,132,000 gallons resulting in anticipated average residential demand of 1,306 gallons per month. Staff recommends an 8.77 percent reduction in test year residential gallons for ratesetting purposes, a corresponding reduction of \$10,055 for purchased water and \$474 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$218,068.

Wastewater Rates

The Utility provides wastewater service to 752 residential customers and 39 general service customers. Currently, the residential wastewater rate structure consists of a uniform BFC for all meter sizes and a gallonage charge without a gallonage cap. The general service rate structure consists of a uniform BFC for all meter sizes and a gallonage charge which is the same as the residential gallonage charge.

Staff performed an analysis of the Utility's billing data to evaluate various BFC cost recovery percentages and gallonage caps for the residential customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; and (3) if appropriate, implement a gallonage cap that considers approximately the amount of water that may return to the wastewater system.

Consistent with Commission practice, staff allocated 50 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants. The Utility does not have a gallonage cap for residential customers because the Utility purchases water and wastewater treatment from Polk County and is billed wastewater treatment on all water gallons purchased. As a result, staff recommends a continuation of no residential wastewater gallonage cap. Staff recommends a continuation of the existing wastewater rate structure for residential service customers, which consists of a uniform BFC for all meter sizes and a gallonage charge with no gallonage cap. For general service customers, staff recommends a rate structure which consists of a BFC by meter size and a gallonage charge that is the same as residential to better capture the costs of general service customers that have different meter sizes.

In addition, based on the expected reduction in water demand described above, staff recommends that a repression adjustment also be made for wastewater. Because wastewater rates are calculated based on customers' water demand, if those customers' water demand is expected to decline, then the billing determinants used to calculate wastewater rates should also be adjusted. Based on the billing analysis for the wastewater system, staff recommends that a repression adjustment of 1,132,000 gallons to reflect the anticipated reduction in water demand be used to calculate wastewater rates. Staff recommends an 8.77 percent reduction in total residential

consumption and corresponding reductions of \$14,113 for purchased wastewater treatment and \$635 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$215,122.

Conclusion

Based on the above, the recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 12: What are the appropriate initial customer deposits for Deer Creek?

Recommendation: The appropriate initial customer deposits should be \$40 for the single family residential 5/8 inch x 3/4 inch meter size for water and remains \$44 for wastewater. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The approved initial 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 deposits until authorized to change them by the Commission in a subsequent proceeding. (Sibley)

Staff Analysis: Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.²³ Currently, the Utility's initial deposit for single family residential water customers is \$16 for the 5/8 inch x 3/4 inch meter size and two times the average estimated bill for the general service customers. For wastewater, the Utility's initial deposit for single family residential service is \$44 for the 5/8 inch x 3/4 inch meter size and two times the average estimated bill for the general service customers.

The existing water initial customer deposit does not cover two months' average bills based on staff's recommended rates. The post-repression average monthly residential usage is approximately 1,306 gallons per customer. Therefore, the average residential monthly bill based on staff's recommended rates is approximately \$19.95. The existing wastewater customer deposit is sufficient and should remain at \$44.

Staff recommends that the appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size is \$40 for water and remains \$44 for wastewater. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated quarterly bill for water. The approved initial 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.

²³ Order No. PSC-15-0142-PAA-SU, issued March 26, 2015, in Docket No. 20130178-SU, *In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company*.

Date: March 19, 2020

Issue 13: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.081(8) F.S.?

Recommendation: The rates should be reduced as shown on Schedule No. 4-A and 4-B, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S. Deer Creek should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Procedural Agency Action) (Sibley, D. Brown, T. Brown)

Staff Analysis: Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the recovery period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reduction is \$992 for each system.

Staff recommends that the rates should be reduced as shown on Schedule No. 4-A and 4-B, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S., Deer Creek should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 14: Should the recommended rates be approved for Deer Creek on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

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

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

Deer Creek should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$97,589. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

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

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

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

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

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

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

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

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

Issue 15: Should Deer Creek be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision?

Recommendation: Yes. Deer Creek should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Deer Creek should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable National Association of Regulatory Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice providing good cause should be filed within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant such an extension for up to 60 days. (Procedural Agency Action) (D. Brown, T. Brown)

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

Issue 16: Should Deer Creek's request for a cross connection control and backflow prevention tariff sheet be approved?

Recommendation: Yes. The tariff outlining Deer Creek's cross connection prevention policy tariff should be approved. The approved tariff should be effective for service rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. (Sibley)

Staff Analysis: The Utility requested a cross connection control and backflow prevention tariff to provide a single source that clarifies the rights and obligations of Deer Creek and its customers. The DEP requires customers with cross connections into the water system to install a backflow prevention assembly on the potable water line and for the Utility to furnish a Cross Connection Control and Backflow Prevention (CCCBP) plan. A cross connection is any temporary or permanent connection between a public water system or consumer's potable water system and any source or system containing non-potable water or other substances. An example of a non-potable water system is an irrigation system. The backflow preventer is responsible for preventing an undesirable reversal of flow of non-potable water or other substances through a cross connection and into the piping of a public water or consumer's potable water system. It is the customer's responsibility to ensure a backflow prevention device is properly installed, repaired, and annually field tested by a certified inspector.

Staff notes that if the Utility has reason to believe a cross connection exists, the customer shall allow the Utility onto the premises for an inspection pursuant to Rule 25-30.320(2)(f), F.A.C. Failure by the customer to install, inspect, repair or replace the backflow prevention device will result in disconnection of service after reasonable notice is given. The requested tariff provision, which is an abridged copy of the Utility's CCCBP, explains what customers are responsible for in regard to the CCCBP plan. Staff recommends that the tariff is reasonable and consistent with Rule 25-30.320, F.A.C., which allows the discontinuance of service if needed, when a customer fails to install or maintain a backflow preventer to eliminate cross connections.

Staff recommends that Deer Creek's cross connection prevention policy tariff should be approved. The approved tariff should be effective for service rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C.

Issue 17: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Proposed Agency Action 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. Also, the docket should remain open to allow the Utility to provide the recommended reporting information. Once these actions are complete, this docket should be closed administratively. (Weisenfeld)

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 Proposed Agency Action 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. Also, the docket should remain open to allow the Utility to provide the recommended reporting information. Once these actions are complete, this docket should be closed administratively.

DEER CREEK RV GOLF & COUNTRY CLUB, INC.		SCHEDULE NO. 1-A	
TEST YEAR ENDED DECEMBER 31, 2018		DOCKET NO. 20190071-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$44,553	(\$11,034)	\$33,519
LAND & LAND RIGHTS	0	0	0
NON-USED AND USEFUL	0	0	0
CIAC	0	0	0
ACCUMULATED DEPRECIATION	(1,651)	677	(974)
AMORTIZATION OF CIAC	0	0	0
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>25,964</u>	<u>25,964</u>
WATER RATE BASE	<u>\$42,902</u>	<u>\$15,607</u>	<u>\$58,509</u>

DEER CREEK RV GOLF & COUNTRY CLUB, INC.		SCHEDULE NO. 1-B	
TEST YEAR ENDED DECEMBER 31, 2018		DOCKET NO. 20190071-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$95,948	(\$6,900)	\$89,048
LAND & LAND RIGHTS	0	0	0
NON-USED AND USEFUL	0	0	0
CIAC	0	0	0
ACCUMULATED DEPRECIATION	(7,171)	2,458	(4,714)
AMORTIZATION OF CIAC	0	0	0
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>26,016</u>	<u>26,016</u>
WASTEWATER RATE BASE	<u>\$88,777</u>	<u>\$21,574</u>	<u>\$110,351</u>

DEER CREEK RV GOLF & COUNTRY CLUB, INC.	SCHEDULE NO. 1-C	
TEST YEAR ENDED DECEMBER 31, 2018	DOCKET NO. 20190071-WS	
ADJUSTMENTS TO RATE BASE	PAGE 1 OF 1	
	<u>WATER</u>	<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
To reflect an averaging adjustment.	<u>(\$11,034)</u>	<u>(\$6,900)</u>
<u>ACCUMULATED DEPRECIATION</u>		
1. To reflect appropriate accumulated depreciation.	\$7	\$37
2. To reflect an averaging adjustment.	<u>670</u>	<u>2,421</u>
Total	<u>\$677</u>	<u>\$2,458</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
To reflect 1/8 of test year O&M expenses.	<u>\$25,964</u>	<u>\$26,016</u>

DEER CREEK RV GOLF & COUNTRY CLUB, INC.							SCHEDULE NO. 2		
TEST YEAR ENDED DECEMBER 31, 2018							DOCKET NO. 20190071-WS		
SCHEDULE OF CAPITAL STRUCTURE									
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	TEST YEAR BALANCE PER STAFF	ADJUSTMENTS TO RECONCILE TO RATE BASE	RECONCILED CAPITAL STRUCTURE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST	
1. COMMON STOCK	\$0	\$0	\$0	0	\$0				
2. RETAINED EARNINGS	0	0	0	0	0				
3. PAID IN CAPITAL	0	0	0	0	0				
4. OTHER COMMON EQUITY	<u>0</u>	\$0	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL COMMON EQUITY	\$0	\$0	\$0	\$0	\$0	0.00%	10.55%	0.00%	
5. LONG-TERM DEBT	\$175,987	\$0	\$175,987	(\$11,088)	164,899	97.65%	4.90%	4.78%	
6. SHORT-TERM DEBT	1,409	0	1,409	(89)	1,320	0.78%	6.07%	0.05%	
7. PREFERRED STOCK	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	
TOTAL DEBT	\$177,396	\$0	\$177,396	(\$11,177)	\$166,219	98.44%	10.97%	4.83%	
8. CUSTOMER DEPOSITS	<u>2,640</u>	<u>0</u>	<u>2,640</u>	<u>0</u>	<u>2,640</u>	<u>1.56%</u>	2.00%	<u>0.03%</u>	
9. TOTAL	<u>\$180,036</u>	<u>\$0</u>	<u>\$180,036</u>	<u>(\$11,177)</u>	<u>\$168,859</u>	<u>100.00%</u>		<u>4.86%</u>	
RANGE OF REASONABLENESS						LOW	HIGH		
RETURN ON EQUITY						<u>9.55%</u>	<u>11.55%</u>		
OVERALL RATE OF RETURN						<u>4.86%</u>	<u>4.86%</u>		

DEER CREEK RV GOLF & COUNTRY CLUB, INC.			SCHEDULE NO. 3-A		
TEST YEAR ENDED DECEMBER 31, 2018			DOCKET NO. 20190071-WS		
SCHEDULE OF WATER OPERATING INCOME					
	BALANCE PER UTILITY	STAFF ADJUSTMENTS	BALANCE PER STAFF	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$132,542</u>	<u>(\$12,494)</u>	<u>\$120,048</u>	<u>\$110,435</u> 91.99%	<u>\$230,483</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$244,789	(\$36,132)	\$208,657	\$0	\$208,657
3. DEPRECIATION (NET)	1,340	0	1,340	0	1,340
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	8,334	(477)	7,857	4,970	12,827
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$254,463</u>	<u>(\$36,609)</u>	<u>\$217,854</u>	<u>\$4,970</u>	<u>\$222,823</u>
8. OPERATING INCOME/(LOSS)	<u>(\$121,921)</u>		<u>(\$97,806)</u>		<u>\$7,660</u>
9. WATER RATE BASE	<u>\$42,902</u>		<u>\$58,509</u>		<u>\$58,509</u>
10. OPERATING MARGIN					<u>12.00%</u>

DEER CREEK RV GOLF & COUNTRY CLUB, INC.			SCHEDULE NO. 3-B		
TEST YEAR ENDED DECEMBER 31, 2018			DOCKET NO. 20190071-WS		
SCHEDULE OF WASTEWATER OPERATING INCOME					
	BALANCE PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$194,307</u>	<u>\$3,047</u>	<u>\$197,354</u>	<u>\$34,403</u> 17.43%	<u>\$231,757</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$260,802	(\$51,725)	\$209,077	\$0	\$209,077
3. DEPRECIATION (NET)	4,841	0	4,841	0	4,841
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	10,463	53	10,516	1,548	12,064
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$276,106</u>	<u>(\$51,672)</u>	<u>\$224,434</u>	<u>\$1,548</u>	<u>\$225,982</u>
8. OPERATING INCOME/(LOSS)	<u>(\$81,799)</u>		<u>(\$27,080)</u>		<u>\$5,775</u>
9. WASTEWATER RATE BASE	<u>\$88,777</u>		<u>\$110,351</u>		<u>\$110,351</u>
10. OPERATING RATIO					<u>12.00%</u>

DEER CREEK RV GOLF & COUNTRY CLUB, INC.		SCHEDULE NO. 3-C	
TEST YEAR ENDED DECEMBER 31, 2018		DOCKET NO. 20190071-WS	
ADJUSTMENTS TO OPERATING INCOME		Page 1 of 1	
	<u>WATER</u>	<u>WASTEWATER</u>	
OPERATING REVENUES			
1. To reflect audit adjustments.	(\$10,603)	1,160	
2. To reflect appropriate miscellaneous revenues.	<u>(1,891)</u>	<u>1,887</u>	
Subtotal	<u>(\$12,494)</u>	<u>\$3,047</u>	
OPERATION AND MAINTENANCE EXPENSES			
1. Purchased Water/Purchased Sewage Treatment (610/710)			
To reflect Polk County water rate increase.	\$6,969	\$0	
To reflect 20.6% EUW adjustment.	<u>(37,574)</u>	<u>(41,758)</u>	
Subtotal	<u>(\$30,605)</u>	<u>(\$41,758)</u>	
2. Contractual Services – Professional (631/731)			
To reflect appropriate professional expense.	<u>(\$10,854)</u>	<u>(\$10,854)</u>	
3. Contractual Services - Testing (635/735)			
To reflect appropriate testing expense.	<u>(\$3,030)</u>	<u>\$0</u>	
4. Contractual Services - Other (636/736)			
To reflect 5-yr amortization of leak detection project.	\$4,080	\$0	
To reflect expense reassigned from testing.	<u>3,030</u>	<u>0</u>	
Subtotal	<u>\$7,110</u>	<u>\$0</u>	
5. Regulatory Commission Expense (665/765)			
To reflect five-year amortization of original certificate filing fee.	\$300	\$300	
To reflect four-year amortization of rate case expense.	<u>947</u>	<u>947</u>	
Subtotal	<u>\$1,247</u>	<u>\$1,247</u>	
6. Miscellaneous Expense (675/775)			
To reflect removal of bank late payment fees.	<u>\$0</u>	<u>(\$360)</u>	
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>(\$36,132)</u>	<u>(\$51,725)</u>	
TAXES OTHER THAN INCOME			
To reflect audit adjustments.	<u>(\$477)</u>	<u>\$53</u>	

DEER CREEK RV GOLF & COUNTRY CLUB, INC.		SCHEDULE NO. 3-D	
TEST YEAR ENDED DECEMBER 31, 2018		DOCKET NO. 20190071-WS	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$36,793	\$0	\$36,793
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	175,431	(30,605)	144,826
(615) PURCHASED POWER	0	0	0
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	0	0
(620) MATERIALS AND SUPPLIES	1,079	0	1,079
(630) CONTRACTUAL SERVICES - BILLING	600	0	600
(631) CONTRACTUAL SERVICES - PROFESSIONAL	15,190	(10,854)	4,336
(635) CONTRACTUAL SERVICES - TESTING	6,110	(3,030)	3,080
(636) CONTRACTUAL SERVICES - OTHER	1,051	7,110	8,161
(640) RENTS	3,600	0	3,600
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	0	0	0
(665) REGULATORY COMMISSION EXPENSE	0	1,247	1,247
(670) BAD DEBT EXPENSE	57	0	57
(675) MISCELLANEOUS EXPENSE	<u>4,878</u>	<u>0</u>	<u>4,878</u>
	<u>\$244,789</u>	<u>(\$36,132)</u>	<u>\$208,657</u>

DEER CREEK RV GOLF & COUNTRY CLUB, INC.		SCHEDULE NO. 3-E	
TEST YEAR ENDED DECEMBER 31, 2018		DOCKET NO. 20190071-WS	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$26,701	\$0	\$26,701
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	202,710	(41,758)	160,952
(711) SLUDGE REMOVAL EXPENSE	0	0	0
(715) PURCHASED POWER	2,059	0	2,059
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	0	0	0
(720) MATERIALS AND SUPPLIES	0	0	0
(730) CONTRACTUAL SERVICES - BILLING	600	0	600
(731) CONTRACTUAL SERVICES - PROFESSIONAL	15,190	(10,854)	4,336
(735) CONTRACTUAL SERVICES - TESTING	0	0	0
(736) CONTRACTUAL SERVICES - OTHER	3,945	0	3,945
(740) RENTS	3,600	0	3,600
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	0	0	0
(765) REGULATORY COMMISSION EXPENSES	0	1,247	1,247
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSE	<u>5,997</u>	<u>(360)</u>	<u>5,637</u>
	<u>\$260,802</u>	<u>(\$51,725)</u>	<u>\$209,077</u>

DEER CREEK RV GOLF & COUNTRY CLUB, INC.		SCHEDULE NO. 4-A	
TEST YEAR ENDED DECEMBER 31, 2018		DOCKET NO. 20190071-WS	
MONTHLY WATER RATES			
	UTILITY CURRENT RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge - All Meter Sizes	\$2.45	N/A	N/A
Base Facility Charge by Meter Size			
5/8" X3/4"	N/A	\$8.97	\$0.04
3/4"	N/A	\$13.46	\$0.06
1"	N/A	\$22.43	\$0.10
1-1/2"	N/A	\$44.85	\$0.20
2"	N/A	\$71.76	\$0.32
3"	N/A	\$143.52	\$0.65
4"	N/A	\$224.25	\$1.01
6"	N/A	\$448.50	\$2.02
Charge per 1,000 gallons - Residential and General Service			
0 - 2,400 gallons	\$2.93	N/A	N/A
2,401 - 4,700 gallons	\$5.51	N/A	N/A
4,701 - 9,500 gallons	\$10.70	N/A	N/A
Over 9,500 gallons	\$18.51	N/A	N/A
Charge per 1,000 gallons - Residential Service			
0 - 3,000 gallons	N/A	\$8.41	\$0.04
Over 3,000 gallons	N/A	\$10.26	\$0.05
Charge per 1,000 gallons - General Service			
	N/A	\$8.62	\$0.04
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$8.31	\$25.79	
4,000 Gallons	\$18.30	\$44.46	
6,000 Gallons	\$36.07	\$64.98	

DEER CREEK RV GOLF AND COUNTRY CLUB, INC.		SCHEDULE NO. 4-B	
TEST YEAR ENDED DECEMBER 31, 2018		DOCKET NO. 20190071-WS	
MONTHLY WASTEWATER RATES			
	UTILITY CURRENT RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge - All Meter Sizes	\$8.96	N/A	N/A
Charge per 1,000 gallons	\$6.77	N/A	N/A
<u>Residential Service</u>			
Base Facility Charge - All Meter Sizes	N/A	\$12.10	\$0.06
Charge per 1,000 gallons	N/A	\$6.60	\$0.03
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	N/A	\$12.10	\$0.06
3/4"	N/A	\$18.15	\$0.09
1"	N/A	\$30.25	\$0.15
1-1/2"	N/A	\$60.50	\$0.30
2"	N/A	\$96.80	\$0.48
3"	N/A	\$193.60	\$0.96
4"	N/A	\$302.50	\$1.50
6"	N/A	\$605.00	\$3.00
Charge per 1,000 gallons	N/A	\$6.60	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$22.50	\$25.31	
4,000 Gallons	\$36.04	\$38.51	
6,000 Gallons	\$49.58	\$51.72	

Item 13

State of Florida



Public Service Commission

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

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

DATE: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Doehling, Johnson) *JD KJ TJS*
Office of the General Counsel (Lherisson) *BLSC*

RE: Docket No. 20190213-WS – Application for transfer of water and wastewater facilities of Grenelefe Resort Utility, Inc., water Certificate No. 589-W, and wastewater Certificate No. 507-S to Lake Marion Investment LLC, in Polk County.

AGENDA: 03/31/20 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On December 2, 2019, Lake Marion Investment LLC (Lake Marion) filed an application for transfer of water and wastewater facilities from Grenelefe Resort Utility, Inc. (Grenelefe) in Polk County. On February 18, 2020, Lake Marion notified the Commission that the sale of the facilities has been canceled and is therefore requesting withdrawal of its application and a refund of its filing fee.

Pursuant to Section 2.07(C)(2)d.4. of the Administrative Procedures Manual, staff may administratively close dockets in which the applicant seeks to withdraw its initial pleading as long as there are no pending issues that need to be addressed by the Commission, no requests for refund of filing fees, and no agency actions taken. Since a request for a refund of the filing fee has been made, this recommendation is being brought to the Commission for acknowledgement

Docket No. 20190213-WS

Date: March 19, 2020

of Lake Marion's withdrawal of its transfer application and for consideration of its request for a refund of the filing fee.

The Commission has jurisdiction pursuant to Section 367.045, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission acknowledge withdrawal of Lake Marion's application and refund its filing fee?

Recommendation: Yes. The Commission should acknowledge Lake Marion's withdrawal of its application for transfer of water and wastewater facilities, and approve its request for a refund of the \$1,500 filing fee. (Doehling, Johnson, Lherisson)

Staff Analysis: On December 2, 2019, Lake Marion filed an application for transfer of water and wastewater facilities. Subsequently, on December 9, 2019, Lake Marion paid a \$1,500 filing fee, pursuant to Rule 25-30.020, Florida Administrative Code. On February 18, 2020, Lake Marion notified the Commission that the sale of the facilities has been canceled and is therefore requesting withdrawal of its application and a refund of its filing fee.

When a utility requests a refund of its filing fee, the request is analyzed in terms of the amount of time and work that staff has devoted to processing the utility's application. In cases where staff has not yet committed significant time and effort, such as where only the Case Assignment and Scheduling Record has been established, the Commission has refunded the utility's application fee.¹ However, in cases where staff has devoted a significant amount of time in processing the application, the Commission has denied the refund of the filing fee.²

Staff has expended a minimal amount of time in its review of Lake Marion's application and an audit was not yet conducted. Therefore, staff recommends the Commission acknowledge Lake Marion's withdrawal of its application for transfer of water and wastewater facilities, and approve the request for a refund of the filing fee.

¹Order No. PSC-07-0326-FOF-WU, issued April 16, 2007, in Docket No. 20060806-WU, *In re: Application for amendment of Certificate No. 347-W to add territory in Marion County by Marion Utilities, Inc.*

²Order No. PSC-07-0871-FOF-WS, issued October 30, 2007, in Docket No. 20060653-WS, *In re: Application for transfer of facilities of St. Johns Landing of Putnam County Utilities Services, Inc. d/b/a St. Johns Landing Utilities Services, holder of Certificate Nos. 541-W and 649-S in Putnam County, to Frank J. Uddo and Dolores Uddo.*

Issue 2: Should this docket be closed?

Recommendation: Yes. This docket should be closed because no further action is required.
(Lherisson)

Staff Analysis: If staff's recommendation in Issue 1 is approved, this docket should be closed because no further action is required.

Item 14

State of Florida



Public Service Commission

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

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

DATE: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Smith II) *MS*
Office of the General Counsel (Schrader) *CS* *QOH* *SC*

RE: Docket No. 20190215-EI – Petition for approval of depreciation rates for energy storage equipment, by Tampa Electric Company.

AGENDA: 03/31/20 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On December 6, 2019, Tampa Electric Company (TECO 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 its annual Ten Year Site Plan filed with the Commission on April 1, 2019, the Company stated its intention to implement a 12.6 megawatt (MW) lithium-ion energy storage system adjacent to the Big Bend Solar site at Big Bend Station.² On January 13, 2020, TECO filed its response to Staff's First Data Request. In that response, the Company stated that installation of the Big Bend Battery Project began in 2019 and TECO placed the project into service in January of 2020.³

Currently, the Company does not have an authorized depreciation rate for the types of equipment required for the Big Bend Battery Project or any other energy storage endeavors.

In 2017 and 2020, the Commission approved similar petitions filed by Florida Power & Light Company (FPL) and Duke Energy Florida, LLC (DEF), respectively, for approval of a new depreciation class and rate for energy storage equipment. In those dockets, the Commission allowed a 10 percent depreciation rate and zero net salvage for similar equipment.⁴

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.).

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

²See TECO's Ten Year Site Plan, filed April 1, 2019.

³Document No. 00228-2020, TECO's Responses to Staff's First Data Request, No. 3.

⁴Order No. PSC-2017-0359-PAA-EI, issued September 20, 2017, in Docket No. 20170097-EI, *In re: Petition for approval of a new depreciation class and rate for energy storage equipment by Florida Power & Light Company*; and Order No. PSC-2020-0056-PAA-EI, issued February 24, 2020, in Docket No. 20190183-EI, *In re: Petition for approval of a new depreciation class and for energy storage, by Duke Energy Florida, LLC*.

Discussion of Issues

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

Recommendation: Yes. Staff recommends that the Commission approve an annual depreciation rate of 10 percent, and a zero percent net salvage level, applicable to TECO's energy storage equipment. (Smith II)

Staff Analysis: As outlined in its petition, TECO does not currently maintain a stand-alone Federal Energy Regulatory Commission (FERC) account 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 as defined in 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.⁵

Requested Depreciation Parameters

In its Petition, the Company requests 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.⁶

Industry-wide depreciation data and regulatory guidance regarding energy storage equipment is limited. In its petition, TECO referenced both the 2017 FPL and 2019 DEF petitions for similar authority to establish an annual depreciation rate for energy storage equipment.⁷ In those 2017 FPL and 2019 DEF petitions, the utilities requested a 10 percent depreciation rate and a zero percent NS level. The Commission approved these petitions.⁸

To support its proposed parameters, TECO explained that the Company held consultations with its engineering subject matter experts and industry peers, including FPL and DEF, to arrive at its proposed 10-year ASL and zero percent NS parameters.⁹

⁵U.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*.

⁶Rule 25-6.0436(1)(e), F.A.C., and Rule 25-6.0436(1)(m), F.A.C., specify the Commission's depreciation rate formulae and methodologies.

⁷Document No. 11245-2019, Tampa Electric Company's Petition for Approval of Depreciation Rates for Energy Storage Equipment, ¶15.

⁸Order No. PSC-2017-0359-PAA-EI, issued September 20, 2017, in Docket No. 20170097-EI, *In re: Petition for approval of a new depreciation class and rate for energy storage equipment, by Florida Power & Light Company*; Order No. PSC-2020-0056-PAA-EI, issued February 24, 2020, in Docket No. 20190183-EI, *In re: Petition for approval of a new depreciation class and for energy storage equipment, by Duke Energy Florida, LLC*.

⁹Document No. 00228-2020, TECO's Responses to Staff's First Data Request, No. 9.

Given that utility-scale energy storage equipment/technology is relatively new, staff believes the Company's proposed ASL represents a measured and reasonable approach in life estimation. TECO asserts 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 Agreement.¹⁰ Staff agrees with this assertion regarding impact.

Further, based on existing rules, the Commission will have future opportunities to evaluate TECO's depreciation data associated with useful lives and net salvage levels and to order modifications as appropriate.¹¹ Staff also believes that the Company's account classifications outlined in its petition, to which any newly-established depreciation rate would apply, are consistent with recent accounting guidance from the FERC.¹²

For the reasons outlined in this analysis, staff recommends that the Commission approve an annual depreciation rate of 10 percent, and a zero percent net salvage level, applicable to TECO's newly-established Account 348 - Energy Storage Equipment – Production, Account 351 - Energy Storage Equipment – Transmission, and Account 363 - Energy Storage Equipment – Distribution.

¹⁰Pursuant to the terms of the 2017 Settlement Agreement, approved by Order No. PSC-2017-0456-S-EI, ¶ 3(b), TECO: "Except as specified in the 2017 Agreement, the company may not petition to change any of its general base rates, charges, credits, or rate design methodologies for retail electric service with an effective date for the new rates, charges, or rate design methodologies earlier than January 1, 2022."

¹¹Rule 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.

¹²U.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*.

Issue 2: If the Commission approves staff's recommendation in Issue 1, should any transfers of plant investments and associated book reserves be authorized as part of this docket?

Recommendation: Yes. Staff recommends the Commission authorize book transfers from Account 362 - Station Equipment to Account 348 - Energy Storage Equipment – Production, 351 - Energy Storage Equipment – Transmission, and Account 363 - Energy Storage Equipment – Distribution. (Smith II)

Staff Analysis: TECO has requested the Commission authorize the transfer of certain investments and corresponding reserve amounts related to energy storage equipment presently on TECO's books.¹³ These assets are currently recorded to FERC Account 362 – Station Equipment, and are being depreciated at the authorized rate of 2.4 percent for this account.¹⁴

In response to Staff's First Data Request No. 5, TECO stated the following:

Effective in February 2020, the Big Bend Battery Storage Project plant in service and accumulated depreciation will be recorded in FERC Account 362 – Station Equipment with a depreciation rate of 2.4%. The amounts to transfer will depend on timing of the approval for energy storage depreciation rates. Once approved, the project amounts should be moved from FERC Account 362 to FERC Account 348 Energy Storage Equipment – Production, FERC Account 351 Energy Storage Equipment – Transmission, FERC Account 363 Energy Storage Equipment – Distribution, as appropriate depending on the use of the asset.

Staff believes the transfer of plant and reserve balances associated with energy storage equipment would be appropriate if the Commission establishes a new depreciation rate applicable to Account 348 - Energy Storage Equipment – Production, Account 351 - Energy Storage Equipment – Transmission, and Account 363 - Energy Storage Equipment – Distribution as recommended in Issue 1. These transfers would assist in ensuring that costs are assigned appropriately to the function for which the equipment is being used, as well as further refining cost recovery to the useful life patterns of the three energy storage (equipment) property groups.

TECO's methodology for determining its proposed plant investment apportionments focuses on how the assets are utilized on the Company's system. Specifically, if the asset is used for peak shaving, it's classified as a production investment and recorded to Account 348. If an asset is used for frequency response, it's classified as a transmission investment and recorded to Account 351. Assets that provide reliable energy back-up can be classified as a distribution investment and recorded to Account 363. If an asset serves roles across multiple functions, it is allocated on a percentage basis (by usage) accordingly.¹⁵ Staff agrees with this methodology.

Therefore, if the Commission approves staff's recommendation in Issue 1, staff recommends the Commission authorize TECO to record book transfers from Account 362 - Station Equipment to

¹³Rule 25-6.0436(2)(b), F.A.C., requires that: “[n]o utility shall reallocate accumulated depreciation reserves among any primary accounts and sub-accounts without prior Commission approval.”

¹⁴Order No. PSC-12-0175-PAA-EI, issued April 3, 2012, in Docket No. 110131-EI, *In re: Petition for approval of 2011 depreciation study and annual dismantlement accrual amounts by Tampa Electric Company*.

¹⁵Document No. 00228-2020, TECO's Responses to Staff's First Data Request, No. 8.

Account 348 - Energy Storage Equipment – Production, 351 - Energy Storage Equipment – Transmission, and Account 363 - Energy Storage Equipment – Distribution.

Issue 3: 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 Order in this docket. (Smith II)

Staff Analysis: If the Commission establishes a new depreciation rate for TECO'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 Order in this docket.

Issue 4: Should this docket be closed?

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

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

Item 15

State of Florida



Public Service Commission

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

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

DATE: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Hampson, Coston) *CH WSE*
Division of Engineering (Graves) *ESD TB JAH*
Office of the General Counsel (Stiller, Crawford) *AW JCL*

RE: Docket No. 20200046-GU – Petition to revise tariffs for Florida Public Utilities Company, Florida Public Utilities Company - Indiantown Division, Florida Public Utilities Company - Fort Meade, Florida Division of Chesapeake Utilities Corporation, and Peninsula Pipeline Company to update the description of gas quality and character of service.

AGENDA: 03/31/20 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 04/03/2020 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
2020 MAR 19 AM 8:50
COMMISSION
CLERK

Case Background

Florida Public Utilities Company (FPUC), Florida Public Utilities Company - Indiantown Division (Indiantown), Florida Public Utilities Company - Fort Meade (Fort Meade), Florida Division of Chesapeake Utilities Corporation (Chesapeake), and Peninsula Pipeline Company (Peninsula) (jointly, Companies) proposed tariff revisions related to the description of gas quality and character of service. FPUC, Indiantown, Fort Meade, and Chesapeake are local distribution companies (LDCs) which own and operate natural gas distribution facilities to serve retail customers and are subject to the Commission’s regulatory jurisdiction under Chapter 366, Florida Statutes (F.S.). Peninsula operates as an intrastate natural gas transmission company as

defined in Section 368.103, F.S., and only transports natural gas. The Companies are affiliates or subsidiaries of Chesapeake Utilities Corporation.

The purpose of the proposed tariff revisions is to require the quality of natural gas entering the system to be consistent with the standards used by interstate pipelines. The Companies have stated that the revisions do not impact rates, rate structure, or terms and conditions of service; nor do they preclude the receipt of renewable natural gas.

When initially providing the revised tariffs to staff, the Companies requested that they be approved administratively by staff. After review, staff determined that some tariffs did not appear to meet the requirements to be approved administratively as outlined in Section 2.07C-5(a) of the Commission's Administrative Procedures Manual. Specifically, Section 2.07C-5(a) does not provide for administrative approval of tariffs filed by intrastate natural gas transmission companies, such as Peninsula. On February 3, 2020, staff established this docket for Commission review of the modified tariffs.

During the evaluation of the petition, staff issued one data request to the Companies on February 10, 2020, to which responses were filed on February 24, 2020.¹ The Companies' revised tariff sheets are in Attachments 1 through 5 to this recommendation. The Commission has jurisdiction over this matter pursuant to Sections 366.05, 366.06, and 368.05, 368.104, F.S.

¹ Document No. 00853-2020

Discussion of Issues

Issue 1: Should the Commission approve the Companies' proposed tariff revisions?

Recommendation: Yes, the Commission should approve the Companies' proposed tariff revisions, effective March 31, 2020. (Hampson)

Staff Analysis: Currently, the Companies accept natural gas that conforms to the quality standards set by the specific pipeline companies which deliver gas to the Companies' system. Under these revisions, natural gas that is delivered from an interconnected pipeline will continue to be accepted at the standards set by that specific pipeline. In addition, the Companies have now proposed to establish gas quality standards, in each of their own tariffs, for any gas entering the Companies' system that does not come from an interconnected pipeline.

The primary purpose of this change is to allow for the receipt of a broader range of natural gas, while maintaining the integrity of the distribution system and acceptable standards for customers. The proposed Quality of Gas section includes a list of standards for gas that is not delivered by interconnected pipelines, allowing the Companies to diversify their natural gas supply mix. Gas not delivered by interconnected pipelines can come from various sources, such as compressed, liquid, or renewable natural gas. The same standards have been proposed for each Company to ensure consistency.

The proposed Quality of Gas chart specifies the maximum allowable amount of various containments that could possibly be found in natural gas.³ The chart also defines ranges for specific natural gas properties, such as heating value. Finally, there is an additional requirement that gas should be commercially free of hazardous waste, solid or liquid matter, dust, gums, or any other substance that may impact the merchantability of the gas or impact any facilities the gas flows through.

Staff believes that the proposed Quality of Gas section is comparable to the standards set by interstate pipelines transporting gas to Florida, such as Florida Gas Transmission and Southern Natural Gas Company. Additionally, these standards are similar to what is currently contained in Peoples Gas System's tariff.⁴

In addition to the revisions discussed above, the LDC's have also requested to revise certain Character of Service sections. These revisions are designed to reference the newly proposed Quality of Gas tariffs and include a definition for transportation service.⁵ These revisions do not alter service, but seek to reorganize and clarify the tariffs. As such, staff recommends that they be approved as well. Due to the structure of the tariffs, this revision must be made on each rate schedule, for each utility.

³ The term "containments" is used by the Companies to describe the carbon dioxide, oxygen, nitrogen, inert gases, hydrogen sulfide, siloxanes, total sulfur, and water, which can be found in natural gas.

⁴ Tariff Sheet Nos. 5.501-3 and 5.501-4

⁵ The added definition states: "Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address."

Conclusion

After review of the revisions requested by the Companies, staff believes that all revisions are reasonable and do not impact customer rates nor the terms and conditions of service. Staff believes that the quality of gas standards requested by the Companies to be reasonable and comparable to standards previously approved by the Commission. Therefore, staff recommends approval of the proposed tariff revisions, effective March 31, 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 tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Stiller)

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

Attachment 1: Florida Public Utilities Company

Fourth Revised Sheet No. 11
Original Sheet No. 22.4
Nineteenth Revised Sheet No. 24
Sixth Revised Sheet No. 24.1
Fourteenth Revised Sheet No. 25
Twenty-first Revised Sheet No. 26
Seventh Revised Sheet No. 26.1
Nineteenth Revised Sheet No. 28
Twenty-second Revised Sheet No. 29
Eighteenth Revised Sheet No. 31
First Revised Sheet No. 33.3

Attachment 2: Florida Public Utilities Company- Fort Meade

First Revised Sheet No. 9
First Revised Sheet No. 31
First Revised Sheet No. 34
First Revised Sheet No. 35
First Revised Sheet No. 39
Second Revised Sheet No.45
Second Revised Sheet No. 53

Attachment 3: Florida Public Utilities- Indiantown Division

Third Revised Sheet No. 21
Third Revised Sheet No. 22
Third Revised Sheet No. 23
Third Revised Sheet No. 25
Second Revised Sheet No. 37
Second Revised Sheet No. 53
Original Sheet No. 53.1

Attachment 4: Florida Division of Chesapeake Utilities Corporation

Second Revised Sheet No. 15
Second Revised Sheet No. 61
Original Sheet No. 61.1
Second Revised Sheet No. 71
Second Revised Sheet No. 72
Second Revised Sheet No. 73
Second Revised Sheet No. 74
Second Revised Sheet No. 75

Second Revised Sheet No. 76
First Revised Sheet No. 77
Second Revised Sheet No. 78
First Revised Sheet No. 78.1
First Revised Sheet No. 78.2
Second Revised Sheet No. 79
Second Revised Sheet No. 80
First Revised Sheet No. 80.1
First Revised Sheet No. 80.2
Second Revised Sheet No. 81
Second Revised Sheet No. 82
Second Revised Sheet No. 83
Second Revised Sheet No. 84
Third Revised Sheet No. 85
Third Revised Sheet No. 86
Third Revised Sheet No. 87
Third Revised Sheet No. 88
Third Revised Sheet No. 89
Second Revised Sheet No. 90.1

Attachment 5: Peninsula Pipeline Company

First Revised Sheet No. 9
First Revised Sheet No. 18
Original Sheet No. 18.1

Florida Public Utilities Company
 F.P.S.C. Gas Tariff
 No. 11
 Third Revised Volume No. 1
 No. 11

~~Third~~ Fourth Revised Sheet

Cancels ~~Second~~ Third Revised Sheet

INDEX OF RULES AND REGULATIONS

<u>Item</u>	<u>Title</u>	<u>Sheet No.</u>
1.	<u>General</u>	12
2.	<u>Application for Service</u>	12
3.	<u>Election of Rate Schedules & Rate Schedule Review</u>	12-13
4.	<u>Deposits</u>	13-13.2
5.	<u>Customer's Installation</u>	13.2-14
6.	<u>Service Connections</u>	14
7.	<u>Extensions</u>	14-15.2
8.	<u>Metering</u>	16
9.	<u>Billing and Collecting</u>	16-17
10.	<u>Customer's Liabilities</u>	18
11.	<u>Company's Liabilities</u>	18
12.	<u>Force Majeure</u>	18-19
13.	<u>Discontinuance of Service</u>	19
14.	<u>Reconnection of Service</u>	20
15.	<u>Termination of Service</u>	21
16.	<u>Limitations of Supply</u>	21
17.	<u>Temporary or Auxiliary Service</u>	21
18.	<u>Service Charges</u>	22
19.	<u>Measuring Customer Service</u>	22-22.2
20.	<u>Settlement of Disputes</u>	22.2-22.3
21.	<u>Quality of Gas</u>	22.4

Issued by: J. T. English, President & CEO / Jeffry Householder, President & CEO
 Effective: AUG 1 2001

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

Original Sheet No. 22.4

RULES AND REGULATIONS (Continued)

21. Quality of Gas

- A. Gas delivered to the Company's system from an interconnected pipeline shall be in conformance with the quality specifications as provided for in the Terms and Conditions in the Tariff of that pipeline interconnected to the Company's distribution system.
- B. Any gas entering the Company's system at a Point of Receipt that is not an interconnected pipeline with gas quality specifications set forth in its tariff, shall be in conformance with the quality specification listed below:

<u>Containment/Property</u>	<u>Unit</u>	<u>Value</u>
<u>Heating Value</u>	<u>BTU/SCF</u>	<u>967-1100</u>
<u>Wobbe Number</u>	<u>BTU/SCF</u>	<u>1250-1400</u>
<u>Carbon Dioxide</u>	<u>CO₂, % vol</u>	<u>≤2</u>
<u>Oxygen</u>	<u>O₂, % vol</u>	<u>≤0.1</u>
<u>Nitrogen</u>	<u>N₂, % vol</u>	<u>≤3</u>
<u>Total inerts</u>	<u>% vol</u>	<u>≤4</u>
<u>Hydrogen Sulfide</u>	<u>PPM</u>	<u>≤4</u>
<u>Siloxanes</u>	<u>PPM</u>	<u>≤1</u>
<u>Total Sulfur</u>	<u>PPM</u>	<u>≤78.5</u>
<u>Water</u>	<u>Lbs/MMCF</u>	<u>≤7</u>

Gas received at injection receipt points shall be commercially free from hazardous waste, solid or liquid matter, dust, gums and gum-forming constituents, microbiological organisms, or any other substance which might interfere with the merchantability of the gas, or cause injury to or interference with proper operation of the lines, meters, regulators, or any other facilities through which it flows.

Issued by: Jeffrey Householder, President & CEO

Effective:

Florida Public Utilities Company
F.P.S.C. Gas Tariff
Sheet No. 24
Third Revised Volume No. 1
Sheet No. 24

~~Eighteenth-Nineteenth~~ Revised
Cancels ~~Seventeenth-Eighteenth~~ Revised

*RATE SCHEDULE GS-1
GENERAL SERVICE -1*

Availability

Available within the service areas of the Company.

Applicability

Applicable to any non-residential customer (except any Premise at which the only gas-consuming appliance or equipment is a standby electric generator).

Character of Service

Natural gas or its equivalent having a nominal heat content of 1,000 BTU per cubic foot conforming to the standards set forth in Sheet No. 22.4, Item 21-the "Quality of Gas" section of this tariff.

Limitations of Service

Use must not exceed 600 therms in each and every consecutive twelve months.

Monthly Rate

Customer Charge: \$ 20.00 per meter per month

Energy Charge:
Non-Fuel 39.136 cents per therm

Minimum Bill:

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

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of mailing or delivery by the Company.

Billing Adjustments

See sheets beginning with Sheet No. 35.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.

Issued by: ~~John R. Schimkaitis, Chairman, President & CEO~~ ~~Kevin Webber~~ Jeffrey Householder, President & CEO
Effective: ~~JAN 14 2010~~

Florida Public Utilities Company
F.P.S.C. Gas Tariff
No. 24.1
Third Revised Volume No. 1
24.1

~~—Fifth Sixth~~ Revised Sheet
Cancels ~~Fourth Fifth~~ Revised Sheet No.

RATE SCHEDULE GS - 2
GENERAL SERVICE - 2

Availability

Available within the service areas of the Company.

Applicability

Applicable to any non-residential customer (except any Premise at which the only gas-consuming appliance or equipment is a standby electric generator).

Character of Service

Natural gas ~~or or~~ its equivalent ~~having a nominal heat content of 1,000 BTU per cubic foot.~~
conforming to the standards set forth in the "Quality of Gas" section of this tariff.

Limitations of Service

Use must equal or exceed 600 therms in each and every consecutive twelve months.

Monthly Rate

Customer Charge: \$ 33.00 per meter per month

Energy Charge:
Non-Fuel 39.136 cents per therm

Minimum Bill

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

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of mailing or delivery by the Company.

Billing Adjustments

See sheets beginning with Sheet No. 35.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.

Issued by: ~~John R. Schimkaitis, Jeffrey Householder, Chairman, President~~ President & CEO
Effective: ~~_____~~ JAN 14 2010

Florida Public Utilities Company
F.P.S.C. Gas Tariff
Sheet No. 25
Third Revised Volume No. 1
Sheet No. 25

~~Thirteenth~~ Fourteenth Revised
Cancels ~~Twelfth~~ Thirteenth Revised

*RATE SCHEDULE GLS
GAS LIGHTING SERVICE*

Availability

Available within the service areas of the Company.

Applicability

Applicable to any customer solely for providing gas service for gas lighting provided customer has gas light fixture(s) approved by the Company, which can be discontinued without affecting other gas service provided by Company, and customer agrees to be billed for the applicable rates and billing adjustments as part of this service.

Character of Service

Natural gas or its equivalent ~~having a nominal heat content of 1,000 BTU per cubic foot conforming to the standards set forth in the "Quality of Gas" section of this tariff.~~ This service is of lower priority than Company's other firm services and is subject to interruption in whole or in part at the sole discretion of the Company upon two hours' notice by telephone or otherwise except in force majeure conditions. This service shall be provided based on the rated hourly usage of each fixture. Company will bill customer for usage based on the monthly computed usage of the gas light fixture(s). Customer shall permit Company to place a device onto customer's gas light fixture(s) for tracking purposes. In the event Customer is planning to add, remove, or alter a gas light fixture, Customer shall notify Company so that Company may adjust its records. Failure to notify Company of any additions or alterations in a gas light fixture(s) shall result in Customer being charged for Unauthorized Use of Gas. Further, Customer shall give timely notice to Company in the event of a gas light malfunction.

Monthly Rate

Customer Charge: \$ 0.00 per customer per month (for customers who receive a bill for gas service from Company otherwise Company shall bill Customer a Customer Charge based on the equivalent substitute Rate Schedule)

Energy Charge:
Non-Fuel 24.210 cents per therm

Minimum Bill:
The minimum monthly bill shall consist of the above Customer Charge.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of mailing or delivery by the Company.

Billing Adjustments

See sheets beginning with Sheet No. 35.

Unauthorized Use of Gas

In the event Company finds one or more of Customer's gas light fixtures using gas during an interruption or Customer fails to notify Company of any additions or alterations in a gas light fixture(s), Company shall have the right to bill Customer for the computed usage during such interruption or from the date any additions or alterations in a gas light fixture(s) is determined at a rate of \$1.50 per therm.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.

Issued by: ~~John R. Schimkaitis~~ Jeffrey Householder, Chairman, President & CEO
JAN 14 2019

Effective:

Florida Public Utilities Company
F.P.S.C. Gas Tariff
Sheet No. 26
Third Revised Volume No. 1
Sheet No. 26

~~Twentieth-Twenty-first Revised~~
~~—Cancels Nineteenth-Twentieth Revised~~

RATE SCHEDULE RS
RESIDENTIAL SERVICE

Availability

Available within the service areas of the Company.

Applicability

Applicable to Residential Service classification only (excluding any premise at which the only gas-consuming appliance or equipment is a standby electric generator).

Character of Service

Natural gas or its equivalent ~~having a nominal heat content of 1,000 BTU per cubic foot~~ conforming to the standards set forth in the "Quality of Gas" section of this tariff.

Monthly Rate

Customer Charge: \$ 11.00 per meter per month

Energy Charge:
Non-Fuel 49.828 cents per therm

Minimum Bill:

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

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of mailing or delivery by the Company.

Billing Adjustments

See sheets beginning with Sheet No. 35.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.

Issued by: ~~John R. Schimkaitis~~ Jeffrey Housholder, Chairman, President & CEO
JAN 14 2019

Effective:

Florida Public Utilities Company
F.P.S.C. Gas Tariff
No. 26.1
Third Revised Volume No. 1
26.1

~~Sixth~~ ~~Seventh~~ Revised Sheet

Replaces ~~Fifth~~ ~~Sixth~~ Revised Sheet No.

**RATE SCHEDULE RS-GS
RESIDENTIAL STANDBY GENERATOR SERVICE**

Availability

Available within the service areas of the Company.

Applicability

Applicable to Residential Service classification where the only gas-consuming appliance or equipment is a standby electric generator.

Character of Service

Natural gas or its equivalent having a nominal heat content of 1,000 BTU per cubic foot conforming to the standards set forth in the "Quality of Gas" section of this tariff.

Monthly Rate

Customer Charge: \$21.25

Energy Charge:

Non-Fuel	0 - 19.80 therms	0.00 cents per therm
	In excess of 19.80	49.828 cents per therm

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of mailing or delivery by the Company.

Billing Adjustments

See sheets beginning with Sheet No. 35.

Terms and Conditions

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.
2. Subject to No. 3 below, a Customer receiving gas service under this rate schedule shall be obligated to remain on this schedule for twelve (12) months. This 12-month requirement shall be renewed at the end of each twelve month period unless customer terminates service at the end of any 12-month period.
3. If Customer installs an additional gas appliance at the premise to which service is provided hereunder, Customer shall be transferred to the Residential Service rate schedule

Issued by: ~~John R. Schimko~~ ~~Jeffrey Householder~~, Chairman, President & CEO
January 14, 2010

Effective:

Florida Public Utilities Company
F.P.S.C. Gas Tariff
Sheet No. 28
Third Revised Volume No. 1
Sheet No. 28

~~Eighteenth-Nineteenth Revised~~
Cancels ~~Seventeenth-Eighteenth Revised~~

*RATE SCHEDULE LVS
LARGE VOLUME SERVICE*

Availability

Available within the service areas of the Company.

Applicability

Applicable to large volume users for non-residential purposes (except any Premise at which the only gas-consuming appliance or equipment is a standby electric generator).

Character of Service

Natural gas or its equivalent having a nominal heat content of 1,000 BTU per cubic foot conforming to the standards set forth in the "Quality of Gas" section of this tariff.

Limitations of Service

Service must be of a non-seasonal nature.
Use must exceed 500 therms in each and every month of the year.

Monthly Rate

Customer Charge: \$ 90.00 per meter per month
Energy Charge:
Non-Fuel 35.366 cents per therm

Minimum Bill

The Customer Charge plus the above Energy Charge for 500 therms, but not less than an amount equal to the bill for 50% of the monthly therm requirement set forth in the contract for service.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of mailing or delivery by the Company.

Billing Adjustments

See sheets beginning with Sheet No. 35.

Term of Service

Contract for service hereunder shall be for a period of not less than one year.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.

Issued by: ~~John R. Schimkaitis, Chairman~~ Jeffry Householder President & CEO
Effective: ~~JAN 14 2010~~

Florida Public Utilities Company
| F.P.S.C. Gas Tariff
Sheet No. 28
| Third Revised Volume No. 1
Sheet No. 28

~~Eighteenth~~ Nineteenth Revised
Cancels ~~Seventeenth~~ Eighteenth Revised

Customer must contract for service on an annual basis.

| Issued by: John R. Schimkaitis, Chairman, Jeffrey Householder President & CEO
Effective: ~~_____~~ JAN 14 2010

Florida Public Utilities Company
F.P.S.C. Gas Tariff
No. 29
Third Revised Volume No. 1
29

~~Twenty-First~~ ~~Second~~ Revised Sheet
Cancels ~~Twenty-First~~ ~~10th~~ Revised Sheet No.

*RATE SCHEDULE IS
INTERRUPTIBLE SERVICE*

Availability

Available within the service areas of the Company.

Applicability

Applicable for any non-residential purpose to commercial and industrial customers who contract for service under this rate schedule or Rate Schedule ITS as of June 30, 1998. This rate schedule is closed to all other existing and new customers after June 30, 1998 and any additional gas load not served under this rate schedule or Rate Schedule IS without the expressed written consent of an officer of the Company.

Character of Service

Natural gas or its equivalent ~~having a nominal heat content of 1,000 BTU per cubic foot conforming to the standards set forth in the "Quality of Gas" section of this tariff.~~ All gas delivered shall be subject to interruption in whole or in part at the sole discretion of the Company upon two hours' notice by telephone or otherwise except in force majeure conditions.

Limitations of Service

Customer must contract for service under this schedule for minimum requirements of not less than 3,650 therms of gas per month.

Monthly Rate

Customer Charge:	\$ 280.00 per meter per month
Telemetry Maintenance Charge:	\$ 30.00 per meter per month
Energy Charge: Non-Fuel	23.080 cents per therm

Minimum Bill

The minimum bill for each month shall be the Customer Charge and the Telemetry Maintenance Charge plus the billing at the above Energy Charge for a quantity of gas equal to the Monthly Minimum Bill Quantity specified in the Agreement. In the event Company is unable to deliver the quantity of gas designated as the Monthly Minimum Bill Quantity, Customer's minimum purchase obligation shall be prorated for such time service was unavailable.

Continued on Sheet No. 30

Issued by: ~~John R. Schimkaitis~~ Jeffrey Householder, President & CEO
2010

Effective: JAN 14

Florida Public Utilities Company
F.P.S.C. Gas Tariff
No. 31
Third Revised Volume No. 1
Sheet No. 31

~~Seventeenth~~ Eighteenth Revised Sheet

~~—Cancels Sixteenth~~ Seventeenth Revised

RATE SCHEDULE NGV
NATURAL GAS VEHICLE SERVICE

Availability

Available within the service areas of the Company.

Applicability

Applicable to non-residential users through a separate meter for compression and delivery (through the use of equipment furnished by Customer) into motor vehicle fuel tanks or other transportation containers.

Character of Service

Natural gas or its equivalent ~~having a nominal heat content of 1,000 BTU per cubic foot~~ conforming to the standards set forth in the "Quality of Gas" section of this tariff.

Limitations of Service

Service must be of a non-seasonal nature.

Monthly Rate

Customer Charge:	\$100.00 per meter per month
Energy Charge:	
Non-Fuel	17.111 cents per therm

Minimum Bill

The Customer Charge.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of mailing or delivery by the Company.

Billing Adjustments

See sheets beginning with Sheet No. 35.

Term of Service

Contract for service hereunder shall be for a period of not less than one year.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service. Customer must contract for service on an annual basis. In the event that the cost to serve the Customer approaches or exceeds the MACC, service contract may include, at the Customer's option, a minimum annual commitment in lieu of the advance in aid of construction otherwise required by the Extensions provisions of this tariff at Sheet No. 15.

Issued by: Jeffrey Householder, President & CEO

Effective: July 21, 2015

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

First Revised Sheet No. 9
 Cancels Original Sheet No. 9

INDEX OF RULES AND REGULATIONS

<u>Item</u>	<u>Title</u>	<u>Sheet No.</u>
1.	<u>General</u>	10
2.	<u>Application for Service</u>	10
3.	<u>Election of Rate Schedules & Rate Schedule Review</u>	10- 11
4.	<u>Deposits</u>	11 - 15
5.	<u>Customer's Installation</u>	15 - 16
6.	<u>Service Connections</u>	16
7.	<u>Extensions</u>	16- 19
8.	<u>Metering</u>	20
9.	<u>Billing and Collecting</u>	20-22
10.	<u>Customer's Liabilities</u>	23
11.	<u>Company's Liabilities</u>	23
12.	<u>Force Majeure</u>	24
13.	<u>Discontinuance of Service</u>	24-25
14.	<u>Reconnection of Service</u>	25
15.	<u>Termination of Service</u>	26
16.	<u>Limitations of Supply</u>	26
17.	<u>Temporary or Auxiliary Service</u>	26
18.	<u>Service Charges</u>	27-28
19.	<u>Measuring Customer Service</u>	28-29
20.	<u>Settlement of Disputes</u>	29-30
21.	Reserved for Future Use <u>Quality of Gas</u>	31-32 <u>31</u>
22.	<u>Reserved for Future Use</u>	<u>32</u>

Issued by: Jeffrey Householder, President & CEO

Effective: Jun-19-2018

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

First Revised Sheet No. 31
 Cancels Original Sheet No. 31

RESERVED FOR FUTURE USRULES AND
 REGULATIONS (continued)

21. Quality of Gas

- A. Gas delivered to the Company's system from an interconnected pipeline shall be in conformance with the quality specifications as provided for in the Terms and Conditions in the Tariff of that pipeline interconnected to the Company's distribution system.
- B. Any gas entering the Company's system at a Point of Receipt that is not an interconnected pipeline with gas quality specifications set forth in its tariff, shall be in conformance with the quality specification listed below:

<u>Containment/Property</u>	<u>Unit</u>	<u>Value</u>
<u>Heating Value</u>	<u>BTU/SCF</u>	<u>967-1100</u>
<u>Wobbe Number</u>	<u>BTU/SCF</u>	<u>1250-1400</u>
<u>Carbon Dioxide</u>	<u>CO₂ % vol</u>	<u>≤2</u>
<u>Oxygen</u>	<u>O₂ % vol</u>	<u>≤0.1</u>
<u>Nitrogen</u>	<u>N₂ % vol</u>	<u>≤3</u>
<u>Total inerts</u>	<u>% vol</u>	<u>≤4</u>
<u>Hydrogen Sulfide</u>	<u>PPM</u>	<u>≤4</u>
<u>Siloxanes</u>	<u>PPM</u>	<u>≤1</u>
<u>Total Sulfur</u>	<u>PPM</u>	<u>≤ 78.5</u>
<u>Water</u>	<u>lbs/MMCF</u>	<u>≤7</u>

Gas received at injection receipt points shall be commercially free from hazardous waste, solid or liquid matter, dust, gums and gum-forming constituents, microbiological organisms, or any other substance which might interfere with the merchantability of the gas, or cause injury to or interfere with proper operation of the lines, meters, regulators, or any other facilities through which it flows.

Issued by: Jeffry Householder, President & CEO

Effective: DEC-03-2013

Florida Public Utilities Company-Fort Meade

F.P.S.C. Gas Tariff
Original Volume No. 1

First Revised Sheet No. 34
Cancels Original Sheet No. 34

*RATE SCHEDULE--RS
RESIDENTIAL SERVICE*

Availability

Available within the service areas of the Company.

Applicability

Applicable to Residential Service classification only (excluding any premise at which the only gas-consuming appliance or equipment is a standby electric generator).

Character of Service

Natural gas or its equivalent having a nominal heat content of 1,000 BTU per cubic foot conforming to the standards set forth in the "Quality of Gas" section of this tariff.

Monthly Rate

Customer Charge: \$ 8.50 per meter per month

Energy Charge:
Non-Fuel 55.700 cents per therm

Minimum Bill:

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

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of mailing or delivery by the Company.

Billing Adjustments

See sheets beginning with Sheet No. 60.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.

Issued by: Jeffrey Householder, President & CEO

Effective: DEC-03-2013

Florida Public Utilities Company-Fort Meade

F.P.S.C. Gas Tariff

Original Volume No. 1

First Revised Sheet No. 35

Cancels Original Sheet No. 35

*RATE SCHEDULE GS-1
GENERAL SERVICE-I*

Availability

Available within the service areas of the Company.

Applicability

Applicable to any non-residential customer (except any Premise at which the only gas-consuming appliance or equipment is a standby electric generator).

Character of Service

Natural gas or its equivalent ~~having a nominal heat content of 1,000 BTU per cubic foot conforming to the standards set forth in the "Quality of Gas" section of this tariff.~~

Monthly Rate

Customer Charge: \$ 17.50 per meter per month

Energy Charge:

Non-Fuel 55.700 cents per therm

Minimum Bill:

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

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of mailing or delivery by the Company.

Billing Adjustments

See sheets beginning with Sheet No. 60.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.

Issued by: Jeffrey Householder, President & CEO

Effective: ~~DEC 03 2013~~

Florida Public Utilities Company-Fort Meade

F.P.S.C. Gas Tariff
Original Volume No. 1

First Revised Sheet No. 39
Cancels Original Sheet No. 39

RATE SCHEDULE LVS
LARGE VOLUME SERVICE

Availability

Available within the service areas of the Company.

Applicability

Applicable to large volume users for non-residential purposes (except any Premise at which the only gas-consuming appliance or equipment is a standby electric generator).

Character of Service

Natural gas or its equivalent ~~having a nominal heat content of 1,000 BTU per cubic foot conforming to the standards set forth in the "Quality of Gas" section of this tariff.~~

Limitations of Service

Service must be of a non-seasonal nature.
Use must exceed 500 therms in each and every month of the year.

Monthly Rate

Customer Charge: \$ 175.00 per meter per month

Energy Charge:
Non-Fuel 21.800 cents per therm

Minimum Bill

The Customer Charge plus the above Energy Charge for 500 therms, but not less than an amount equal to the bill for 50% of the monthly therm requirement set forth in the contract for service.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of mailing or delivery by the Company.

Billing Adjustments

See sheets beginning with Sheet No. 60.

Term of Service

Contract for service hereunder shall be for a period of not less than one year.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.

Customer must contract for service on an annual basis.

Issued by: Jeffrey Householder, President & CEO

Effective: DEC-03-2013

Florida Public Utilities Company - Fort Meade
F.P.S.C. Gas Tariff
Original Volume No. 1
Sheet No. 45

~~Second~~ First Revised Sheet No. 45
Cancels ~~Original~~ First Revised

*RATE SCHEDULE NGV
NATURAL GAS VEHICLE SERVICE*

Availability

Available within the service areas of the Company.

Applicability

Applicable to non-residential users through a separate meter for compression and delivery (through the use of equipment furnished by Customer) into motor vehicle fuel tanks or other transportation containers.

Character of Service

~~Natural gas or its equivalent having a nominal heat content of 1,000 BTU per cubic foot conforming to the standards set forth in the "Quality of Gas" section of this tariff.~~

Limitations of Service

Service must be of a non-seasonal nature.

Monthly Rate

Customer Charge:	\$100.00 per meter per month
Energy Charge:	
Non-Fuel	17.111 cents per therm

Minimum Bill

The Customer Charge.

Terms of Payment

Bills rendered net and are due and payable within twenty (20) days from the date of mailing or delivery by the Company

Billing Adjustments

See sheets beginning with Sheet No. 60.

Term of Service

Contract for service hereunder shall be for a period of not less than one year.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service. Customer must contract for service on an annual basis. In the event that the cost to serve the Customer approaches or exceeds the MACC, service contract may include, at the Customer's option, a minimum annual commitment in lieu of the Advance in Aid of Construction otherwise required by the Extensions provisions of this tariff at Sheet No. 16.

Florida Public Utilities Company-Fort Meade
F.P.S.C. Gas Tariff
53
Original Volume No. 1
Sheet No. 53

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

RATE SCHEDULE PM POOL MANAGER SERVICE

(Continued from Sheet No. 52.1)

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 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 ~~FGTs- FERC Gas Tariff~~ the "Quality of Gas" section of this tariff.

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

Effective:

Florida Public Utilities Company-Fort Meade
| F.P.S.C. Gas Tariff
53
| Original Volume No. 1
Sheet No. 53

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

(Continued on Sheet No. 53.1)

| Issued by: ~~Kevin Webber~~ Jeffry Householder, President & CEO

Effective:

Florida Public Utilities Company, Indiantown Division
Original Volume No. 2

~~Second-Third~~ Revised Sheet No. 21
Cancels ~~Second-First~~ Revised Sheet No. 21

TRANSPORTATION SERVICE - 1

Rate Schedule TS-1

Availability:

Throughout the service area of the Company.

Applicability:

Aggregated Transportation Service under this Rate Schedule is available to customers of all classifications whose annual metered transportation volume is 0 therms up to 1000 therms.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Customer Charge:	\$ 9.00
Transportation Charge:	\$0.37835 per therm
Minimum Bill:	The customer charge

Terms of Payment:

Bills are net and due upon receipt by the Customer and become delinquent if unpaid after expiration of twenty days from date of mailing.

Billing Adjustments:

1. The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 32 - 35.
2. In the event the Company agrees to provide natural gas conversion equipment and installation, an agreement as to terms and conditions governing recovery of such conversion costs from the Customer may be entered into and the initial term of Transportation Service shall at a minimum be the same as the period of recovery stated in the agreement. Further, the rates established in the monthly rate section may be adjusted to provide for recovery by the Company of the costs incurred including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment and installation. At such time as the Company has recovered its cost of providing the natural gas conversion, bills rendered under this rate schedule shall return to the rates stated herein.

Issued by: Jeffrey Householder, President & CEO

Effective: ~~November 4, 2010~~

Florida Public Utilities Company, Indiantown Division
Original Volume No. 2

~~Second-Third~~ Revised Sheet No. 22
Cancels ~~First-Second~~ Revised Sheet No. 22

TRANSPORTATION SERVICE - 2
Rate Schedule TS-2

Availability:

Throughout the service area of the Company.

Applicability:

_____ Aggregated Transportation Service available to customers of all classifications whose annual metered transportation volume is greater than 1000 therms up to 15,000 therms.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

_____ Monthly Rate:

Customer Charge:	\$ 25.00
Transportation Charge:	\$ 0.05762 per therm
Minimum Bill:	The customer charge

_____ Terms of Payment:

Bills are net and due upon receipt by the Customer and become delinquent if unpaid after expiration of twenty days from date of mailing.

_____ Billing Adjustments:

- _____ 1. The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 32 - 35.
- _____ 2. In the event the Company agrees to provide natural gas_ conversion equipment and _____ installation, an agreement as to terms and conditions governing recovery of such _____ conversion costs from the Customer may be entered into and the initial term of _____ Transportation Service shall at a minimum be the same as the period of recovery _____ stated in the agreement. Further, the rates established in the monthly rate section

Issued by: Jeffrey Householder, President & CEO

Effective: November 4, 2010

Florida Public Utilities Company, Indiantown Division
Original Volume No. 2

~~Second-Third~~ Revised Sheet No. 22
Cancels ~~First-Second~~ Revised Sheet No. 22

_____ -may be adjusted to provide for recovery by the Company of the costs incurred
_____ including carrying cost at the Company's overall cost of capital, in providing such
_____ natural gas conversion equipment and installation. At such time as the Company
_____ has recovered its cost of providing the natural gas conversion, bills rendered
_____ under
_____ this rate schedule shall return to the rates stated herein.

| Issued by: Jeffrey Householder, President & CEO

Effective: November 4, 2010

Florida Public Utilities Company, Indiantown Division
Original Volume No. 2

Second-Third Revised Sheet No. 23
Cancels First-Second Revised Sheet No. 23

TRANSPORTATION SERVICE - 3

Rate Schedule TS-3

Availability:

Throughout the service area of the Company.

Applicability:

Individual Transportation Service available to customers of all classifications whose annual metered transportation volume is greater than 15,000 therms up to 100,000 therms, and who enters into a Transportation Service Agreement with the Company. Aggregated Transportation Service may be available to customers in this service classification at the sole option of the authorized Pool Manager.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Customer Charge:	\$ 60.00
Transportation Charge:	\$ 0.04785 per therm
Minimum Bill:	The customer charge.

Terms of Payment:

Bills are net and due upon receipt by the Customer and become delinquent if unpaid after expiration of twenty days from date of mailing.

Billing Adjustments:

1. The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 32 - 35.
2. In the event the Company agrees to provide natural gas conversion equipment and installation, an agreement as to terms and conditions governing recovery of such — conversion costs from the Customer may be entered into and the initial term of — Transportation Service shall at a minimum be the same as the period of recovery — stated in the agreement. Further, the rates established in the monthly rate section — may be adjusted to provide for recovery by the Company of the costs incurred — including carrying

Issued by: Jeffrey Householder, President & CEO

Effective: November 4, 2010

Florida Public Utilities Company, Indiantown Division
Original Volume No. 2

~~Second-Third~~ Revised Sheet No. 23
Cancels ~~First-Second~~ Revised Sheet No. 23

cost at the Company's overall cost of capital, in providing such natural gas
conversion equipment and installation. At such time as the Company _____
_____ has recovered its cost of providing the natural gas conversion.

Issued by: Jeffrey Householder, President & CEO

Effective: ~~November 4, 2010~~

Florida Public Utilities Company, Indiantown Division
Original Volume No. 2

~~Second-Third Revised Sheet No. 2625~~
Cancels ~~First-Second Revised Sheet No. 2625~~

TRANSPORTATION SERVICE - 4

Rate Schedule TS-4

Availability:

Throughout the service area of the Company.

Applicability:

Individual Transportation Service is available to customers of all classifications whose annual metered transportation volume is greater than 100,000 therms, and who enters into a Transportation Service Agreement with the Company. Aggregated Transportation Service may be available to customers in this service classification at the sole option of the authorized Pool Manager.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Customer Charge:	\$ 2000.00
Transportation Charge:	\$ 0.03910 per therm
Demand Charge:	\$ 0.53 per Dt (MDTQ)

Minimum Bill:

1. The minimum monthly bill shall be the Customer Charge plus the minimum daily contract quantity, if such minimum quantity is established in the Transportation Service Agreement, multiplied by the transportation charge and applicable adjustments, multiplied by the number of days in the billing cycle.
2. In the event the Company is unable to deliver the minimum daily quantity specified in the Transportation Service Agreement on any day or days within a billing cycle, the minimum monthly bill for such billing cycle shall be determined based upon the amount of gas actually delivered to the Customer on such day or days.

Terms of Payment:

Issued by: Jeffrey Householder, President & CEO

Effective: ~~November 4, 2010~~

Docket No. 20200046-GU
Date: March 19, 2020

Attachment 3
FPUC- Indiantown
Page 7 of 11

Florida Public Utilities Company, Indiantown Division
Original Volume No. 2

~~Second-Third Revised Sheet No. 2625~~
Cancels ~~First-Second Revised Sheet No. 2625~~

Bills are net and due upon receipt by the Customer and become delinquent if unpaid after expiration of twenty days from date of mailing.

Issued by: Jeffrey Householder, President & CEO

Effective: November 4, 2010

Florida Public Utilities Company, Indiantown Division
Original Volume No. 2

~~First-Second~~ Revised Sheet No. 37
Cancels ~~Original-First~~ Revised Sheet No. 37

INDEX OF TERMS AND CONDITIONS FOR TRANSPORTATION SERVICE

(Continued)

I. BILLING

- A. Billing Periods
- B. Payment
- C. Partial Month
- D. Calculation of Customer Bill
- E. More Than One Point of Delivery
- F. More Than One Rate Schedule
- G. Pool Manager's Charges
- H. Non-Receipt of Bills
- I. Delinquent Bills and Late Payment Charges
- J. Discontinuance of Transportation Service for Non-Payment Of Bills
- K. Inspection of Books and Records
- L. Adjustment of Transportation Service Bills for Meter Error
- M. Returned Check Charge

II. OBLIGATION TO SERVE

III. GAS QUALITY/QUALITY OF GAS

IV. PRESSURE

V. MEASUREMENT

- A. Determination of Volume and Heating Value
- B. Unit of Transportation Volume
- C. Transportation Unit

VI. METERS

- A. Facilities and Equipment
- B. Meters
- C. Meter Installation, Operation, Unauthorized Use
- D. Type of Metering Provided
- E. Meter Accuracy at Installation
- F. Measurement Deemed Accurate
- G. Meter Accuracy/Meter Testing
- H. Witness of Meter Test
- I. Meter Test – Referee
- J. Check Measuring Equipment

Issued by: Jeffry Householder, President

Effective: ~~NOV 4, 2010~~

Florida Public Utilities Company, Indiantown Division,
 Original Volume No. 2

~~First-Second Revised Sheet No. 53~~
 Cancels ~~Original-First Revised Sheet No. 53-53~~

V. OBLIGATION TO SERVE.

Company is responsible for the transportation of Customer's own Gas. Company is not responsible for providing Gas. If Customer, or Customer's Agent, if applicable, fails to provide Gas, Company may disconnect service to Customer. In the event, the Company's authorized Pool Manager fails to cause to be delivered on any Day at the assigned Transporter Point(s) of Delivery with the Company, any portion of the quantities of Gas for transportation to the Customers in the Customer Pool, the Company may immediately seek the remedies pursuant to Section XIX, G., Terms and Conditions of Transportation Service, and the applicable provisions of the Aggregated Transportation Service Agreement. If such remedies result in the termination of the Pool Manager, the Company shall immediately recall all capacity released to the Pool Manager and implement the Temporary Back-Up Gas Supply Plan on file with the FPSC, until such time as the Company can reasonably select a new Pool Manager.

VI. GAS QUALITY/QUALITY OF GAS

A. Gas delivered to the Company's system from an interconnected pipeline shall be in conformance with the quality specifications as provided for in the Terms and Conditions in the Tariff of that pipeline interconnected to the Company's distribution system.

B. Any gas entering the Company's system at a Point of Receipt that is not an interconnected pipeline with gas quality specifications set forth in its tariff, shall be in conformance with the quality specification listed below:

<u>Containment/Property</u>	<u>Unit</u>	<u>Value</u>
<u>Heating Value</u>	<u>BTU/SCF</u>	<u>967-1100</u>
<u>Wobbe Number</u>	<u>BTU/SCF</u>	<u>1250-1400</u>
<u>Carbon Dioxide</u>	<u>CO₂ % vol</u>	<u><2</u>
<u>Oxygen</u>	<u>O₂ % vol</u>	<u><0.1</u>
<u>Nitrogen</u>	<u>N₂ % vol</u>	<u><3</u>
<u>Total inerts</u>	<u>% vol</u>	<u><4</u>
<u>Hydrogen Sulfide</u>	<u>PPM</u>	<u><4</u>
<u>Siloxanes</u>	<u>PPM</u>	<u><1</u>
<u>Total Sulfur</u>	<u>PPM</u>	<u><78.5</u>
<u>Water</u>	<u>lbs/MMCF</u>	<u><7</u>

Gas received at injection receipt points shall be commercially free from hazardous waste, solid or liquid matter, dust, gums and gum-forming constituents, microbiological organisms, or any other substance which might interfere with the merchantability of the gas, or cause injury to or interfere with proper operation of the lines, meters, regulators. ~~TRANSPORTATION GAS QUALITY. All Gas which~~

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Florida Public Utilities Company, Indiantown Division,
Original Volume No. 2

First ~~Second~~ Revised Sheet No. 53
Cancels Original ~~First~~ Revised Sheet ~~No. 53-53~~

~~Shipper's cause to be received by Company at Transporter's Point(s) of Delivery for transportation and delivery by Company shall conform to the quality and heating value specifications set forth within or incorporated in Transporter's tariff. In addition to any other remedies available to Company, Company shall have the right to refuse to accept at Transporter's Point(s) of Delivery any Gas which fails to conform to such quality and heating value specifications.~~

VII. PRESSURE

~~STANDARD DELIVERY PRESSURE. Company shall make reasonable efforts to maintain its Standard Delivery Pressure of 14.98 p.s.i.a. (14.73 plus .25 p.s.i.g.) (seven inches water column) at the point of delivery. Where delivery pressure higher than Standard Delivery Pressure is supplied, Company will make reasonable efforts to maintain such higher delivery pressure. Company does not undertake to deliver Gas at a pressure higher than the Standard Delivery Pressure throughout its service areas. Prospective industrial and large commercial customers who desire to utilize Gas at pressures higher than the Standard Delivery Pressure should inquire of Company to determine the pressure that Company can make available at any given location in its service territory before obtaining any equipment requiring pressures higher than the Standard Delivery Pressure.~~

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Original Volume No. 2

Original Sheet No. 53.1

or any other facilities through which it flows.

~~TRANSPORTATION GAS QUALITY. All Gas which Shipper's cause to be received by Company at Transporter's Point(s) of Delivery for transportation and delivery by Company shall conform to the quality and heating value specifications set forth within or incorporated in Transporters tariff. In addition to any other remedies available to Company, Company shall have the right to refuse to accept at Transporter's Point(s) of Delivery any Gas which fails to conform to such quality and heating value specifications.~~

VII. PRESSURE

STANDARD DELIVERY PRESSURE. Company shall make reasonable efforts to maintain its Standard Delivery Pressure of 14.98 p.s.i.a. (14.73 plus .25 p.s.i.g.) (seven inches water column) at the point of delivery. Where delivery pressure higher than Standard Delivery Pressure is supplied, Company will make reasonable efforts to maintain such higher-delivery pressure. Company does not undertake to deliver Gas at a pressure higher than the Standard Delivery Pressure throughout its service areas. Prospective industrial and large commercial customers who desire to utilize Gas at pressures higher than the Standard Delivery Pressure should inquire of Company to determine the pressure that Company can make available at any given location in its service territory before obtaining any equipment requiring pressures higher than the Standard Delivery Pressure.

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Original Volume No. 4 Cancels ~~First Revised~~ Original Sheet No. 15

INDEX OF RULES AND REGULATIONS

(Continued)

	<u>Sheet No.</u>
D. TERMINATION OF CONSUMER	54
E. CAPACITY RELEASE	
1. Intent of Capacity Release	54
2. Capacity Release Methodology	54
3. Quantity of Capacity For Release	54
4. Allocation Of Capacity From Multiple Transporters	55
5. Capacity for New Consumers	57
6. Scope of Capacity Release	
a. Shipper Service Agreements with Transporter	57
b. Relinquishment Notices	57
c. Acceptance of Capacity Release	57
7. Capacity Exceeding Released Quantities	57
F. CAPACITY CHARGES & PAYMENTS	
1. Capacity Charges	58
2. Capacity Payments	58
3. Recalled Capacity Payment	58
4. Refunds from Transporter	58
G. SHIPPER RIGHTS TO RELINQUISH CAPACITY	59
H. RECALL RIGHTS TO RELEASED CAPACITY	59
I. RETAINED RIGHT OF FIRST REFUSAL	60
J. FIRM DELIVERY REQUIREMENTS	
1. Consumer Pool	60
2. Maximum Daily Transportation Quantity (MDTQ)	61
3. <u>Quality of Gas</u>	61
4. Shipper's Delivery Obligations	61.1
K. MUTUALLY BENEFICIAL TRANSACTIONS	61.1
L. SCHEDULING AND NOMINATING	62
M. MONTHLY BALANCING	62

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Chesapeake Utilities Corporation

Florida Division of Chesapeake Utilities Corporation ~~First~~ Second Revised Sheet No. 61
 Original Volume No. 4 Cancells ~~Original~~ First Revised Sheet No. 61

RULES AND REGULATIONS (Continued)

2. Maximum Daily Transportation Quantity (MDTQ)

Company may establish a MDTQ for Gas for one or more Shipper(s) if, in the reasonable opinion of the Company, it is necessary to protect system integrity or to ensure existing Consumers are not adversely affected by Shipper(s) requiring an MDTQ. Company shall not be obligated to transport Consumer-owned Gas above the Shipper's MDTQ, if established, but may do so if feasible and without adverse affect to other Consumers, in the reasonable opinion of the Company.

3. Quality of Gas

~~3. Quality~~

A. Gas delivered to the Company's system from an interconnected pipeline shall be in conformance with the quality specifications as provided for in the Terms and Conditions in the Tariff of that pipeline interconnected to the Company's distribution system.

B. Any gas entering the Company's system at a Point of Receipt that is not an interconnected pipeline with gas quality specifications set forth in its tariff, shall be in conformance with the quality specification listed below:

Containment/Property	Unit	Value
Heating Value	BTU/SCF	967-1100
Wobbe Number	BTU/SCF	1250-1400
Carbon Dioxide	CO ₂ , % vol	≤2
Oxygen	O ₂ , % vol	≤0.1
Nitrogen	N ₂ , % vol	≤3
Total inerts	% vol	≤4
Hydrogen Sulfide	PPM	≤4
Siloxanes	PPM	≤1
Total Sulfur	PPM	≤78.5
Water	lbs/MMCF	≤7

Gas received at injection receipt points shall be commercially free from hazardous waste, solid or liquid matter, dust, gums and gum-forming constituents, microbiological organisms, or any substance which might interfere with the merchantability of the gas, or cause injury to or interfere with proper operation of the lines, meters, regulators, or any other facilities through which it flows.

~~The quality of Gas delivered by Shipper to the Company shall meet the same specifications as the FERC approved or Commission approved tariff requirements of the Transporter connected to Company.~~

4. Shipper's Delivery Obligations

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Original Sheet No. 61.1

RULES AND REGULATIONS (Continued)

obligation to deliver Gas to Company on behalf of Consumers whose service is terminated, either upon request of the Consumer or for cause. Company shall promptly notify the Shipper of any known change in Consumer account status that will affect Gas quantity deliveries.

b. If any act or omission of Shipper causes Company, as the DPO, to incur any Transporter penalties, other expenses or liabilities of any kind, Shipper will indemnify and reimburse Company for all said penalties, other expenses or liabilities. Nothing herein shall be deemed to foreclose Company from employing other remedies, including cessation of deliveries for the unauthorized usage of Gas.

K. MUTUALLY BENEFICIAL TRANSACTIONS

Shipper recognizes that Company maintains the operation and integrity of Company distribution system on a daily basis. Shipper also recognizes that as DPO for the interstate pipeline interconnects, Company or its agent is subject to the rules and regulations of the Transporters with regard to operational flow rates, pressures and penalties. As such, Company may need Shipper to vary its daily delivery from the nominated delivery quantities. On those occasions, Company may request, at its sole discretion, and Shipper may agree to, a change to Shipper's nominated Gas supply.

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Original Volume No. 4 ~~Original-First~~ Revised Sheet No. 71

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE- A Rate Schedule FTS-A

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual
-metered transportation volume is 0 therms up to 130 therms. This rate
-schedule is closed to all Consumers, except those receiving service under
-rate schedules FTS-A as of December 31, 2009. In addition, Consumers
-who restore service or apply for new service at a premise where the
Company
provided service under Rate Schedule FTS-A at the time service was
terminated shall receive service at such premise under this Rate Schedule.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City
Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge:	\$13.00
Usage Charge:	\$0.46358 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set
forth on Sheet Nos. 98 - 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion
equipment, an agreement as to terms and conditions governing recovery of
such conversion costs from the Consumer shall be executed. Further, the
rates established in the Monthly Rate section of this rate schedule may be
adjusted to provide for recovery by the Company of the costs incurred,
including carrying cost at the Company's overall cost of capital, in

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Florida Division of Chesapeake Utilities Corporation ~~First~~ Second Revised Sheet No. 71
Original Volume No. 4 Cancels ~~Original~~ First Revised Sheet No. 71

providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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Florida Division of Chesapeake Utilities Corporation ~~First-Second~~ Revised Sheet No. 72
Original Volume No. 4 Cancells ~~Original-First~~ Sheet No. 72

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - A (Experimental)

Rate Schedule FTS-A (Exp)

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is 0 therms up to 130 therms. This rate schedule is closed to all Consumers, except those receiving service under rate schedules FTS-A as of December 31, 2009. In addition, Consumers who restore service or apply for new service at a premise where the Company provided service under Rate Schedule FTS-A at the time service was terminated shall receive service at such premise under this Rate Schedule.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge:	\$17.00
Usage Charge:	\$0.00000 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 - 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of

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Florida Division of Chesapeake Utilities Corporation ~~First-Second~~ Revised Sheet No. 72.
Original Volume No. 4 Cancells ~~Original-First~~ Revised Sheet No. 72

capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at _____ Monthly Rates stated herein.

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Chesapeake Utilities Corporation

Florida Division of Chesapeake Utilities Corporation
Original Volume No. 4

~~First~~ ~~Second~~ Revised Sheet No. 73
Cancels ~~Original~~ ~~First~~ ~~Revised~~ Sheet No. 73

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - B

Rate Schedule FTS-B

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 130 therms up to 250 therms. This rate schedule is closed to all Consumers, except those receiving service under rate schedules FTS-A or FTS-B as of March 3, 2005. In addition, Consumers who restore service or apply for new service at a premise where the Company provided service under Rate Schedule FTS-B at the time service was terminated shall receive service at such premise under this Rate Schedule.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$15.50

Usage Charge: \$0.49286 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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Florida Division of Chesapeake Utilities Corporation ~~Second First~~ Revised Sheet No. 74
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RATE SCHEDULES
FIRM TRANSPORTATION SERVICE – B (Experimental)

Rate Schedule FTS-B (Exp)

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is greater than 130 therms up to 250 therms. This rate schedule is closed to all Consumers, except those receiving service under rate schedules FTS-A or FTS-B as of March 3, 2005. In addition, Consumers who restore service or apply for new service at a premise where the Company provided service under Rate Schedule FTS-B at the time service was terminated shall receive service at such premise under this Rate Schedule.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge:	\$23.00
Usage Charge:	\$0.00000 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated

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Florida Division of Chesapeake Utilities Corporation ~~Second First~~ Revised Sheet No. 74
Original Volume No. 4 Cancells ~~Original First Revised~~ Sheet No. 74

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Florida Division of Chesapeake Utilities Corporation
Original Volume No. 4

~~Second First Revised Sheet No. 75~~
Cancels ~~Original First Revised Sheet No. 75~~

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 1

Rate Schedule FTS-1

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is 0 therms up to 500 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or five (5) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$19.00

Usage Charge: ———\$0.46310 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas—conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas—conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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Florida Division of Chesapeake Utilities Corporation ~~First-Second~~ Revised Sheet No. 76
Original Volume No. 4 Cancells ~~Original-First~~ Revised Sheet No. 76

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 1 (Experimental)

Rate Schedule FTS-1 (Exp)

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is 0 therms up to 500 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or five (5) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$29.00

Usage Charge: \$0.00000 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 - 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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Florida Division of Chesapeake Utilities Corporation
Original Volume No. 4

~~Original~~ First- Revised Sheet No. 77
Cancels Original Sheet No. 77

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 2

Rate Schedule FTS-2

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 500 therms up to 1,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$34.00

Usage Charge: ———\$0.31960 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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Florida Division of Chesapeake Utilities Corporation ~~First-Second~~ Revised Sheet No. 78
Original Volume No. 4 Cancells ~~Original-First~~ Revised Sheet No. 78

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE – 2 (Experimental)

Rate Schedule FTS-2 (Exp)

Availability:
Throughout the service area of the Company.

Applicability:
Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is greater than 500 therms up to 1,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Character of Service:
Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:
Firm Transportation Charge: \$48.00
Usage Charge: \$0.00000 per therm

Minimum Charge:
The Firm Transportation Charge.

Billing Adjustments:
The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:
If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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Florida Division of Chesapeake Utilities Corporation First Revised Sheet No. 78.1

Original Volume No. 4

Cancels Original Sheet No. 78.1

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 2.1

Rate Schedule FTS-2.1

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 1,000 therms up to 2,500 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

— Firm Transportation Charge: \$40.00
— Usage Charge: \$0.30827 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98—106.

~~Sheet Nos. 98—106.~~

Miscellaneous:

If ~~the~~ Company ~~agrees~~ to ~~provide~~ the ~~necessary~~ natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of

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Florida Division of Chesapeake Utilities Corporation First Revised Sheet No. 78.1

Original Volume No. 4

Cancels Original Sheet No. 78.1

capital, in providing such natural gas_conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

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Florida Division of Chesapeake Utilities Corporation First Revised Sheet No. 78.2
Original Volume No. 4 Cancels Original Sheet No. 78.2

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE-2.1 (Experimental)

Rate Schedule FTS-2 .1 (Exp)

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is greater than 1,000 therms up to 2,500 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge:	\$87.00
Usage Charge:	\$0.00000 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98-106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation

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Original Volume No. 4 Cancels Original Sheet No. 78.2

under this rate schedule shall be billed at Monthly Rates stated
herein.

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Florida Division of Chesapeake Utilities Corporation ~~First-Second~~ Revised Sheet No. 79
Original Volume No. 4 Cancells ~~Original-First~~ Revised Sheet No. 79

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 3

Rate Schedule FTS-3

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 2,500 therms up to 5,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$108.00

Usage Charge: ———\$0.24102 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas—conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

Issued by: ~~John R. Sohimkatis~~ Jeffry Householder, President & CEO

Effective: ~~—~~ JAN 14 2010

~~Chesapeake Utilities Corporation~~

Florida Division of Chesapeake Utilities Corporation ~~First-Second~~ Revised Sheet No. 80
Original Volume No. 4 Cancells ~~Original-First~~ Revised Sheet No. 80

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 3 (Experimental)

Rate Schedule FTS-3 (Exp)

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers assigned to a TTS Shipper whose annual metered transportation volume is greater than 2,500 therms up to 5,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge:	\$162.00
Usage Charge:	\$0.00000 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 - 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

Issued by: ~~John R. Schimkaitis~~ Jeffrey Householder, President & CEO

Effective: JAN 14 2010

Chesapeake Utilities Corporation

Florida Division of Chesapeake Utilities Corporation
Original Volume No. 4

First Revised Sheet No. 80.1
Cancels Original Sheet No. 80.1

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE – 3.1

Rate Schedule FTS-3.1

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 5,000 therms up to 10,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge:	\$134.00
Usage Charge:	\$0.20383 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98-106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

Issued by: ~~John R. Schimkaitis~~ Jeffrey Householder, President & CEO
14-2010
Chesapeake Utilities Corporation

Effective: JAN

Florida Division of Chesapeake Utilities Corporation First Revised Sheet No. 80.2
Original Volume No. 4 Cancels Original Sheet No. 80.2

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 3.1 (Experimental)

Rate Schedule FTS-3.1 (Exp)

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 5,000 therms up to 10,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge:	\$263.00
Usage Charge:	\$0.00000 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 - 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion

Issued by: John R. Schimkaitis Jeffrey Householder, President & CEO Effective: JAN 14 2010
Chesapeake Utilities Corporation

Florida Division of Chesapeake Utilities Corporation First Revised Sheet No. 80.2
Original Volume No. 4 Cancels Original Sheet No. 80.2

equipment, transportation under this rate schedule shall be billed at Monthly Rates
stated herein.

Issued by: ~~John R. Schinkaris~~ Jeffry Householder, President & CEO
~~14-2010~~
Chesapeake Utilities Corporation

Effective: JAN

Florida Division of Chesapeake Utilities Corporation ~~Second First Revised Sheet No. 81~~
Original Volume No. 4 ~~Cancels Original First Revised Sheet No. 81~~

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 4

Rate Schedule FTS-4

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 10,000 therms up to 25,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$210.00

Usage Charge: ———\$0.18900 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

Issued by: ~~John R. Schinkaitis~~ Jeffrey Householder, President & CEO

Effective: JAN-14-2019

Chesapeake Utilities Corporation

Florida Division of Chesapeake Utilities Corporation ~~First-Second~~ Revised Sheet No. 82
Original Volume No. 4 Cancels ~~Original-First~~ Revised Sheet No. 82

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 5

Rate Schedule FTS-5

Availability:

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 25,000 therms up to 50,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$380.00

Usage Charge: ———\$0.16580 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

Issued by: ~~John R. Schimkaitis~~ Jeffrey Householder, President & CEO
14-2010
Chesapeake Utilities Corporation

Effective: JAN

Florida Division of Chesapeake Utilities Corporation ~~First~~ Second Revised Sheet No. 83
Original Volume No. 4 Cancells ~~Original~~ First Revised Sheet No. 83

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 6

Rate Schedule FTS-6

Availability

Throughout the service area of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 50,000 therms up to 100,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or fifty (50) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$600.00
Usage Charge: ———\$0.15137 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas _conversion equipment. At such time as the Company has recovered its costs of providing the natural gas_ conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

Issued by: ~~John R. Schimkaitis~~ Jeffry Householder, President & CEO
Effective: ~~JAN 14 2010~~
~~Chesapeake Utilities Corporation~~

Florida Division of Chesapeake Utilities Corporation ~~First-Second~~ Revised Sheet No. 84
Original Volume No. 4 Cancels ~~Original-First~~ Revised Sheet No. 84

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 7

Rate Schedule FTS-7

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 100,000 therms up to 200,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$700.00
Usage Charge: ———\$0.12300 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas_ conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas _conversion equipment. At such time as the Company has recovered its costs of providing the natural gas_ conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

Issued by: ~~John R. Sohimkattis~~ Jeffrey Householder, President & CEO
Effective: JAN 14 2010
Chesapeake Utilities Corporation

Florida Division of Chesapeake Utilities Corporation ~~Second~~ Third Revised Sheet No. 85
Original Volume No. 4 Cancels ~~First~~ Second Revised Sheet No. 85

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 8

Rate Schedule FTS-8

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 200,000 therms up to 400,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$1,200.00
Usage Charge: ———\$0.11024 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

Issued by: ~~Michael P. McMasters~~ Jeffrey Householder, President & CEO

Effective: ~~AUG 13 2013~~

Chesapeake Utilities Corporation

Florida Division of Chesapeake Utilities Corporation ~~Second~~ Third Revised Sheet No. 86
Original Volume No. 4 Cancels ~~First~~ Second Revised Sheet No. 86

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 9

Rate Schedule FTS-9

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 400,000 therms up to 700,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$2,000.00
Usage Charge: ———\$0.09133 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

Issued by: ~~Michael P. McMasters~~ Jeffry Householder, President & CEO

Effective: AUG-13-2013

Chesapeake Utilities Corporation

Florida Division of Chesapeake Utilities Corporation
Original Volume No. 4

~~Third~~ Second Revised Sheet No. 87
Cancels ~~First~~ Second Revised Sheet No. 87

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 10

Rate Schedule FTS-10

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 700,000 therms up to 1,000,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$3,000.00

Usage Charge: ———\$0.08318 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas_ conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas_ conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

Issued by: ~~Michael P. McMasters~~ Jeffry Householder, President & CEO

Effective: ~~AUG-13-2013~~

Chesapeake Utilities Corporation

Florida Division of Chesapeake Utilities Corporation
Original Volume No. 4

~~Second-Third~~ Revised Sheet No. 88
Cancels ~~First-Second~~ Revised Sheet No. 88

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 11

Rate Schedule FTS-11

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 1,000,000 therms up to 2,500,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$5,500.00

Usage Charge: ———\$0.06977 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at Monthly Rates stated herein.

Issued by: ~~Michael P. McMasters~~ Jeffry Householder, President & CEO

Effective: ~~AUG 13 2013~~

Chesapeake Utilities Corporation

Florida Division of Chesapeake Utilities Corporation
Original Volume No. 4

~~Third~~ Second Revised Sheet No. 89
Cancels ~~First~~ Second Revised Sheet No. 89

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - 12

Rate Schedule FTS-12

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all Consumers whose annual metered transportation volume is greater than 2,500,000 therms up to 12,500,000 therms. The maximum delivery pressure provided to Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred (100) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$9,000.00

Usage Charge: ———\$0.061238 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Miscellaneous:

If the Company agrees to provide the necessary natural gas conversion equipment, an agreement as to terms and conditions governing recovery of such conversion costs from the Consumer shall be executed. Further, the rates established in the Monthly Rate section of this rate schedule may be adjusted to provide for recovery by the Company of the costs incurred, including carrying cost at the Company's overall cost of capital, in providing such natural gas conversion equipment. At such time as the Company has recovered its costs of providing the natural gas conversion equipment, transportation under this rate schedule shall be billed at
Monthly Rates Stated herein.

Issued by: ~~Michael P. McMaster~~ Jeffrey Householders, President & CEO

Effective: ~~AUG 13 2013~~

Chesapeake Utilities Corporation

Florida Division of Chesapeake Utilities Corporation
Original Volume No. 4

~~First~~ Second Revised Sheet No. 90.1
Cancels ~~Original~~ First Sheet No. 90.1

RATE SCHEDULES
FIRM TRANSPORTATION SERVICE - NATURAL GAS VEHICLE

Rate Schedule FTS-NGV

Availability:

Throughout the service areas of the Company.

Applicability:

Firm Transportation Service available to all non-Residential Consumers through a separate meter for compression and delivery (through the use of equipment furnished by Consumer) into motor vehicle fuel tanks or other transportation containers.. The maximum delivery pressure provided to non-Residential Consumers served under this rate schedule shall be the lesser of the MAOP at the Consumer premise or one-hundred twenty-five (125) p.s.i.g.

Character of Service:

Transportation of Customer-purchased natural gas from Company's City Gate(s) to Customer's service address.

Monthly Rate:

Firm Transportation Charge: \$100.00

Usage Charge: ———\$0.17111 per therm

Minimum Charge:

The Firm Transportation Charge.

Billing Adjustments:

The above rates shall be subject to the applicable MRAs and FTs as set forth on Sheet Nos. 98 – 106.

Terms and Conditions:

———Service under this rate schedule is subject to the Company's Rules and ———Regulations applicable to gas service. In the event that the cost to service the ———Customer approaches or exceeds the MACC, service contract may include, at the ———Customer's option, a minimum annual commitment in lieu of the advance in aid ———of construction otherwise required by the Extensions provisions of this tariff at ———Sheet No. 41.

Issued by: ~~Michael P. McMaster~~ Jeffry Householder, President & CEO

Effective: ~~JUL 21 2015~~

Chesapeake Utilities Corporation

Peninsula Pipeline Company, Inc.
Original Volume No. 1

Original-First Revised Sheet No. 9
Cancels Original Sheet No. 9

INDEX OF RULES AND REGULATIONS (Continued)

	<u>Sheet No.</u>
I. PAYMENTS	
1. Payment of Bills	17
2. Failure to Pay	17
3. Adjustment of Overpayment or Underpayment	18
J. GAS QUALITY QUALITY OF GAS	
18	
K. WARRANTY, CONTROL AND INDEMNIFICATION	
1. Warranty	18.1
2. Control and Possession	18.1
3. Indemnification	19
L. QUANTITY	
1. Maximum Daily Transportation Quantity (MDTQ)	19
2. Maximum Hourly Transportation Percentage (MHTP)	19
3. Unauthorized Use	20
4. Capacity Release Rights	20
5. Capacity Recall Rights	20
M. NOMINATIONS	20
N. MONTHLY BALANCING	20
O. OPERATIONAL CONTROLS	
1. Transporter Notices	21
2. Shipper Obligations	22
3. Operational Flow Order (OFO) or Equivalent Control	22
4. Alert Day or Equivalent Control	22
5. Other Operational Balancing Controls	22
6. Operational Control Charges	22
P. OPERATIONAL BALANCING ACCOUNT	
1. Authorization for Recovery or Refund	23
2. Charges or Credits	23
3. Disposition of OBA Balance	23

Issued by: ~~Stephen C. Thompson~~Jeffry Householder, President & CEO

~~Peninsula Pipeline Company, Inc.~~

Effective: December 4, 2007

Peninsula Pipeline Company, Inc.
 Original Volume No. 1

Original First Revised Sheet No. 18
 Cancels Original Sheet No. 18

RULES AND REGULATIONS (Continued)

Shipper furnishes good and sufficient surety bond guaranteeing payment to Company of the amount ultimately found due upon such bill after a final determination which may be reached either by agreement or judgment of the courts, as may be the case, then Company shall not suspend further delivery of Gas unless and until default be made in the conditions of such bond. If Shipper furnishes good and sufficient surety bond and amounts are ultimately not due to Company, then Company shall bear unrecovered surety bond costs incurred by Shipper.

3. Adjustment of Overpayment or Underpayment
 If within twelve (12) months of the date of payment it shall be found that Shipper has been over-charged or under-charged in any form whatsoever under the provisions hereof, and Shipper shall have actually paid the bill(s) containing such over- or under-charges, then within sixty (60) calendar days after the final determination thereof, Company shall either refund the amount of any such over-charge, or invoice the amount of any such under-charge, with interest thereon from the time such over- or under-charge occurred to the date of refund or invoicing. Interest shall be computed as described in Section I.2. herein.

J. GAS QUALITY/QUALITY OF GAS

1. Gas delivered to the Company's system from an interconnected pipeline shall be in conformance with the quality specifications as provided for in the Terms and Conditions in the Tariff of that interconnected pipeline.
2. Any Gas entering the Company's system at a Point of Receipt that is not an interconnected pipeline with gas quality specifications set forth in its tariff, shall be in conformance with the quality specification listed below:

Containment/Property	Unit	Value
Heating Value	BTU/SCF	967-1100
Wobbe Number	BTU/SCF	1250-1400
Carbon Dioxide	CO ₂ , % vol	<2
Oxygen	O ₂ , % vol	<0.1
Nitrogen	N ₂ , % vol	<3
Total inerts	% vol	<4
Hydrogen Sulfide	PPM	<4
Siloxanes	PPM	<1
Total Sulfur	PPM	<78.5
Water	lbs/MMCF	<7

(Continued on Sheet No. 18.1)

~~The quality of Gas delivered by Shipper to the Company shall meet the same specifications as the FERC approved or Commission approved tariff requirements of the Transporter~~

Issued by: Stephen C. Thompson/Jeffry Householder, President & CEO
 Peninsula Pipeline Company, Inc.

Effective: De

Peninsula Pipeline Company, Inc.
Original Volume No. 1

Original-First Revised Sheet No. 18
Cancels Original Sheet No. 18

~~interconnected with Company.~~

~~K. WARRANTY, CONTROL AND INDEMNIFICATION~~

~~1. Warranty~~

~~Shipper shall warrant that it will have good and merchantable title to, or that it has good right to deliver, all Gas delivered by Transporter to Company for Shipper's account at the Delivery Point(s), and that such Gas will be free and clear of all liens, encumbrances, and claims whatsoever. In the event any adverse claim in respect to said Gas is asserted, or Shipper breaches its warranty herein, Company shall not be required to perform its obligations to transport and deliver said Gas to Shipper or, subject to receipt of any necessary regulatory authorization, to continue service hereunder for Shipper until such claim has been finally determined; provided, however, that Shipper may receive service if (i) in the case of an adverse claim, Shipper furnishes a bond to Company, conditioned for the protection of Company with respect to such claim; or (ii) in the case of a breach of warranty, Shipper promptly furnishes evidence, satisfactory to Company, of Shipper's title to said Gas.~~

~~2. Control and Possession~~

~~Shipper shall be deemed to be in control and possession of Gas prior to delivery to the Delivery Point(s) and after delivery by Company at the Point(s) of Delivery; and Company shall be deemed to be in control and possession of the~~

Issued by: Stephen C. Thompson Jeffry Householder, President & CEO
Peninsula Pipeline Company, Inc.

Effective: De

Peninsula Pipeline Company, Inc. _____ Original Sheet No. 18.1
Original Volume No. 1

RULES AND REGULATIONS (Continued)

Gas received at injection receipt points shall be commercially free from hazardous waste, solid or liquid matter, dust, gums and gum-forming constituents, microbiological organisms, or any other substance which might interfere with the merchantability of the gas, or cause injury to or interference with proper operation of the lines, meters, regulators, or any other facilities through which it flows.

3. The gas delivered by the Company to any Point of Delivery shall be natural gas conforming to the least stringent of the quality specifications contained in Sections J.1 and J.2 above, or the respective quality specifications as provided for in the terms and conditions in the tariff of an interconnecting pipeline.

K. WARRANTY, CONTROL AND INDEMNIFICATION

1. Warranty

Shipper shall warrant that it will have good and merchantable title to, or that it has good right to deliver, all Gas delivered by Transporter to Company for Shipper's account at the Delivery Point(s), and that such Gas will be free and clear of all liens, encumbrances, and claims whatsoever. In the event any adverse claim in respect to said Gas is asserted, or Shipper breaches its warranty herein, Company shall not be required to perform its obligations to transport and deliver said Gas to Shipper or, subject to receipt of any necessary regulatory authorization, to continue service hereunder for Shipper until such claim has been finally determined; provided, however, that Shipper may receive service if (i) in the case of an adverse claim, Shipper furnishes a bond to Company, conditioned for the protection of Company with respect to such claim; or (ii) in the case of a breach of warranty, Shipper promptly furnishes evidence, satisfactory to Company, of Shipper's title to said Gas.

2. Control and Possession

Shipper shall be deemed to be in control and possession of Gas prior to delivery to the Delivery Point(s) and after delivery by Company at the Point(s) of Delivery; and Company shall be deemed to be in control and possession of the

Issued by: Jeffrey Householder, President & CEO

Effective:

Item 15 A

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: March 24, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Hampson, Coston) *wsc JON*
Office of the General Counsel (Brownless) *JSC Man*

RE: Docket No. 20200095-EI – Petition for approval of emergency modification to Duke Energy's rate schedule SC-1, tariff sheet 6.110 by Duke Energy Florida, LLC.

AGENDA: 03/31/20 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 05/18/2020 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

On March 19, 2020, Duke Energy Florida (DEF or utility) petitioned for approval of an emergency modification to its Service Charge Rate Schedule (Tariff Sheet No. 6.110). This modification is in response to the public health emergency in Florida related to the outbreak of COVID-19 and the related Executive Orders issued by Governor Ron DeSantis. DEF states it has already temporarily suspended disconnecting customers for non-payment and will offer more robust payment arrangements for customers in need.¹ Further, the utility states it will make the necessary adjustments to its plans to continue to serve customers, and that this may require additional requests to the Commission.

¹Rule 25-6.105(5), Florida Administrative Code, states "As applicable, each utility may refuse or discontinue service under the following conditions. . . (g) For non-payment of bills or non-compliance with the utility's rules and regulations. . ."

The current tariff allows the utility to waive the Establishment of Service charges in situations of natural disasters or other similar conditions for which an emergency has been declared by an authorized governmental body. The March 19, 2020 tariff modification seeks to give DEF the additional discretion to waive late payment charges, returned check charges, and charges for investigating unauthorized use of electricity. Additionally, the tariff modification expands the waiver language to include any period of declared emergencies by an authorized governmental body, not just those involving natural disasters. On March 23, 2020, the utility modified its petition to exclude the waiver of charges related to the investigation of unauthorized use of electricity.

DEF's revised tariff sheet is Attachment 1 to this recommendation. The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, 366.06, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve the DEF's proposed modifications to Tariff Sheet No. 6.110?

Recommendation: Yes, the Commission should approve the modifications to Tariff Sheet No. 6.110, effective March 31, 2020. (Hampson)

Staff Analysis: Currently, Tariff Sheet No. 6.110 allows DEF the discretion to waive applicable charges related to establishment of service and reconnection for customers impacted by natural disasters or similar situations where an emergency has been declared by a governing body. This modification would expand the waiver language to encompass late payment charges and returned check charges. Furthermore, the modification expands the waiver language to apply to any emergency declaration by an authorized governmental body. Florida Power & Light Company has a similar provision in its Commission-approved tariff regarding miscellaneous service charges.²

Staff believes the modifications will allow DEF further flexibility to mitigate customer impact during the current public health emergency and the related Executive Orders issued by Governor DeSantis, while still reliably serving customers as a whole. Therefore, staff recommends the Commission should approve the modifications to Tariff Sheet No. 6.110, effective March 31, 2020.

² Florida Power & Light Company Fourteenth Revised Sheet No. 4.020 approved by Order No. PSC-92-0912A-FOF-EI, issued September 16, 1992, in Docket No. 920800-EI, *In re: Petition by Florida Power & Light Company to Waive Certain Service Charges For Good-Paying Customers*.

Issue 2: Should this docket be closed?

Recommendation: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, 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. (Brownless)

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



SECTION NO. VI
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Page 1 of 1

RATE SCHEDULES SC-1
SERVICE CHARGES

Establishment of Service:

A service charge shall be made for each establishment or re-establishment of service. This charge shall apply to each new service connection, service reconnection and transfer of account from one occupant to another. It shall also apply to reconnections after disconnection for non-payment or violation of Company or Florida Public Service Commission (Commission) Rules.

1. A charge of \$61.00 will be made for initial establishment of service to a premise.
2. A charge of \$28.00 will be made for each subsequent re-establishment of service to said premise.
3. A charge of \$10.00 will be made for each subsequent re-establishment of service to said premise where the customer has executed and has on file a Leave Service Active (LSA) agreement for units of a multi-family rental housing complex situated on a contiguous property and having an on-site manager.
4. A charge of \$40.00 will be made for the reconnection of service after disconnection for nonpayment or violation of Company or Commission Rules where such reconnection is performed during normal working hours (M-F, 7AM-7PM). For reconnection of lighting service, the Company may assess this charge for each lighting installation on an account.
5. A charge of \$50.00 will be made for the reconnection of service for nonpayment or violation of Company or Commission Rules where such reconnection is performed outside of normal working hours. For reconnection of lighting service, the Company may assess this charge for each lighting installation on an account.

~~The Company shall have the discretion to waive any of the foregoing charges that would otherwise apply to customers as a consequence of significant damage to their premises caused by a natural disaster or other similar conditions for which an emergency has been declared by a governmental body authorized to make such a declaration.~~

Late Payment Charge:

Charges for services due and rendered which are unpaid as of the past due date are subject to a Late Payment Charge of the greater of \$5.00 or 1.5%, except the accounts of federal, state, and local governmental entities, agencies, and instrumentalities. A Late Payment Charge shall be applied to the accounts of federal, state, and local governmental entities, agencies and instrumentalities at a rate no greater than allowed, and in a manner permitted, by applicable law.

Returned Check Charge:

A service charge as allowed by Florida Statute 68.065 shall be added to the Customer's bill for electric service for each check or draft dishonored by the bank upon which it is drawn. Termination of service shall not be made for failure to pay the returned check charge.

Waiver Clause for Above Charges:

~~The Company shall have the discretion to waive any of the foregoing charges that would otherwise apply to customers as a consequence of significant damage to their premises caused by a natural disaster, or during periods of declared emergencies, or other similar conditions for which an emergency has been declared by a governmental body authorized to make such a declaration.~~

Investigation of Unauthorized Use Charge:

The Customer shall be assessed a charge by the Company for reimbursement of all investigative expenses related to a premise for which the Customer has undertaken unauthorized use of service and the Company has not elected to seek full recovery by prosecution under the law. The charge shall not be less than \$75.00, and such charge may be assessed in lieu of proof of actual expenses incurred. In addition to this charge, the Customer is responsible for any damages to the Company's facilities, correction of measured consumption, and/or any other service charges which may be applicable.

ISSUED BY: Javier J. Portuondo, **Director-Vice President, Rates & Regulatory Strategy – FL**

EFFECTIVE: April 29, 2013