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Commission Conference Agenda
July 7, 2022

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: June 24, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Office of Industry Development and Market Analysis (Day, Deas, Fogleman)
Office of the General Counsel (Jones)

RE: Application for Certificate of Authority to Provide Telecommunications Service

AGENDA: 7/7/2022 - Consent Agenda - Proposed Agency Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

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

DOCKET NO.	COMPANY NAME	CERT. NO.
20220093-TX	Gigapower, LLC (f/k/a Infrastructure Endeavors, LLC)	8972

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.

Item 2

State of Florida

Public Service Commission

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

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

DATE: June 24, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Office of Industry Development and Market Analysis (Williams, Fogleman) CH
Office of the General Counsel (Imig, Tan) TLT

RE: Docket No. 20220046-TP – Commission approval of Florida Telecommunications Relay, Inc.'s fiscal year 2022/2023 proposed budget.

AGENDA: 07/07/22 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: Anticipate the need for sign language interpreters and assisted listening devices. Please place near the beginning of the agenda to reduce interpreter costs.

Case Background

The Telecommunications Access System Act of 1991 (TASA) established a statewide telecommunications relay system. Section 427.704(1), Florida Statutes (F.S.), provides that the Florida Public Service Commission (Commission) shall establish, implement, promote, and oversee the administration of the statewide telecommunications access system to provide access to telecommunications relay services by persons who are deaf, hard of hearing or speech impaired. TASA provides for the purchase and distribution of specialized telecommunications devices as defined in Section 427.703(11), F.S. As defined by Section 427.703(16), F.S., this system provides telecommunications service for deaf or hard of hearing persons functionally equivalent to the service provided to hearing persons.

The telecommunications access system provides deaf or hard of hearing persons access to basic telecommunications services by using a specialized Communications Assistant that relays information between the deaf or hard of hearing person and the other party to the call. The primary function of the telecommunications access system is accomplished by the deaf or hard of hearing person using a Telecommunications Device for the Deaf (TDD). The person using the TDD types a message to the Communications Assistant who in turn voices the message to the other party or types the message to a Captioned Telephone which displays real-time captions of the conversation.

Florida Telecommunications Relay, Inc. (FTRI), a non-profit corporation formed by the local exchange telephone companies, was selected by the Commission to serve as the telecommunications access system administrator. FTRI is primarily responsible for the purchase and distribution of specialized telecommunications equipment. As part of this process, FTRI contracts with other organizations to assist in the distribution of equipment and provide customer training on the proper use of the equipment and the relay service. FTRI also conducts marketing to raise awareness of available specialized equipment and related relay service. Relay services are paid for by FTRI as part of its responsibilities. The current relay service provider selected by the Commission is Sprint Communications Company, L.P. (Sprint), a subsidiary of T-Mobile.

FTRI, as the TASA Administrator, is funded through the Telecommunications Relay Service (TRS) surcharge. This surcharge was capped by the Florida Legislature at a maximum of \$0.25 per landline access line per month. The Florida Legislature also limited collection of the surcharge to only the first 25 lines of each account. Only local exchange telecommunications companies are required to collect and remit this surcharge to FTRI. The initial TRS surcharge was set at \$0.05 per access line per month.[1] Since then, the Commission has changed the surcharge to meet FTRI's budgetary needs. The monthly surcharge is currently \$0.10 per access line.

As part of its oversight responsibilities for the telecommunications access system, the Commission reviews and approves a budget submitted by FTRI on an annual basis. On February 25, 2022, FTRI submitted for approval its proposed Fiscal Year 2022/2023 budget. On May 24, 2022, FTRI submitted an amendment to its proposed budget to add a third Distribution Program Coordinator (DPC) position. Attachment A is FTRI's amended proposed budget for Fiscal Year 2022/2023. FTRI also compared its proposed budget to the Commission-approved budget, as well as the estimated revenue and expenses, for Fiscal Year 2021/2022. FTRI's estimated revenue and expenses were based on actual data from the first two quarters and estimated data for the third and fourth quarters of the current fiscal year.

Staff sent data requests to FTRI on a number of issues included in its Fiscal Year 2021/2022 estimate of expenses and its proposed Fiscal Year 2022/2023 budget. FTRI's responses to staff's data requests are included in the docket file. On May 9, 2022, FTRI filed third quarter financial information. With this updated information, staff formulated its own estimated expenses for Fiscal Year 2021/2022. Staff's estimate is reflected in Attachment B.

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[1] Order No. 24581, issued May 24, 1991, in Docket No. 910496-TP, *In re: Implementation of Florida Telecommunications Access System Act of 1991*.

This recommendation addresses FTRI's proposed budget and recommended TRS surcharge for Fiscal Year 2022/2023. The TRS surcharge is the only rate the Commission establishes for telecommunications companies. The Commission is vested with jurisdiction pursuant to Chapter 427, F.S.

Discussion of Issues

Issue 1: Should the Commission approve Florida Telecommunications Relay, Inc.'s proposed budget as presented in Attachment A for Fiscal Year 2022/2023, effective August 15, 2022?

Recommendation: No. Staff recommends the Commission modify FTRI's proposed budget expense of $3,753,703 to increase relay service expense by $208,042, and approve a total budget expense of $3,961,745 for Fiscal Year 2022/2023. (Williams, Fogleman, Imig, Tan)

Staff Analysis:

Traditional Telecommunications Relay Service

The traditional TRS cost to FTRI as approved in the Sprint contract is currently $1.60 per session minute. Sprint's projections indicate that traditional minutes will decrease by 4 percent from the current fiscal year during Fiscal Year 2022/2023. Traditional relay users are transitioning to the following services:

- Internet Protocol (IP) Relay[2]
- Video Relay Service (VRS)[3]
- IP Captioned Telephone Service[4]
- Internet Protocol Speech-to-Speech (STS) Service[5]
- Wireless Service[6]

CapTel Service

The CapTel cost to FTRI as approved in the Sprint contract is currently $1.67 per session minute. CapTel service uses a specialized telephone that provides captioning of the incoming call for a deaf or hard of hearing person. Sprint's projections show that CapTel minutes of use will decline by 10 percent from the current fiscal year during Fiscal Year 2022/2023. CapTel users are transitioning to Internet Protocol Captioned Telephone Service and wireless services.

Florida Telecommunications Relay, Inc. Budget

Attachment A reflects FTRI's Fiscal Year 2022/2023 proposed budget, as amended, which was reviewed and adopted by FTRI's Board of Directors prior to filing with the Commission. FTRI submitted its original budget on February 25, 2022, projecting total expenses of $3,692,151. On

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[2] IP Relay allows people who have difficulty hearing or speaking to communicate using a computer and the Internet, rather than a Text Telephone (TTY) and a telephone line.

[3] VRS enables persons with hearing disabilities who use American Sign Language to communicate with voice telephone users through video equipment, rather than through typed text. Video equipment links the VRS user with a TRS operator so that the VRS user and the operator can see and communicate by signed conversation.

[4] IP captioned telephone service allows users to simultaneously listen and read the text of what the other party in a telephone conversation has said, where the connection carrying the captions between the service and the user is via an IP addressed and routed link.

[5] STS service utilizes a specially trained Communications Assistant who understands the speech patterns of persons with speech disabilities and can repeat the words spoken by such an individual to the other party to the call. IP STS uses the Internet, rather than the public switched telephone network, to connect the consumer to the relay provider.

[6] Wireless services offer applications such as text, instant messaging, and video chat.

May 24, 2022, FTRI submitted an amended budget projecting total expenses of $3,753,703, reflecting the addition of a third DPC position.

Sprint's forecasted Fiscal Year 2022/2023 traditional TRS minutes of use are 851,208. Sprint's forecasted CapTel minutes of use are 237,981. FTRI's total estimated expense for TRS and CapTel for Fiscal Year 2022/2023 is $1,551,319. For comparison, the Fiscal Year 2021/2022 Commission-approved budget reflected traditional TRS minutes of 890,468 and CapTel minutes of 263,681. The total expense for TRS and CapTel for Fiscal Year 2021/2022 was $1,647,753.

Analysis

Staff developed an estimate of FTRI's expenses for Fiscal Year 2021/2022. This data is presented in Attachment B. Staff used actual data from the first three quarters of Fiscal Year 2021/2022, and took an average of those three quarters to estimate the fourth. Staff's estimates were then used as one element in evaluating FTRI's proposed budget. Attachment B also includes FTRI's budgeted information for comparison purposes. Staff also analyzed past Commission-approved FTRI budgets to identify and evaluate ongoing cost reduction measures.

As discussed in staff's recommendation addressing FTRI's Fiscal Year 2021/2022 proposed budget, Fiscal Years 2020/2021 and 2021/2022 were out of the norm due to the COVID-19 pandemic. FTRI experienced significant reductions in equipment distributed, consumer inquiries, and related expense, which it attributed to the pandemic. As a result, FTRI's support for its Fiscal Year 2021/2022 budget request was based largely on pre-pandemic levels instead of Fiscal Year 2020/2021. The Fiscal Year 2022/2023 proposed budget is also impacted by COVID-19.

Below is staff's review of selected items from FTRI's proposed budget expense by category.

Category I – Relay Services

Category I captures expenses for traditional TRS and CapTel service currently provided by Sprint. The relay service expenses are calculated using the minutes of use as projected by Sprint and relay service contract rates. The proposed budget presented $1,551,319 in relay service expense. However, staff determined that the calculation used the previous contract rates of $1.35 for TRS and $1.69 for CapTel. The correct contract rates are $1.60 for TRS and $1.67 for CapTel, which when applied to the forecasted minutes of use increases relay service expense by $208,042, resulting in total expense of $1,759,361.

Category II – Equipment & Repairs

Category II expenses reflect the purchase of equipment to be distributed to clients and the repairs that FTRI must make to keep the equipment in working order. FTRI has requested $376,705 for Fiscal Year 2022/2023. FTRI used contract pricing for equipment multiplied by the number of units it plans to order over the course of the year. These contracts for equipment between FTRI and equipment vendors are separate from the contract for relay service approved by the Commission. FTRI's proposed budget represents a $396,530 decrease in expense from the current Commission-approved budget.

FTRI's Fiscal Year 2021/2022 Commission-approved budget for equipment and repairs was $773,235. FTRI's estimated fiscal year-end expenses are $453,985. Staff's estimated expense is

$415,017. FTRI explained that due to the continuing impact of COVID-19 and limited distribution by Regional Distribution Centers (RDCs), equipment distribution continues to be disrupted. FTRI does not anticipate equipment distribution to return to pre-COVID levels over the next 18-24 months.

Staff recommends approval of FTRI's budgeted amount for equipment and repairs. However, staff believes FTRI should continue to pursue efforts to expand the distribution of equipment to pre-COVID levels.

Category III – Equipment Distribution & Training

Category III reflects the cost of distributing equipment throughout the state and the training of consumers in the use of that equipment. FTRI's proposed budget requests $220,720 for distribution and training, which reflects a $342,228 decrease in expense from the current Commission-approved budget.

Regional Distribution Centers

Expenses related to RDCs are the largest component of Category III expenses. FTRI's proposed budget for RDCs is $202,446, which is $329,172 lower than the current Commission-approved budget. Consistent with its explanation for Category II Equipment & Repairs, FTRI explains that COVID-19 continued to impact RDC expense.

In support of its Fiscal Year 2020/2021 proposed budget, FTRI indicated that it intended to "expand the quantity of Regional Distribution Centers (RDCs) while working with the existing RDCs to evaluate and implement a business model that enables them to provide FTRI services at break-even." Staff did not recommend approval of FTRI's proposed Fiscal Year 2020/2021 RDC expense of $664,128. However, in consideration of FTRI's intent to increase the number of RDCs, and recognizing the importance of adequately funding equipment distribution channels, staff recommended, and the Commission-approved continued funding at FTRI's estimated 2019/2020 expense level of $535,647.

FTRI indicated, as part of its Fiscal Year 2020/2021 budget request, that the fee per service structure was not financially performing at a break-even point for the RDCs. FTRI contracts with the non-profit RDCs to perform equipment distribution and training throughout Florida. The amount of funds for FTRI's contracts with RDCs varies based on the number of clients they assist. More funds are provided for connecting a new client, while fewer funds are provided to assist existing clients in the system.

The Commission determined that FTRI did not present sufficient cost detail regarding the compensation to RDCs and their associated costs. The Commission concluded that additional information was needed to confirm the appropriate reimbursement rate FTRI pays RDCs. The Commission requested FTRI provide a financial break-even analysis related to the RDC fee structure and present the results to the Commission with its Fiscal Year 2021/2022 proposed budget filing. The analysis was not included with that proposed budget filing.

In response to a staff data request regarding the break-even analysis, FTRI stated that only three of the twenty-three RDCs responded. FTRI explained that it did not believe the information received was sufficient to provide a meaningful analysis. FTRI further responded that the pandemic made it difficult to determine RDC break-even. FTRI requested a postponement of the analysis until a more normal business environment returned.

FTRI was ordered to submit the RDC break-even analysis with its Fiscal Year 2022/2023 budget filing. FTRI submitted its break-even analysis to the Commission as ordered. FTRI reported that RDC survey responses provided an average cost per center of $41,531. Using that as a break-even amount in the proposed budget would result in RDC expense of $913,682, which is almost double the amount in FTRI's current Commission-approved budget. In its report to the Commission, FTRI concluded that "[a]fter reviewing the data, it is apparent that using services rendered in 2020-2021 the fees per service would have to be increased to an amount that may not be feasible to pay."

FTRI acknowledged in its report that it will continue to discuss and evaluate RDC compensation. FTRI did increase RDC per service fees in its proposed Fiscal Year 2022/2023 budget. As stated earlier, the impact of COVID-19 continues to affect RDC service levels, resulting in lower overall expense for this category. FTRI's estimated current fiscal year-end RDC expense is $123,136, and its proposed Fiscal Year 2022/2023 RDC expense is $202,446. Staff believes FTRI's proposed budget for Category III expense is reasonable for budgeting purposes and provides FTRI flexibility while continuing to negotiate fees with the RDCs.

Category IV – Outreach

Outreach efforts are designed to promote FTRI's equipment distribution services and to raise awareness about Florida relay service. FTRI's proposed Fiscal Year 2022/2023 outreach budget remains unchanged from the current Commission-approved outreach budget.

FTRI employs various forms of communication in its outreach strategy. FTRI plans to continue advertising in newspapers using free-standing insert ads (flyers) in markets where effective. However, FTRI acknowledges that it has witnessed rapid changes in the newspaper industry. In response, FTRI will utilize other print tools such as direct mail post cards and coupon book advertisements. FTRI also plans to continue expanding its digital marketing campaign, including increased use of banner ads on websites, as well as targeted email and social media campaigns.

The Commission has previously encouraged FTRI to research and consider more technologically advanced and cost-effective forms of outreach. Most recently, the Commission discussed FTRI exploring improvements to its website. The Commission encouraged FTRI to consider adding an online chat function to help with customer inquiries, as well as the creation of an online consumer portal similar to what is utilized by the Florida Department of Children and Families. Through such a portal, consumers could enter personal qualifying information and be automatically advised of available equipment and directed to the appropriate RDC for service.

FTRI has included implementation of the chat function, termed "FTRI Chat", in its proposed Fiscal Year 2022/2023 budget. In response to a staff data request, FTRI explained that once approved, it will need to spend the first few months developing this project with its outside platform provider. FTRI also explained that the new chat function will require weeks of testing before it becomes operational. FTRI has included funding for a new position related to this new feature in its employee expense for Fiscal Year 2022/2023. The position will be responsible for handling and responding to chat inquiries, along with assisting other FTRI staff as needed. The position will work with FTRI DPCs and the Equipment Distribution Program (EDP) Manager in providing customer assistance. Staff believes FTRI's proposed budget for Category IV expense is reasonable.

Category V – General & Administrative

Category V reflects expenses associated with FTRI's operations, such as office and furnishings, employee compensation, contracted services (auditors, attorney and computer consultants), computers, and other operating expenses. FTRI is proposing $1,069,309 for Fiscal Year 2022/2023, which represents a $138,168 increase in Category V expense from the current Commission-approved budget. Employee compensation expense represents the largest increase in this category at $82,935, which includes the newly created FTRI Chat position and the third DPC position. FTRI's justification for the FTRI Chat position was discussed in Category IV.

FTRI explained in its amended budget filing that there is an urgent need to support the two current DPCs and the EDP Manager who have been inundated with an increased number of service calls in recent months. FTRI states that more customers have chosen to call FTRI directly rather than visit local RDCs. FTRI further points out that the number of RDCs have declined in the past year. FTRI states that when compared to the beginning of the current fiscal year, FTRI has seen a 14 percent increase in the number of new service calls. In addition to handling calls, DPCs process applications, equipment orders, and shipment of telecommunications equipment to customers. Staff believes FTRI's Category V expenses are reasonable.

Conclusion

Staff recommends the Commission modify FTRI's proposed budget expenses of $3,753,703 to increase relay service expense by $208,042, and approve a total budget expense of $3,961,745 for Fiscal Year 2022/2023.

Issue 2: Should the Commission approve FTRI's request to reduce the Telecommunications Relay Service (TRS) surcharge to $.07 per month?

Recommendation: Yes. Staff recommends the Commission approve FTRI's request to reduce the surcharge to $0.07. Staff recommends the Commission order all local exchange companies to bill the $0.07 TRS surcharge for Fiscal Year 2022/2023. (Williams, Fogleman, Imig, Tan)

Staff Analysis: Based on current industry trends, FTRI estimates that access lines will decrease at the rate of approximately seven percent from the current fiscal year as more consumers transition from landline phones. Holding the TRS surcharge constant, a decrease in access lines results in a decrease in revenues to support FTRI's activities. FTRI's proposal to reduce the TRS surcharge from $0.10 to $0.07 per access line places further downward pressure on revenues.

If approved, FTRI's proposed surcharge is expected to generate $2,769,749 in revenue. Compared to staff's recommended budget expense amount, this represents a $1,190,475 shortfall for Fiscal Year 2022/2023. Staff estimates that FTRI's revenue less expenses at the current fiscal year-end will result in a surplus of $716,151, which will be added to the operating account for 2022/2023. FTRI proposes that the remaining shortfall be covered by drawing from the reserve account, as the Commission has similarly approved in recent years. FTRI's reserve account after the proposed reduction would be approximately $15 million.

The reserve account represents funds that were originally set aside in anticipation that the Federal Communications Commission (FCC) might delegate intrastate costs associated with Video Relay Service (VRS) and Internet Protocol Caption Telephone Service (IP-CTS) to states. FTRI explained that based on its review and understanding, there is no indication that the FCC will delegate VRS and IP-CTS authority to states in the foreseeable future. Given the overall size of the surplus account, and the expected surplus from the current fiscal year, staff believes a reduction in the surcharge is reasonable. Staff notes that leaving the surcharge at the current $0.10 would result in estimated revenue of $3,956,784, which is nearly identical to the recommended budget expense amount for Fiscal Year 2022/2023.

Conclusion

Staff recommends the Commission approve FTRI's request to reduce the surcharge to $0.07. Staff recommends the Commission order all local exchange companies to bill the $0.07 TRS surcharge for Fiscal Year 2022/2023.

Issue 3: Should this docket be closed?

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

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

	Florida Telecommunications Relay, Inc.					
	Fiscal Year 2022/2023 Budget @ .07 cents surcharge					
					Estimated to Budget	Budget to Budget
		2021/2022	2021/2022	2022/2023	VARIANCE	VARIANCE
		APPROVED	ESTIMATED		2021/2022	2021/2022
		BUDGET	REV & EXPEND	BUDGET	2022/2023	2022/2023
	OPERATING REVENUE					
1	Surcharges	4,374,084	4,254,606	2,769,749	(1,484,857)	(1,604,335)
2	Interest Income	22,843	1,398	1,521	123	(21,322)
	TOTAL OPERATING REV	4,396,927	4,256,004	2,771,270	(1,484,734)	(1,625,657)
	OTHER REVENUE/FUNDS					
3	Surplus Account	17,800,593	18,474,969	19,075,296	600,327	1,274,703
	TOTAL REVENUE	22,197,520	22,730,973	21,846,566	(884,407)	(350,954)
	OPERATING EXPENSES					
CATEGORY I - RELAY SERVICES						
4	DPR Provider	1,647,753	1,647,753	1,551,319	(96,434)	(96,434)
	SUBTOTAL-CATEGORY I	1,647,753	1,647,753	1,551,319	(96,434)	(96,434)
CATEGORY II - EQUIPMENT & REPAIRS						
5	TTY/TDD	0	0	0	0	0
6	CapTel Phone Equipment	0	0	0	0	0
7	VCP Hearing Impaired	577,203	278,296	225,523	(52,773)	(351,680)
8	VCP Speech Impaired	0	0	0	0	0
9	TeliTalk Speech Aid	32,760	32,250	39,800	7,550	7,040
10	In-Line Amplifier	34,950	103,170	67,137	(36,033)	32,187
11	ARS Signaling Equip	2,592	682	540	(142)	(2,052)
12	VRS Signaling Equip	16,400	1,775	5,269	3,494	(11,131)
13	Accessories & Supplies	518	50	100	50	(418)
14	Telecomm Equip Repair	108,812	37,762	38,336	574	(70,476)
	SUBTOTAL-CATEGORY II	773,235	453,985	376,705	(77,280)	(396,530)
CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING						
15	Freight-Telecomm Equip	30,862	16,970	17,806	836	(13,056)
16	Regional Distr Centers	531,618	123,136	202,446	79,310	(329,172)
17	Training Expense	468	468	468	0	0
	SUBTOTAL-CATEGORY III	562,948	140,574	220,720	80,146	(342,228)

Florida Telecommunications Relay, Inc.						
Fiscal Year 2022/2023 Budget @ .07 cents surcharge						
					Estimated to Budget	Budget to Budget
		2021/2022	2021/2022	2022/2023	VARIANCE	VARIANCE
		APPROVED	ESTIMATED		2021/2022	2021/2022
		BUDGET	REV & EXPEND	BUDGET	2022/2023	2022/2023
CATEGORY IV - OUTREACH						
18	Outreach Expense	535,650	535,650	535,650	0	0
	SUBTOTAL-CATEGORY IV	535,650	535,650	535,650	0	0
CATEGORY V - GENERAL & ADMINISTRATIVE						
19	Advertising	0	0	0	0	0
20	Accounting/Auditing	21,624	19,856	20,588	732	(1,036)
21	Legal	12,281	37,901	30,288	(7,613)	18,007
22	Computer Consultation	5,460	7,017	6,960	(57)	1,500
23	Dues & Subscriptions	1,380	1,333	1,380	47	0
24	Office Equipment Purchase	7,711	12,822	21,048	8,226	13,337
25	Office Equipment Lease	1,778	1,922	1,713	(209)	(65)
26	Insurance-Hlth/Life/Dsblty	172,997	138,562	180,943	42,381	7,946
27	Insurance-Other	9,741	10,126	11,034	908	1,293
28	Office Expense	10,477	10,243	10,097	(146)	(380)
29	Postage	3,025	2,951	2,951	0	(74)
30	Printing	1,177	309	750	441	(427)
31	Rent	91,304	92,220	94,877	2,657	3,573
32	Utilities	4,945	4,113	4,356	243	(589)
33	Retirement	78,849	76,191	89,941	13,750	11,092
34	Employee Compensation	443,590	410,366	526,525	116,159	82,935
35	Taxes - Payroll	30,977	30,999	39,316	8,317	8,339
36	Taxes - Unemplmt Comp	2,957	60	70	10	(2,887)
37	Taxes - Licenses	61	61	61	0	0
38	Telephone	19,940	18,907	19,500	593	(440)
39	Travel & Business	8,111	0	4,055	4,055	(4,056)
40	Equipment Maint.	611	656	631	(25)	20
41	Employee Training/Dev	2,145	0	225	225	(1,920)
42	Meeting & Interpreter Exp	0	1,100	2,000	900	2,000
	SUBTOTAL-CATEGORY V	931,141	877,715	1,069,309	191,594	138,168
	TOTAL EXPENSES	4,450,727	3,655,677	3,753,703	98,026	(697,024)
REVENUE LESS EXPENSES		17,746,793	19,075,296	18,092,863	(982,433)	346,070

STAFF'S BUDGET COMPARISON

	2021/2022 APPROVED BUDGET	2021/2022 FTRI ESTIMATED	2021/2022 FPSC STAFF ESTIMATED	2022/2023 FTRI PROPOSED BUDGET
REVENUE				
Surcharge	4,374,084	4,254,606	4,254,606	2,769,749
Interest	22,843	1,398	1,398	1,521
TOTAL OPERATING REVENUE	4,396,927	4,256,004	4,256,004	2,771,270
Surplus Account	17,800,593	18,474,969	18,474,969	19,075,296
TOTAL REVENUE	22,197,520	22,730,973	22,730,973	21,846,566
OPERATING EXPENSES				
CATEGORY I - RELAY SERVICES				
DPR Provider	1,647,753	1,647,753	1,647,753	1,551,319
SUBTOTAL CATEGORY I	1,647,753	1,647,753	1,647,753	1,551,319
CATEGORY II - EQUIPMENT & REPAIRS				
TDD Equipment	-	-	-	-
Large Print TDD	-	-	-	-
VCO/HCO-TDD	-	-	-	-
VCO-Telephone	-	-	-	-
Dual Sensory Equipment	-	-	-	-
CapTel Phone Equipment	-	-	-	-
VCP Hearing Impaired	577,203	278,296	254,711	225,523
VCP Speech Impaired		-	-	-
TeliTalk Speech Aid	32,760	32,250	46,433	39,800
Jupiter Speaker Phone (InferaRed/Har	-	-	-	-
In Line Amplifier	34,950	103,170	77,532	67,137
ARS-Signaling Equipment	2,592	682	455	540
VRS-Signaling Equipment	16,400	1,775	2,199	5,269
Equipment Accessories/Supplies	518	50	33	100
Telecom Equipment Repair	108,812	37,762	33,655	38,336
SUBTOTAL CAT II	773,235	453,985	415,017	376,705
CATEGORY III - EQUPMENT DISTRIBUTION & TRAINING				
Freight - Telecomm Equipment	30,862	16,970	25,484	17,806
Regional Distribution Centers	531,618	123,136	128,007	202,446
Workshop Expense	-	-	-	-
Training Expense for RDCs	468	468	624	468
SUBTOTAL CAT III	562,948	140,574	154,115	220,720

STAFF'S BUDGET COMPARISON

	2021/2022 APPROVED BUDGET	2021/2022 FTRI ESTIMATED	2021/2022 FPSC STAFF ESTIMATED	2022/2023 FTRI PROPOSED BUDGET
Outreach Expense	535,650	535,650	459,761	535,650
SUBTOTAL CAT IV	535,650	535,650	459,761	535,650
CATEGORY V - GENERAL AND ADMINISTRATIVE				
Advertising	-	-	-	-
Accounting/Audit	21,624	19,856	26,897	20,588
Legal	12,281	37,901	33,355	30,288
Consultation-Computer	5,460	7,017	8,036	6,960
Dues/Subscriptions	1,380	1,333	2,899	1,380
Office Furniture	-	-	-	-
Office Equipment Purchase	7,711	12,822	3,591	21,048
Office Equipment Lease	1,778	1,922	1,767	1,713
Leasehold Improvements	-	-	-	-
Insurance -Health/Life/Disability	172,997	138,562	139,117	180,943
Insurance-Other	9,741	10,126	9,829	11,034
Office Expense	10,477	10,243	10,667	10,097
Postage	3,025	2,951	2,335	2,951
Printing	1,177	309	412	750
Rent	91,304	92,220	92,239	94,877
Utilities	4,945	4,113	4,485	4,356
Retirement	78,849	76,191	88,129	89,941
Employee Compensation	443,590	410,366	403,124	526,525
Temporary Employment	-	-	-	-
Taxes - Payroll	30,977	30,999	30,156	39,316
Taxes - Unemployment Comp	2,957	60	84	70
Taxes - Licenses	61	61	81	61
Telephone	19,940	18,907	2,824	19,500
Travel & Business Expense	8,111	-	-	4,055
Equipment Maintenance	611	656	773	631
Employee Training	2,145	-	-	225
Meeting Expense	-	1,100	2,407	2,000
Miscellaneous	-	-	-	-
SUBTOTAL CAT V	931,141	877,715	863,207	1,069,309
TOTAL EXPENSES	4,450,727	3,655,677	3,539,853	3,753,703
REVENUES LESS EXPENSES	(53,800)	600,327	716,151	(982,433)

Item 3

State of Florida

Public Service Commission

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

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

DATE: June 24, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Higgins) ALM
Division of Economics (Coston) JGH
Office of the General Counsel (Brownless, Sandy) JSC

RE: Docket No. 20220001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

AGENDA: 07/07/22 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On June 14, 2022, Florida Public Utilities Company (FPUC or Company), filed for a mid-course correction (MCC Petition) of its 2022 purchased power agreement (PPA) cost recovery factors.[1] FPUC's currently-effective 2022 PPA cost recovery factors were approved at the November 2, 2021 final hearing.[2] FPUC is a non-generating electric utility that relies solely on PPAs for its energy requirements. Further, by contractual terms, market fuel prices are essentially variable pass-through expenses that equate to changes in total PPA costs to the Company. The PPAs include demand and non-demand related costs that are recovered through the PPA cost recovery factors on customers' bills. FPUC is only requesting to adjust the non-demand related portion of the PPA cost recovery factors.

[1]Document No. 03889-2022.
[2]Order No. PSC-2021-0442-FOF-EI, issued November 30, 2021, in Docket No. 20210001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

Underlying the approval of FPUC's 2022 factors was the Florida Public Service Commission's (Commission) review of the Company's projected 2022 PPA-related costs. These PPA costs are recovered through the fuel and purchased power cost recovery factors that are set/reset annually in this docket. These factors are usually effective for a period of 12 months. However, by Rule 25-6.0424, Florida Administrative Code (F.A.C.), the Commission requires that if an investor-owned electric utility's fuel (including PPA costs) or capacity cost recovery position is projected to exceed a specified range within the standard 12-month timeframe, then the utility shall promptly notify the Commission.

Mid-Course Corrections

Mid-course corrections are used by the Commission between annual clause hearings whenever costs deviate from revenue by a significant margin. Under Rule 25-6.0424, F.A.C., which is commonly referred to as the "mid-course correction rule," a utility must notify the Commission whenever it expects to experience an under- or over-recovery of certain service costs greater than 10 percent. The notification of a 10 percent cost-to-revenue variance shall include a petition for mid-course correction to the fuel cost recovery or capacity cost recovery factors, or shall include an explanation of why a mid-course correction is not practical. The mid-course correction rule and its codified procedures are further discussed throughout this recommendation.

FPUC's Petition for Mid-Course Correction

Through its MCC Petition, FPUC is proposing a mid-course correction of its currently-approved PPA charges. Specifically, the Commission is being asked to approve a moderated increase to FPUC's PPA cost recovery factors due to the Company experiencing a significant under-recovery of PPA costs. The proposed increase to FPUC's currently-approved PPA charges is a result of 2021 PPA costs being greater than originally estimated. This topic is discussed further in Issue 1.

The Company is requesting that the proposed revised PPA cost recovery factors and associated tariffs become effective beginning with the first billing cycle of August 2022. The proposed effective date is further discussed in both Issues 1 and 2.

The Commission is vested with jurisdiction over the subject matter of this proceeding by the provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

Discussion of Issues

Issue 1: Should the Commission modify FPUC's currently-approved PPA cost recovery factors for purposes of addressing the period-ending 2021 under-recovery of PPA costs?

Recommendation: Yes. Staff recommends the Commission approve adjustments to FPUC's currently-approved PPA cost recovery factors to incorporate the Company's period-ending 2021 under-recovery of PPA costs in the amount of $3,790,314. (Higgins)

Staff Analysis: FPUC participated in the Commission's most-recent fuel cost hearing which took place on November 2, 2021. The Fuel Order issued with respect to FPUC set forth the Company's PPA cost recovery factors effective with the first billing cycle of January 2022.[3] However, as discussed below, FPUC's currently-authorized PPA cost recovery factors have and continue to be insufficient to recover its PPA-related revenue requirement by a significant margin.

Mid-Course Correction

FPUC filed for a mid-course correction of its PPA-related charges on June 14, 2022.[4] Due to the fact the Company is requesting to recover only its actual 2021 true-up through this MCC review, its petition satisfies the filing requirements of Rule 25-6.0424(1)(b), F.A.C.

Preceding the filing of its instant MCC Petition and in accordance with the noticing requirement of Rule 25-6.0424(2), F.A.C., FPUC filed a letter on May 18, 2022, informing the Commission that it was projecting an under-recovery position of greater than 10 percent for the 2022 recovery period.[5] In its letter, FPUC stated it would likely be filing a petition for mid-course correction of its PPA charges in short order, as the Company did not anticipate future conditions will mitigate the projected PPA under-recovery for the period.

FPUC states the market price for natural gas has significantly trended upward since its last rate adjustment, which in turn increased its purchased power costs. This is the case for both the 2021 and 2022 recovery periods. However, at this time, the Company is only proposing to adjust its PPA cost recovery factors to incorporate its unrecovered actual 2021 costs. The Company believes requesting to only recover its remaining unrecovered 2021 costs through the instant proceeding is appropriate due to the current volatility of the natural gas market. Further, given the magnitude of the currently-projected under-recovery through July 2022, or ($9,330,463), the Company believes mitigating the overall bill impact to its customers is also appropriate.[6]

Period-Ending 2021 Recovery Position

Through its *Petition for Approval of Actual/Estimated True-Up Amount* (Actual/Estimated Petition), FPUC projected a PPA cost over-recovery of $2,257,470 for period-ending 2021, which is the amount recognized in its currently-authorized 2022 PPA factors.[7] Staff notes that

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[3]Order No. PSC-2021-0442-FOF-EI.
[4]Document No. 03889-2022.
[5]Document No. 03023-2022.
[6]Please see Document No. 04179-2022, "Revised Exhibit A," for the revised true-up figure.
[7]Order No. PSC-2021-0442-FOF-EI.

also recognized in the derivation of this amount were dollars associated with a refund related to the 2021 state corporate income tax savings (i.e., tax rate reduction) contemplated by a prior-approved settlement agreement in the amount of $75,358.[8] However, the actual amount of tax savings for calendar 2021 was $112,605, which is the amount reflected in FPUC's actual 2021 true-up.[9] The Company's actual 2021 true-up is an under-recovery of ($3,790,314) which is the amount being proposed for recovery though this proceeding. FPUC's actual 2021 true-up has been audited by Commission audit staff.[10]

Concerning the variance between projected and actual 2021 PPA costs, FPUC experienced the same patterns as all other electric investor-owned public utilities in Florida. Duke Energy Florida, LLC, Florida Power & Light Company (to include the former Gulf Power Company), and Tampa Electric Company have all required mid-course corrections of their then-current fuel cost recovery rates.[11] These mid-course corrections were primarily due to significant increases in the market price for natural gas during the second half of 2021. Staff further discusses 2021 natural gas prices below. For that period, or from July through December 2021, FPUC under-recovered $5,631,414.[12] The Company had last estimated an over-recovery of $453,042 for those same months as reported through its 2021 Actual/Estimated Petition.[13]

The market price for natural gas increased sharply during the latter half of last year. Specifically, the price of natural gas (Henry Hub) averaged $3.25 per Million British thermal unit (MMBtu) for the months of January through June, 2021, and $4.57 per MMBtu for the months of July through December, 2021. This represents an increase of 40.4 percent.[14] Staff notes some factors driving the increase in natural gas prices at that time were lower than average storage levels and uncertainty regarding (then) near-term production levels. The price movement of natural gas during second half of 2021 is the primary or direct underlying cause of the Company's under-recovery of PPA costs for the year.

Table 1-1 shows the accounting associated with FPUC's actual 2021 PPA cost true-up.

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[8]Order No. PSC-2020-0083-PAA-EI, issued March 20, 2020, in Docket No. 20200033-EI, *In re: Joint motion for approval of Amendment No. 1 to stipulation and settlement, by Florida Public Utilities Company and Office of Public Counsel.*
[9]Document No. 02208-2022.
[10]See Document No. 02854-2022 for the Commission's Audit Report concerning FPUC's accounting of calendar-year-applicable 2021 PPA-related revenues and expenses.
[11]Order No. PSC-2022-0061-PCO-EI, issued February 17, 2022, in Docket No. 20220001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*, Order No. PSC-2021-0460-PCO-EI, issued December 15, 2021, in Docket No. 20210001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*, and Order No. PSC-2022-0122-PCO-EI, issued March 18, 2022, in Docket No. 20220001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.*
[12]Document No. 02208-2022.
[13]Document No. 08344-2021.
[14]Historical prices of natural gas were sourced through the United States Energy Information Administration. The relevant data can be found via the following link: https://www.eia.gov/dnav/ng/hist/rngwhhdM.htm

Table 1-1
2021 Actual True-Up Derivation

Description	Amount
Total PPA-Related Cost for 2021	$49,477,917
Period PPA-Related Revenue for 2021[15]	$42,339,324
Difference	($7,138,593)
Beginning True-Up in 2021	$3,235,074
Interest Provision	$600
State Income Tax Refund for 2021	$112,605
Actual 2021 True-Up (*requested MCC amount*)	($3,790,314)

Sources: Document Nos. 10083-2021, 02208-2022, and 03889-2022.

Following the methodology prescribed in Rule 25-6.0424(1)(a), F.A.C., the mid-course percentage is equal to the estimated end-of-period total net true-up amount, including interest, divided by the current period's total actual and estimated jurisdictional fuel revenue applicable to period. In this instance and using actual 2021 data, the calculation is as follows: ($3,790,314) / $42,636,492.[16] This calculation results in a "mid-course correction level" of (8.9) percent. Although not requested by the Company in the instant petition, the currently-projected under-recovery for 2021 and 2022 costs through July is ($9,330,463).[17] To mitigate the impact on customer rates, the Company is only requesting to recover the remaining amount of actual 2021 costs at this time.

Fuel Factor

FPUC's currently-approved annual levelized fuel, (i.e., fuel portion of the PPA cost recovery factor) factor beginning January 2022 is 4.580 cents per kilowatt-hour (kWh).[18] The Company is requesting to increase its currently-approved 2022 annual levelized fuel, (i.e., fuel portion of the PPA cost recovery factor) factor to 6.164 cents per kWh, or by 34.6 percent.[19] Staff notes that the PPA factors ultimately billed to customers also include the demand-related costs of FPUC's PPAs. Thus, the PPA cost recovery factors, as shown on Appendix A, are greater than the fuel-only values quoted in this paragraph.

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[15]Amount shown here does not include the 2020 total true-up, or "carry forward" over-recovery of $297,168. See Order No. PSC-2020-0439-FOF-EI, issued November 16, 2020, in Docket No. 20200001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive Factor* for approval of this true-up amount.
[16]The total period-applicable revenue figure (denominator) includes the 2020 total true-up over-recovery of $297,168.
[17]Please see Document No. 04179-2022, "Revised Exhibit A," for the revised true-up figure.
[18]Order No. PSC-2021-0442-FOF-EI.
[19]Document No. 03889-2022. Recovery factor shown on "Exhibit A," page 2 of 9, Schedule E1, line 43.

Bill Impacts

Table 1-2 below shows the bill impact to a typical residential customer using 1,000 kWh of electricity a month associated with new PPA cost recovery factors. In the discussion below Table 1-2, staff addresses the impacts of the fuel MCC on non-residential customers:

Table 1-2
Monthly Residential Billing Detail for the First 1,000 kWh

Invoice Component	Currently-Approved Charges Beginning January 2022[20] ($)	Proposed New Charges August Through December 2022 ($)	Approved to Proposed Difference ($)	Approved to Proposed Difference (%)
Base Charge	$40.68	$40.68	$0	-
Fuel (PPA) Charge	69.89	84.41	14.52	20.8%
Conservation Charge	1.34	1.34	0	-
Storm Surcharge (Michael/Dorian)	12.80	12.80	0	-
Gross Receipts Tax	3.20	3.57	0.37	11.6%
Total	$127.91	$142.80	$14.89	11.6%

Sources: Document No. 10083-2021, Schedule E-10, and MCC Petition, Schedule E-10.

FPUC's current total residential charge for the first 1,000 kWh of usage beginning January 2022 is $127.91. If FPUC's mid-course correction proposal is approved, the current total residential charge for the first 1,000 kWh of usage, beginning August 2022, will be $142.80. This represents an increase of 11.6 percent. For non-residential customers, FPUC reported that based on average levels of usage and specific rate schedules, bill increases for small general service customers would be approximately 10.8 percent, bill increases for medium-size general service customers would be approximately 13.1 percent, and approximately 13.0 percent for general service large demand customers.[21] FPUC's proposed tariffs are shown on Appendix A to this recommendation.

Summary

Staff recommends the Commission approve adjustments to FPUC's currently-approved PPA cost recovery factors to incorporate the Company's period-ending 2021 under-recovery of PPA costs. Due to the potential bill impact, staff agrees with the Company's effort to mitigate the overall impact of the total current under-recovery by only seeking to recover the 2021 actual true-up at this time. The revised PPA cost recovery factors associated with staff's recommendation are shown on Appendix A.

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[20]Order No. PSC-2021-0442-FOF-EI.
[21]Document No. 04179-2022.

Conclusion

Staff recommends the Commission approve adjustments to FPUC’s currently-approved PPA cost recovery factors to incorporate the Company’s period-ending 2021 under-recovery of PPA costs in the amount of $3,790,314.

Issue 2: If approved by the Commission, what is the appropriate effective date for FPUC's revised PPA cost recovery factors?

Recommendation: The PPA cost recovery factors, as shown on Appendix A, should become effective with the first billing cycle of August 2022. (Coston, Brownless)

Staff Analysis: In its petition, FPUC has requested that the revised PPA cost recovery factors become effective with the August 2022 billing cycle.

Over the last 20 years in the Fuel Clause docket, the Commission has considered the effective date of rates and charges of revised fuel (to include PPA) cost recovery factors on a case-by-case basis. The Commission has approved fuel cost recovery factor rate decreases effective sooner than the next full billing cycle after the date of the Commission's vote with the range between the vote and the effective date being from 25 to 2 days. The rationale for that action being that it was in the customers' best interests to implement the lower rate as soon as possible.[22] With regard to fuel cost recovery factor rate increases, the Commission has approved an effective date of the revised factors ranging from 14 to 29 days after the vote.[23] In six of these cases, the Commission noted that the utility had given its customers 30 days' written notice before the date of the vote that a fuel cost recovery factor increase had been requested and provided the proposed effective date of the higher fuel factors.[24]

In its MCC Petition, FPUC proposes to collect the actual 2021 under-recovery of PPA costs over five consecutive months, beginning with the first billing cycle of August 2022, and ending with

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[22]Order No. PSC-08-0825-PCO-EI, issued December 22, 2008, in Docket No. 080001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-09-0254-PCO-EI, issued April 27, 2009, in Docket No. 090001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor;* Order No. PSC-11-0581-PCO-EI, issued on December 19, 2011, in Docket No. 110001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-12-0342-PCO-EI, issued July 2, 2012, in Docket No. 120001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-2012-0082-PCO-EI, issued February 24, 2012, in Docket No. 120001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-15-0161-PCO-EI, issued April 30, 2015, in Docket No. 150001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-2018-0313-PCO-EI, issued June 18, 2018, in Docket No. 20180001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order PSC-2020-0154-PCO-EI, issued May 14, 2020, in Docket No. 20200001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.*

[23]Order No. PSC-03-0381-PCO-EI, issued March 19, 2003, in Docket No. 030001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-03-0382-PCO-EI, issued March 19, 2003, in Docket No. 030001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-03-0400, issued March 24, 2003, in Docket No. 030001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-03-0849-PCO-EI, issued July 22, 2003, in Docket No. 030001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-09-0213-PCO-EI, issued April 9, 2009, in Docket No. 090001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor;* Order No. PSC-2019-0109-PCO-EI, issued March 22, 2019, in Docket No. 20190001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.*

[24]Order No. PSC-09-0213-PCO-EI; Order No. PSC-2019-0109-PCO-EI.

the last billing cycle of December 2022. In the instant case, there are 28 days between the Commission's vote on July 7th and the beginning of FPUC's August billing cycle (August 4th).[25]

Concerning advisement of the instant request, the Company plans to issue a press release before the end of June informing its customers of the MCC proposal. The press release will include a link to the Company's website for further information regarding the MCC Petition. Further, FPUC will begin including a notice on customer bills starting with the first billing cycle of July (scheduled for July 7th). The bill notice will inform FPUC's customers of the proposed rate increase and include a link to the Company's website for additional information. If the MCC Petition is ultimately approved, the website will be updated with a letter informing customers that new PPA-related charges have been approved along with a comparison of the current and new rates.[26]

Conclusion

Staff recommends that the PPA cost recovery factors, as shown on Appendix A, become effective with the first billing cycle of August 2022.

[25]Document No. 04179-2022.
[26]*Id*.

Issue 3: Should this docket be closed?

Recommendation: No. The 20220001-EI docket is an on-going proceeding and should remain open. (Brownless)

Staff Analysis: The fuel docket is on-going and should remain open.

Florida Public Utilities Company
F.P.S.C. Electric Tariff
No. 65
Third Revised Volume No. I

Ninth ~~Eighth~~ Revised Sheet No. 65
Cancels Eighth ~~Seventh~~ Sheet

RATE ADJUSTMENT RIDER – NORTHWEST FLORIDA DIVISION

Applicability
Electric service under all rate schedules for the Northwest Florida Division, which specify that rates are subject to adjustment in accordance with the provisions of the Company's Rate Adjustment Rider.

Total Purchased Power Cost Recovery Clause
The total purchased power cost adjustment shall be applied to each kilowatt hour delivered and shall be computed in accordance with the formula prescribed by the Florida Public Service commission. The total purchased power cost adjustment for the period August ~~January~~ 1, 2022 through December 31, ~~20~~ 2022 is as follows:

Rate Class	Rate Schedule	Levelized Adjustment
Residential (1st 1000 KWH's)	RS	8.441 ~~6.989 ¢~~ / KWH
Residential (above 1000 KWH's)	RS	9.691 ~~8.239 ¢~~ / KWH
General Service	GS	8.852 ~~7.389 ¢~~ / KWH
General Service-Demand	GSD	8.281 ~~6.795 ¢~~ / KWH
Lighting Service	LS	6.547 ~~4.957 ¢~~ / KWH
General Service-Large Demand	GSLD	8.032 ~~6.531 ¢~~ / KWH
General Service-Large Demand 1	GSLD 1	Not Applicable At This Time

Time of Use Rate Class	Rate Schedule	Levelized Adjustment On-Peak	Off Peak
Residential TOU	RST - EXP	16.841 ~~15.389~~ ¢ /KWH	4.541 ~~3.089 ¢~~ / KWH
General Service TOU	GST - EXP	12.852 ~~11.389~~ ¢ /KWH	3.852 ~~2.389 ¢~~ / KWH
General Service-Demand TOU	GSDT – EXP	12.281 ~~10.795~~ ¢ /KWH	5.031 ~~3.545 ¢~~ / KWH
General Service-Large Demand TOU	GSLDT – EXP	14.032 ~~12.531~~ ¢ /KWH	5.032 ~~3.531 ¢~~ / KWH
Interruptible – TOU	IS – EXP	6.532 ~~5.031~~ ¢ /KWH	8.032 ~~6.531 ¢~~ / KWH

Energy Conservation Cost Recovery Clause
Each base energy rate per KWH of the above rate schedules for the period January 1, 2022 through December 31, 2022 shall be increased by 0.134 ¢/KWH of sales to recover conservation related expenditures by the Company. This adjustment is determined in accordance with the formula and procedures specified by the Florida Public Service Commission.

Tax Cost Recovery
There will be added to all bills rendered for electric service a proportionate share of all license fees and taxes imposed by any governmental authorities after November 1, 1946, to an extent sufficient to cover excess increased taxes or license fees.

Issued by: Jeffry M. Householder, President & CEO

Effective:

Florida Public Utilities Company
F.P.S.C. Electric Tariff
No. 66
Third Revised Volume No. 1

Ninth ~~Eighth~~ Revised Sheet No. 66
Cancels Eighth ~~Seventh~~ Sheet

RATE ADJUSTMENT RIDER – NORTHEAST FLORIDA DIVISION

Applicability

Electric service under all rate schedules for the Northeast Florida Division which specify that rates are subject to adjustment in accordance with the provisions of the Company's Rate Adjustment Rider.

Total Purchased Power Cost Recovery Clause

The total purchased power cost adjustment shall be applied to each kilowatt hour delivered and shall be computed in accordance with the formula prescribed by the Florida Public Service Commission. The total purchased power cost adjustment for the period August ~~January~~ 1, 2022 through December 31, 2022 is as follows:

Rate Class	Rate Schedule	Levelized Adjustment
Residential (1st 1000 KWH's)	RS	8.441 ~~6.989~~ ¢ / KWH
Residential (above 1000 KWH's)	RS	9.691 ~~8.239~~ ¢ / KWH
General Service	GS	8.852 ~~7.389~~ ¢ / KWH
General Service –Demand	GSD	8.281 ~~6.795~~ ¢ / KWH
General Service –Large Demand	GSLD	8.032 ~~6.531~~ ¢ / KWH
Lighting Service	LS	6.547 ~~4.957~~ ¢ / KWH
General Service Large Demand 1	GSLD 1	Generation Demand $ 5.41/ KW* Transmission Demand $ 2.58/ KW* Energy 6.266 ¢ / KWH*

*Estimated for informational purposes only,
Monthly rate will be billed at actual cost.

Energy Conservation Cost Recovery Clause

Each base energy rate per KWH of the above rate schedules for the period January 1, 2022 through December 31, 2022 shall be increased by 0.134¢ / KWH of sales to recover conservation related expenditures by the Company. This adjustment is determined in accordance with the formula and procedures specified by the Florida Public Service Commission.

Tax Recovery

There will be added to all bills rendered for electric service a proportionate share of all license fees and taxes imposed by any governmental authorities after January 1, 1945, to an extent sufficient to cover excess increased taxes or license fee.

Issued by: Jeffry M. Householder, President & CEO

Effective:

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: June 24, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Knoblauch, Ramos) TB
Division of Economics (Wu)
Office of the General Counsel (Imig) TLT

RE: Docket No. 20220055-EI – Petition for approval of new environmental program for cost recovery through Environmental Cost Recovery Clause, by Tampa Electric Company.

AGENDA: 07/07/22 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On March 11, 2022, Tampa Electric Company (TECO or Company) petitioned the Florida Public Service Commission (Commission) to approve the Clean Air Act (CAA), National Emission Standards Hazardous Air Pollutants (NESHAP) Subpart YYYY Compliance Project (Project) for cost recovery through the Environmental Cost Recovery Clause (ECRC). TECO stated that the project is required to comply with the Environmental Protection Agency's (EPA) CAA, NESHAP Subpart YYYY standard for stationary, gas-fired combustion turbines (CTs).

The EPA promulgated NESHAP for stationary, gas-fired combustion turbines in 2004. However, that same year, the effectiveness of the rule was stayed by the EPA specifically for new lean premix gas-fired and diffusion flame gas-fired turbines. The stay was enacted to avoid unnecessary expenditures related to compliance with NESHAP in the event that these two subcategories of turbines were later delisted. In March 2020, the EPA concluded that the risks related to hazardous air pollutants from combustion turbines were acceptable, even without the standard in place; however, public commenters subsequently requested that the EPA reconsider this determination. Additionally, industry interests requested the EPA completely delist stationary, gas-fired combustion turbines from the Hazardous Air Pollutant (HAP) program.

On March 9, 2022, the EPA published a Final Rule[1] removing the stay for natural gas-fired, stationary combustion turbines, but stated that it would continue to evaluate the delisting petition. Despite the delisting petition still under consideration, the EPA concluded that even if the petition was granted, a lengthy rulemaking process would be required following the delisting and further delay was not warranted in lifting the stay. The Final Rule requires lean premix and diffusion flame gas-fired turbines located at major sources of HAP emissions that were constructed or reconstructed after January 14, 2003, must comply with the formaldehyde standard beginning March 9, 2022. The Final Rule will also apply to the startup of any future affected units.

Pursuant to Section 366.8255, Florida Statutes (F.S.), the Florida Legislature authorized the recovery of prudently incurred investor-owned electric utility environmental compliance costs through the ECRC. The method for cost recovery for such costs was first established by Order No. PSC-94-0044-FOF-EI, issued on January 12, 1994.[2] The Commission has jurisdiction over this matter pursuant to Section 366.8255, F.S.

[1] Federal Register, Volume 87, No. 46, pp. 13183-13192, codified at Title 40, Part 63, Code of Federal Regulations.
[2] Order No. PSC-94-0044-FOF-EI, issued January 12, 1994, in Docket No. 19930613-EI, *In re: Petition to establish an environmental cost recovery clause pursuant to Section 366.0285, Florida Statutes by Gulf Power Company.*

Discussion of Issues

Issue 1: Should the Commission approve Tampa Electric Company's petition for approval of the CAA, NESHAP Subpart YYYY Compliance Project for cost recovery through the Environmental Cost Recovery Clause?

Recommendation: Yes. Staff recommends that TECO's CAA, NESHAP Subpart YYYY Compliance Project is necessary to comply with the EPA's CAA, NESHAP Subpart YYYY standard. The Project's capital expenditures and operation and maintenance expenses should be allocated to rate classes on an energy basis. (Knoblauch, Wu)

Staff Analysis: The Final Rule applies to stationary combustion turbines located at major sources of HAP emissions. The Final Rule outlines national emission and operating limitations, and lays out the requirements to demonstrate initial and continuous compliance with those set limitations. The emission concentration of formaldehyde for a stationary combustion turbine is limited to a set threshold, except during turbine startup. If the emissions are above the threshold level, an oxidation catalyst is utilized to bring emissions to an acceptable level. If an oxidation catalyst is not required, operating limitations must be maintained as approved by the Florida Department of Environmental Protection (FDEP).

In its petition, TECO stated that the CT units that were subject to the rule were the Big Bend Station CT Units 4A, 4B, 5, and 6. A Compliance Test Study is required to determine the applicable compliance measures that are needed at each unit. However, TECO stated that preliminary data indicates oxidation catalysts will be required at Big Bend CT Units 4A and 4B, and Big Bend CT Units 5 and 6 will only require lean-premix combustion technology to meet the standard. To ensure the formaldehyde emissions are within the limitations, annual performance tests and monitoring will be required and must be provided to the EPA in accordance with the standard.

Formaldehyde analyzing equipment, Fourier Transform Infrared Spectroscopy (FTIR), will be used to conduct the annual performance tests for all units.[3] The analyzing equipment will consist of one trailer mounted FTIR gas analyzer that can be mobilized at each site on an as needed basis to conduct the annual testing. For CT Units 5 and 6, which appear to not require oxidation catalysts, carbon monoxide (CO) monitoring equipment and a data acquisition system (DAS) will be utilized to ensure emissions meet the set limitations.

Table 1-1 provides the estimated costs for the Project. The Project costs include the Compliance Test Study, capital costs, and operation and maintenance (O&M) expenses, which include air permitting and performance testing costs for all units, as well as catalyst testing and maintenance costs for CT Units 4A and 4B. The Company indicated these estimates are preliminary and depending on the results of the Compliance Test Study, additional equipment or compliance measures may be required. TECO anticipates that the final results of the study will be available no later than September, 2022. TECO requested the capital expenditures and operation and maintenance expenses be allocated on an energy basis, which is in line with the Commission's

[3] Document No. 02948-2022, filed May 16, 2022, TECO's Response to Staff's First Data Request.

previous decision regarding the emission reduction-related compliance cost. Table 1-2 below shows the estimated annual impact of the Project on residential customer bills.

Table 1-1
Estimated Capital and O&M Costs

	2022 ($000)	2023 ($000)	2024 ($000)	2025 ($000)	2026 ($000)	Total[2] ($000)
Compliance Test Study[1]	45	-	-	-	-	45
Capital						
Catalyst Equipment & Installation	250	-	-	-	-	250
DAS Installation & Integration	50	-	-	-	-	50
CO Monitors Installation	150	-	-	-	-	150
MKS Starboost FTIR	135	-	-	-	-	135
Capital Total	585	-	-	-	-	585
In-Service Annual O&M						
Air Permitting	20	-	-	-	-	20
Annual Stack Tests	-	40	40	40	40	160
Catalyst Tests	-	-	-	-	20	20
Catalyst O&M (labor & materials)	-	10	10	10	10	40
Catalyst Wash (labor & materials)	-	-	-	-	125	125
Monitor Maintenance (labor & materials)	-	20	20	20	20	80
MKS Starboost FTIR O&M	-	5	5	5	5	20
O&M Total	20	75	75	75	220	465

1 Estimated study costs incurred to ensure that measures implemented include best available technology to comply with the Final Rule.
2 The estimated annual O&M expense after the commercial in-service date will continue through the life of the compliance equipment.
Source: Document No. 02948-2022, filed May 16, 2022, TECO's Response to Staff's First Data Request.

Table 1-2
Residential Bill Impact

Year	$ / 1,000 kWh	$ / 1,200 kWh
2022	$0.00	$0.00
2023	$0.01	$0.01
2024	$0.01	$0.01
2025	$0.01	$0.01
2026	$0.01	$0.02

Source: TECO's Response to Staff's First Data Request No. 4

Based on TECO's petition and the Company's responses to staff's data requests, staff recommends that TECO's ECRC Project is necessary for compliance with the EPA Rule. The

Commission's criteria for ECRC recovery relevant to this docket, established by Order No. PSC-94-0044-FOF-EI, are:

(1) The activities are legally required to comply with governmentally imposed environmental regulation enacted, became effective, or whose effect was triggered after the Company's last test year upon which rates are based; and

(2) None of the expenditures are being recovered through some other cost recovery mechanism or through base rates.

Staff recommends that the activities proposed in TECO's petition meet these criteria. The activities described in the petition are necessary for TECO to comply with governmentally imposed environmental regulation. The need for the compliance activities were triggered after TECO's last test year upon which rates are currently based.[4] Specifically, the need for these activities was triggered by the removal of the stay of the EPA's CAA, NESHAP Subpart YYYY standard, which requires TECO to demonstrate compliance within 180 days after the stay was lifted and published in the Federal Register or by September 5, 2022. Finally, the costs of the proposed compliance activities are not currently being recovered through some other cost recovery mechanism or through base rates. Staff notes that the reasonableness and prudence of individual expenditures related to the Project will continue to be subject to the Commission's review in future ECRC proceedings.

Conclusion

Staff recommends that TECO's CAA, NESHAP Subpart YYYY Compliance Project is necessary to comply with the EPA's CAA, NESHAP Subpart YYYY standard. The Project's capital expenditures and operation and maintenance expenses should be allocated to rate classes on an energy basis.

[4] A joint Stipulation and Settlement Agreement between TECO and intervening parties was filed in Docket No. 20210034-EI on August 6, 2021, and approved by the Commission in Order No. PSC-2021-0423-S-EI.

Issue 2: Should this docket be closed?

Recommendation: Yes. This docket should be closed upon issuance of a Consummating Order unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the Proposed Agency Action Order. (Imig)

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

Item 5

FILED 6/24/2022
DOCUMENT NO. 04223-2022
FPSC - COMMISSION CLERK

State of Florida

Public Service Commission

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

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

DATE: June 24, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Knoblauch, Ramos) TB
Division of Economics (Hampson, Coston) JGH
Office of the General Counsel (Trierweiler, Jones) TLT

RE: Docket No. 20220069-GU – Petition for rate increase by Florida City Gas.

AGENDA: 07/07/22 – Regular Agenda – Tariff Suspension – Participation is at the Commission's discretion

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: 7/30/2022 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

On May 31, 2022, Florida City Gas (FCG or Company) filed a petition seeking the Florida Public Service Commission's (Commission) approval of a rate increase and associated depreciation rates. FCG is a natural gas local distribution company providing sales and transportation of natural gas, and is a public utility subject to this Commission's regulatory jurisdiction under Section 366.02, Florida Statutes (F.S.). As a subsidiary of Florida Power & Light Company, FCG currently serves approximately 116,000 residential, commercial, and industrial natural gas customers in Miami-Dade, Broward, St. Lucie, Indian River, Brevard, Palm Beach, Hendry, and Martin counties.

FCG requested an increase of $29.0 million in additional annual revenues. Of that amount, $5.7 million is associated with the reclassification of the Company's Safety, Access, and Facility Enhancement program revenues from surcharge to base rates and $3.8 million is related to the revenue requirements for the previously approved Liquefied Natural Gas Facility. Additionally, the remaining $19.4 million is necessary, according to FCG, for the Company to earn a fair return on its investment and to adopt the requested reserve surplus amortization mechanism. FCG based its request on a 13-month average rate base of $489 million for the projected test year ending December 31, 2023. The requested overall rate of return is 7.09 percent based on a mid-point of 10.75 percent return on equity.

This recommendation addresses the suspension of FCG's proposed final rates and charges. FCG did not request interim rate relief in this proceeding.

The Company's last rate case was filed on October 23, 2017, and was resolved by the Commission's approval of a settlement agreement in 2018.[1] The Commission-approved settlement agreement allowed FCG to generate an additional $11.5 million in revenues for the projected test year ended December 31, 2018. The settlement agreement also authorized a return on equity of 10.19 percent.

Pursuant to Sections 366.06(2) and (4), F.S., FCG requested to proceed this rate case using the Commission's hearing process. Accordingly, in compliance with Section 366.06(2), F.S., an administrative hearing has been scheduled for December 12-16, 2022. The Commission has jurisdiction over this request under Section 366.06, F.S.

[1]Order No. PSC-2018-0190-FOF-GU, issued April 20, 2018, in Docket No. 20170179-GU, *In re: Petition for rate increase by Florida City Gas.*

Discussion of Issues

Issue 1: Should the request for a permanent increase in rates and charges be suspended for FCG?

Recommendation: Yes. Staff recommends that the requested permanent increase in rates and charges be suspended for FCG. (Hampson)

Staff Analysis: Staff recommends that the requested permanent increase in rates and charges be suspended for FCG to allow staff and the parties time to analyze the case and for the Commission to conduct the hearing.

Pursuant to Section 366.06(3), F.S., the Commission may withhold consent to the operation of all or any portion of a new rate schedule, delivering to the utility requesting such a change, a reason, or written statement of a good cause for doing so with 60 days. Staff believes that the reasons previously stated are good cause consistent with the requirements of Section 366.06(3), F.S.

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open pending the Commission's final resolution of the Company's requested rate increase. (Trierweiler)

Staff Analysis: This docket should remain open pending the Commission's final resolution of the Company's requested rate increase.

Item 6

FILED 6/24/2022
DOCUMENT NO. 04221-2022
FPSC - COMMISSION CLERK

State of Florida

Public Service Commission

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

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

DATE: June 24, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Maloy, Ramos) TB
Division of Accounting and Finance (Sewards, Thurmond) ALM
Division of Economics (Bethea) JGH
Office of the General Counsel (Rubottom, Crawford) JSC

RE: Docket No. 20220057-SU – Application for original wastewater certificate for existing utility currently charging for service in Franklin County, by SGI Wastewater Services, Inc.

AGENDA: 07/07/22 – Regular Agenda – Proposed Agency Action for Issue 2 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: 7/10/22 (Statutory deadline for original certificate pursuant to Section 367.031, Florida Statutes)

SPECIAL INSTRUCTIONS: None

Case Background

SGI Wastewater Services, Inc. (SGI or Utility) is located in Franklin County, Florida. The Utility, an affiliate of U.S. Water Services Corporation (USWSC), provides wastewater service to 34 residential beach homes and one clubhouse in the Sunset Beach community, as well as one bulk customer consisting of 99 condominiums in the 300 Ocean Mile community. Wastewater services were originally established in 1999 by Sunset Beach/300 Ocean Mile Utility Cooperative (Coop), an exempt non-profit wastewater utility pursuant to Section 367.022(7), Florida Statutes (F.S.). Water service is provided by Water Management Services, Inc.

On February 1, 2021, the Coop contracted with USWSC to provide operations services at its wastewater treatment plant (WWTP) due to the WWTP's out-of-compliance status with the Florida Department of Environmental Protection. Later that same year, members of the Coop and both community homeowners associations mutually agreed that the sale of the WWTP was in the best interest of the customers, which resulted in SGI purchasing the wastewater assets on February 19, 2022, thus requiring certification by the Commission.

On March 11, 2022, SGI filed its application for an original wastewater certificate for an existing utility currently charging for service pursuant to Rule 25-30.034, Florida Administrative Code (F.A.C.). Staff found the application to be deficient and issued a deficiency letter on April 1, 2022. The application was deemed complete on April 11, 2022, which is considered the official filing date.

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

Discussion of Issues

Issue 1: Should the application for a wastewater certificate by SGI Wastewater Services, Inc. be approved?

Recommendation: Yes. SGI should be granted Certificate No. 580-S to serve the territory described in Attachment A, effective the date of the Commission's vote. The resultant order should serve as SGI's wastewater certificate and it should be retained by the Utility. SGI's existing rates, late payment charge, and initial customer deposits, shown on Schedule No. 1, should remain in effect until a change is authorized by the Commission in a subsequent proceeding. (Maloy, Thurmond, Bethea).

Staff Analysis: On March 11, 2022, SGI filed its application for an original wastewater certificate in Franklin County. Upon review, staff determined the original filing was deficient and issued a deficiency letter on April 1, 2021. The Utility cured the deficiencies on April 11, 2022, which is considered the official filing date for the application. The Utility's application is in compliance with the governing statutes, Sections 367.031 and 367.045, F.S.

Notice

On April 14, 2022,[1] and April 26, 2022,[2] SGI filed proof of compliance with the noticing provisions set forth in Rule 25-30.030, F.A.C. No entity filed a protest during the protest period and the time for filing objections has expired.

Land Ownership and Service Territory

SGI provided adequate service territory and system maps and a territory description as required by Rule 25-30.034(1)(k), F.A.C. The legal description of the service territory is appended to this recommendation as Attachment A. The application contains warranty deeds for the land where the wastewater treatment facilities are located pursuant to Rule 25-30.034(1)(m), F.A.C.

Financial and Technical Ability

Rule 25-30.034(1)(i), F.A.C., requires a statement showing the financial ability of the applicant to provide service, a detailed financial statement, and a list of all entities upon which the applicant is relying to provide funding along with those entities' financial statements. SGI is relying fully upon shareholders equity through paid in capital via SGI's owner, Gary Deremer. The application contains Mr. Deremer's most recent financial statements. Staff believes that Mr. Deremer's financial statements and extensive business operations in Florida show adequate and stable funding reserves for the Utility. Therefore, staff recommends that SGI has demonstrated that it will have access to adequate financial resources to operate the Utility.

Rule 25-30.034(1)(j), F.A.C., requires the applicant to demonstrate the technical abilities to provide service. The application contains statements describing the technical ability of the Utility to provide service to the proposed service area. The president of the Utility has been in the water and wastewater utility management, operations, and maintenance related industry for over 34

[1]Document No. 02413-2022, dated April 14, 2022.
[2]Document No. 02623-2022, dated April 26, 2022.

years. SGI has secured the services of USWSC to provide contract operating services, billing, and collection services. Mr. Deremer's companies have operated more than 850 facilities, providing services to more than 1,000,000 customers daily. Based on the above, SGI has demonstrated the financial and technical ability to provide service to the existing service territory.

Continuance of Existing Rates, Late Payment Charge, and Customer Deposits

SGI provides wastewater service to the Sunset Beach community consisting of 34 beach homes and one clubhouse. The Utility also provides wastewater service through a bulk service agreement to 99 condominiums in the 300 Ocean Mile community. As of January 31, 2022, both associations mutually agreed to establish and make effective the existing rates. SGI has residential and general service initial customer deposits which staff believes are reasonable. In addition, the Utility also has miscellaneous service charges. Staff believes the $6.50 late payment charge is reasonable. However, the remaining miscellaneous service charges do not conform to Rule 25-30.460, F.A.C., and are discussed in Issue 2. Further, the Utility's service area is built out and there are no service availability charges. Staff recommends that SGI's existing rates, late payment charge, and initial customer deposits shown on Schedule No. 1 should remain in effect until a change is authorized by the Commission in a subsequent proceeding.

Conclusion

Staff recommends that it is in the public interest to grant SGI Certificate No. 580-S to serve the territory described in Attachment A, effective the date of the Commission's vote. The resultant order should serve as SGI's wastewater certificate and it should be retained by the Utility. SGI's existing rates, late payment charge, and initial customer deposits, shown on Schedule No. 1, should remain in effect until a change is authorized by the Commission in a subsequent proceeding.

Issue 2: Should SGI Wastewater Services, Inc.'s miscellaneous service charges be revised to conform to amended Rule 25-30.460, F.A.C.?

Recommendation: Yes. The miscellaneous service charges should be revised to conform to the recent amendment to Rule 25-30.460, F.A.C. The tariff should be revised to reflect the removal of initial connection and normal reconnection charges. SGI should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective 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 charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. SGI should be required to charge the approved miscellaneous service charges until authorized to change them by the Commission in a subsequent proceeding. (Bethea)

Staff Analysis: Effective June 24, 2021, Rule 25-30.460, F.A.C., was amended to remove initial connection and normal reconnection charges.[3] The definitions for initial connection charges and normal reconnection charges were subsumed in the definition of the premises visit charge. SGI's miscellaneous service charges consist of initial connection and normal reconnection charges. The normal reconnection charge is more than the premises visit charge. Since the premises visit entails a broader range of tasks, staff believes the premises visit should reflect the amount of the normal reconnection charge of $57.10. Therefore, staff recommends that the initial connection and normal reconnection charges be removed, the premises visit be revised to $57.10, and the definition for the premises visit charge be updated to comply with amended Rule 25-30.460, F.A.C. The Utility's proposed and staff's recommended miscellaneous service charges are shown below in Tables 2-1 and 2-2.

Table 2-1
Utility Proposed Miscellaneous Service Charges

	Normal Hours
Initial Connection Charge	$31.10
Normal Reconnection Charge	$57.10
Violation Reconnection Charge	Actual Cost
Premises Visit Charge (in lieu of disconnection)	$31.10

[3]Order No. PSC-2021-0201-FOF-WS, issued June 4, 2020, in Docket No. 20200240-WS, *In re: Proposed amendment of Rule 25-30.460, F.A.C., Application for Miscellaneous Service Charges.*

Table 2-2
Staff Recommended Miscellaneous Service Charges

	Normal Hours
Violation Reconnection Charge	Actual Cost
Premises Visit Charge	$57.10

Conclusion

Based on the above, staff recommends the miscellaneous service charges be revised to conform to the recent amendment to Rule 25-30.460, F.A.C. The tariff should be revised to reflect the removal of initial connection and normal reconnection charges. SGI should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective 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 charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. SGI should be required to charge the approved miscellaneous service charges until authorized to change them by the Commission in a subsequent proceeding.

Issue 3: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the 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. (Rubottom)

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

Wastewater Service Territory
Franklin County, Florida

In Township 9 South, Range 6 West, Franklin County, Florida

Section 24

Commence at the Northwest Comer of Section 24, Township 9 South, Range 6 West, franklin County, Florida, thence run South 76° 32' 58.74" East a distance of 2277.686 feet to the Point of Beginning. From said Point of Beginning continue North 68 degrees 01 minutes 05 seconds East along said right-of-way boundary 195.00 feet to a 4 inch by 4 inch concrete monument (marked #1072); thence leaving said right-of-way boundary run South 21 degrees 55 minutes 01 seconds East 421.44 feet to the approximate mean high wastewater line of the Gulf of Mexico; thence run South 54 degrees 56 minutes 26 seconds West along said mean high wastewater line 199.85 feet; thence run South 69 degrees 34 minutes 41.73 seconds West 1466.66 feet; thence run South 68 degrees 00 minutes 59.14 seconds West 841.82 feet; thence leaving said mean high wastewater line run North 21 degrees 58 minutes 47.91 seconds West 424.93 feet; thence run North 67 degrees 53 minutes 30.93 seconds East 829.07 feet; thence run North 68 degrees 01 minutes 05 seconds East 1479.01 feet to the Point of Beginning.

FLORIDA PUBLIC SERVICE COMMISSION
Authorizes
SGI Wastewater Service, Inc.
pursuant to
Certificate Number 580-S

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

Order Number	Date Issued	Docket Number	Filing Type
*	*	20220057-SU	Original Certificate

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

SGI Wastewater Services Inc.

Monthly Wastewater Rates

Residential Service
Base Facility Charge by Meter Size

All Meter Sizes	$112.53
Charge Per 1,000 gallons	$7.31

General Service
Base Facility Charge by Meter Size

5/8" x 3/4"	$112.53
3/4"	$168.80
1"	$281.33
1-1/2"	$562.65
2"	$900.24
Townhomes of St. George Island (bulk service - 99 ERCs)	$11,140.47
Charge Per 1,000 gallons	$7.31

Initial Customer Deposits

Meter Size	Residential	General Service
All Meter Sizes	$225.00	2x the average estimated monthly bill

Miscellaneous Service Charges

Late Payment Charge	$6.50

Item 7

FILED 6/24/2022
DOCUMENT NO. 04220-2022
FPSC - COMMISSION CLERK

State of Florida

Public Service Commission

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

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

DATE: June 24, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Guffey) JGH
Office of the General Counsel (Brownless) JSC

RE: Docket No. 20220075-EU – Joint petition for approval of modification to territorial agreement in Polk County, by City of Lakeland and City of Bartow.

AGENDA: 07/07/22 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On April 13, 2022, the City of Lakeland, on behalf of Lakeland Electric (Lakeland) and the City of Bartow (Bartow), filed a joint petition for approval of a modification (New Territorial Agreement) to their territorial agreement first approved by the Commission in 1984 (Legacy Agreement) in Polk County.[1] In 2006, Lakeland and Bartow entered into an informal agreement to swap a portion of each other's service territory. While the intent of both parties was to formalize their agreement and submit it to their respective city councils and the Commission, those actions were never completed by the parties. No customers were impacted by this informal agreement, as the affected territories at the time were vacant land. While the Legacy Agreement expired in 2009, the utilities have continued to operate under the general parameters of that agreement.

[1] Order No. 13025, issued February 23, 1984, in Docket No. 19830566-EM, *In re: Joint Stipulation and Petition for Approval of Territorial Agreement between City of Lakeland and City of Bartow.*

The proposed New Territorial Agreement reflects the 2006 service territory swap and new subdivision developments that have occurred since 2006. The proposed New Territorial Agreement is included in Attachment A to this recommendation. The relevant maps including a map depicting the swapped territory and timeline of subdivision development are shown in Attachment B to this recommendation.

During the review process, staff issued its first data request to the joint petitioners on April 15, 2022. After review of this request, the joint petitioners requested an informal meeting with staff to discuss the unique circumstances involving the proposed New Territorial Agreement. An informal conference call was held on April 21, 2022, during which the joint petitioners provided additional information not contained in the petition and explained the circumstances leading up to the proposed New Territorial Agreement.

As a result of the discussions and additional information received at the informal conference call, staff withdrew its first data request on April 26, 2022 to allow the joint petitioners to file a supplemental response, which included additional information and maps. The supplemental response was filed on April 29, 2022, and included the information requested in staff's first data request. After review of the supplemental information, staff issued its second data request on May 10, 2022, for which responses were filed on May 20, 2022. The Commission has jurisdiction over this matter pursuant to Section 366.04, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the Commission approve the proposed New Territorial Agreement in Polk County between Lakeland and Bartow?

Recommendation: Yes, the Commission should approve the proposed New Territorial Agreement in Polk County between Lakeland and Bartow. The approval of this New Territorial Agreement will enable Lakeland and Bartow to accurately reflect their current service areas, better serve existing and future customers in Polk County, and will not be a detriment to the public interest. (Guffey)

Staff Analysis: Pursuant to Section 366.04(2)(d), F.S., and Rule 25-6.0440(2), Florida Administrative Code (F.A.C.), the Commission has the jurisdiction to approve territorial agreements between and among rural electric cooperatives, municipal electric utilities, and other electric utilities. Unless the Commission determines that the modification to the Legacy Agreement will cause a detriment to the public interest, the proposed New Territorial Agreement should be approved.[2]

The Proposed New Territorial Agreement

In 1983, Lakeland and Bartow entered into a territorial agreement which was approved by the Commission in 1984. The Legacy Agreement had a term of 25 years (1984-2009). In 2006, Lakeland and Bartow informally agreed to swap a portion of their respective electric service areas because it allowed for better infrastructure access to serve future development. While the utilities entered into a written agreement dated May 19, 2006, to swap this territory, they did not seek nor receive Commission approval as required by Rule 25-6.0440(1), F.A.C. The May 19, 2006 agreement indicates that the joint petitioners had intended to file a petition with the Commission to amend their service territories; however, the joint petitioners explained that as a result of utility staffing changes and due to an administrative oversight[3] a timely petition was not filed.

In the 2006 territory swap, Bartow acquired from Lakeland the Wind Meadows subdivision which is comprised of 39.65 acres. During the time of the territory swap, the Wind Meadows was a platted subdivision (no customers) and it is located within Bartow's city limits. Between August 2006 and April 2022, the Wind Meadows subdivision was developed and now consists of 134 homes.[4] The joint petitioners explained that in 2006, Bartow had the capacity and readily accessible facilities available to serve the future Wind Meadows subdivision.

In return, in 2006 Lakeland acquired 58.19 acres of vacant pastureland from Bartow's service territory. In May 2022, construction started and the pastureland is being developed as the Wind Meadows South subdivision, with 145 potential new residential customers. During the recent platting and development of the Wind Meadows South subdivision on this pastureland, the

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[2] *Utilities Commission of the City of New Smyrna Beach v. Florida Public Service Commission*, 469 So. 2d 731 (Fla. 1985).
[3] Paragraph 4 of the Supplemental Information (Document No. 02715-2022) and as explained during the April 21, 2022 informal meeting.
[4] Response 2 in Staff's Second Data Request (Document No. 03048-2022).

developer and Lakeland realized that the 2006 service territory swap and boundary adjustment had not been submitted to the Commission for approval. Thereafter, the parties also became aware that the Legacy Agreement had expired in 2009, at the end of its 25-year term. From 2009 to date, the parties have continued to abide by the terms of the Legacy Agreement as modified by the informal agreement and have worked cooperatively to serve their customers. There are currently no outstanding service issues or territorial disputes between the subject utilities.

To remedy the unapproved territory swap and the expired territorial agreement, on April 4, 2022, the joint petitioners entered into the New Territorial Agreement (see Attachment A). Through the New Territorial Agreement, Lakeland and Bartow desire to define specific areas of their respective electric service areas corresponding to the Wind Meadows and Wind Meadows South subdivisions in Polk County. The swapped territory and the above discussed subdivisions, along with their development timelines, are depicted on a map in Attachment B to this recommendation.

The proposed New Territorial Agreement does not contemplate any customer or facility transfers and therefore no customer notification is required pursuant to Rule 25-6.0440(1)(d), F.A.C. If there is a need to transfer customers and facilities in the future during the term of the agreement, pursuant to Article 2, the transfers will be based on sound economic and engineering practices.

The proposed New Territorial Agreement is for an initial term of 15 years and after that, the agreement would automatically renew for successive 5-year terms. If either of the parties desire not to renew for successive 5-year terms, the party should provide to the other party written notification of their desire to not renew, no less than 12 months prior to automatic extension date. Any modifications to this proposed agreement will be submitted to the Commission for its review and approval.

Conclusion

Both Lakeland and Bartow should be cautioned if they enter into other territorial agreements or amendments in the future, such documents should be timely submitted for Commission approval pursuant to Rule 25-6.0440, F.A.C. After review of the joint petition, the supplemental information, responses to staff’s second data request, and the informal meeting with the joint petitioners, staff believes the proposed New Territorial Agreement will not cause a detriment to the public interest, will eliminate any potential uneconomic duplication of facilities, and will not cause a decrease in reliability of electric service to the present or future customers of Lakeland or Bartow. Therefore, staff recommends that the Commission approve the proposed new Territorial Agreement between Lakeland and Bartow in Polk County.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of the Consummating Order. (Brownless)

Staff Analysis: If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

TERRITORIAL AGREEMENT

This Territorial Agreement is dated as of this 4th day of April 2022, and is between the **CITY OF BARTOW, FLORIDA**, a municipality under Florida law that owns or operates electric generation, transmission, or distribution facilities and provides retail electric service to customers in Polk County, Florida (**"Bartow"**),and the **CITY OF LAKELAND, FLORIDA**, on behalf of its municipal utility Lakeland Electric, a municipality under Florida law that owns or operates electric generation, transmission, or distribution facilities and provides retail electric service to customers in Polk County, Florida (**"Lakeland"**).

WITNESSETH:

WHEREAS, Bartow and Lakeland are each, by virtue of Florida law and in the exercise of their proprietary powers as municipalities, authorized and empowered to furnish retail electric service to persons upon request within their respective electric service areas. And, the respective service areas of each party are contiguous in portions of Polk County, Florida; and

WHEREAS, to avoid duplication of service and uneconomic duplication of facilities, Bartow and Lakeland entered into that certain Territorial Boundary Agreement Between City of Bartow and City of Lakeland, dated October 31, 1983, which was approved by the Florida Public Service Commission (the **"Commission"**) pursuant to its powers under section 366.04, Florida Statutes, in Order No. 13025, issued February 23, 1984, in Docket No. 830556-EM (the **"Legacy Agreement"**), which delineated the parties service area boundaries in Polk County until October 31, 2008; and

WHEREAS, upon expiration of the Legacy Agreement the parties have worked cooperatively on the service territorial boundaries and there have been no outstanding disputes between the parties; and

WHEREAS, the Commission is empowered by the Florida legislature, pursuant to section 366.04(2)(d), Florida Statutes, to approve territorial agreements and the Commission, as a matter of long-standing regulatory policy, has encouraged retail territorial agreements between electric utilities subject to its jurisdiction based on findings that such agreements, when properly established and administered by the parties and actively supervised by the Commission, avoid uneconomic duplication of facilities, promote safe and efficient operations by utilities in rendering electric service provided to their customers, and, therefore, serve the public interest; and

WHEREAS, in order to gain further operational efficiencies and customer service improvements in the retail electric service territory in Polk County, while continuing to eliminate circumstances that could give rise to the duplication of service, uneconomic duplication of facilities, and avoidance of hazardous situations, the parties hereby desire to enter into this Territorial Agreement (the **"Agreement"**).

NOW THEREFORE, Bartow and Lakeland mutually agree as follows:

Article 1
RETAIL ELECTRIC SERVICE

1.1 **In General**. Except as otherwise specifically provided in this Agreement, Bartow has the exclusive authority to furnish retail electric service within the Bartow Territorial Area, and Lakeland has the exclusive authority to furnish retail electric service in the Lakeland Electric Territorial Area, both as shown on the maps contained in Composite Exhibit A. The Territorial Boundary Line will not be affected by any change, through annexation or otherwise, that may occur to the corporate limits of either Bartow or Lakeland, unless agreed to in writing by the parties and approved by the Commission.

1.2 **Service to New Customers**. Bartow and Lakeland hereby agree that neither will knowingly serve or attempt to serve any New Customer whose Point of Use is located within the Territorial Area of the other party, except as specifically provided in Section 1.3. However, in those instances where the Territorial Boundary Line traverses the property line of an individual New Customer or prospective New Customer, the party in whose service area the majority of the Customer's electric energy usage is expected to occur (on the basis of reasonable engineering judgment or knowledge) will be entitled to serve all of the Customer's usage.

1.3 **Temporary Service**. The Parties recognize that in exceptional circumstances, economic constraints or good engineering practices may indicate that a New Customer's Point of Use either cannot or should not be immediately served by the party in whose Territorial Area such Point of Use is located. In such circumstances, upon written request by the party in whose Territorial Area the New Customer's Point of Use is located, the other party may, in its sole discretion, agree in writing to temporarily provide service to such New Customer until such time as the requesting party provides written notice of its intent to serve the Point of Use. The other party shall inform the customer of the temporary nature of such service. Any such agreement for temporary service which lasts, or is anticipated to last, for more than one year shall be submitted to the Commission for approval in accordance with Section 4.1. Such temporary service shall be discontinued upon written notice from the requesting party of its intent to provide service, which the parties will coordinate to minimize any inconvenience to the customer. However, the party providing temporary service under this Section 1.3 will not be required to pay the other Party for any loss of revenue associated with the provision of such temporary service, nor will the party providing temporary service be required to pay the other party any going concern value.

1.4 **Referral of Service Request**. In the event that a prospective New Customer requests or applies for service from either party to be provided to a Point of Use located in the Territorial Area of the other party, the party receiving the request or application shall advise the prospective New Customer that such request is not permitted under this Agreement, as approved by the Commission, and shall refer the prospective New Customer to the other party.

1.5 **Correction of Inadvertent Service Errors**. If any situation is discovered during the term of this Agreement in which either party is inadvertently providing retail electric service to a customer's Point of Use located within the service area of the other party, service to such customer will be transferred to such other party. Until the transfer of service can be completed, the party providing inadvertent service to the customer's Point of Use will be deemed to be providing temporary service in accordance with Section 1.3. The receiving party must purchase the electric facilities of the inadvertently serving party used solely to provide service to the customer subject to transfer in return for compensation determined in accordance with section 2.3(a). The parties will use reasonable efforts to complete such transfer within twelve (12) months of the discovery of the inadvertent error.

1.6 **Transfer of Customers and Facilities.** There are no known customers or facilities to be transferred as of the date of this Agreement.

Article 2
TRANSFER OF CUSTOMERS

2.1 **Customer Transfers in General.** In the event circumstances arise during the term of this agreement in which the parties subsequently agree that, based on sound economic considerations or good engineering practices, an area located in the Territorial Area of one party would be better served if reallocated to the Territorial Area of the other party, the parties will jointly petition the Commission for approval of a modification of the Territorial Boundary Line that places the area in question (the "**Reallocated Area**") within the Territorial Area of the other party and the transfer of the customers located in the Reallocated Area to the other party.

2.2 ***Transfer of Facilities.*** In conjunction with the transfer of customers pursuant to Sections 1.5 and 2.1, the receiving party must purchase the electric distribution facilities of the transferring Party used exclusively for providing electric service to the transferring customers for an amount determined in accordance with Section 2.3(a).

2.3 ***Compensation for Transferred Facilities.*** (a) The receiving party shall compensate the transferring party for the electric distribution facilities described in Section 2.2 in an amount based upon the replacement cost (new), less depreciation calculated on a straight-line basis over the life of each unit of property comprising the facilities, as determined from the books and records of the transferring party at the time of the transfer. Replacement costs shall be determined by applying a cost escalator such as the Handy Whitman Index or a common engineering cost estimation methodology, as will be mutually agreed to, in writing, by the parties.

(b) All payments determined in accordance with this Section 2.3 must be made by the receiving party in cash within sixty (60) days of the presentation of an invoice from the transferring party upon completion of the transfer.

(c) The transferring party will make, execute, and deliver to the receiving party the appropriate instruments of transfer to convey the transferring party's interest in the electric distribution facilities transferred to the receiving party pursuant to Section 2.2. Reasonable costs incurred by the transferring party in the preparation, execution, and recording (if required) of any such instruments will be reimbursed by the receiving party, including reasonable attorney's fees related to the drafting, review, and approval of such instruments or rendition of required legal opinions, if any.

Article 3
OPERATION AND MAINTENANCE

3.1 **Facilities to Remain.** Other than as expressly provided for in this Agreement, no generating plant, transmission line, substation, distribution line, or any related equipment shall be subject to transfer or removal under this Agreement, except that each party hereby agrees that it will operate and maintain its lines and facilities in a manner that minimizes any interference with the operations of the other party.

3.2 **Bartow Facilities to be Served.** Nothing in this Agreement is to be construed or interpreted to prevent or in any way inhibit the right and authority of Bartow to serve any City of Bartow municipal facility located in the Lakeland Electric Territorial Area, except that Bartow must construct, operate, and maintain any lines and facilities related to serving such municipal facility in such a manner as to minimize any interference with the operations of Lakeland in the Lakeland Electric Territorial Area.

3.3 **Lakeland Facilities to be Served.** Nothing in this Agreement is to be construed or interpreted to prevent or in any way inhibit the right and authority of Lakeland to serve any City of Lakeland municipal facility located in the Bartow Territorial Area, except that Lakeland must construct, operate, and maintain any lines and facilities related to serving such municipal facility in such a manner as to minimize any interference with the operations of Bartow in the Bartow Territorial Area.

3.4 **Location of Express Feeder Lines.** Nothing in this Agreement is to be construed or interpreted to prevent or in any way prohibit the right of each party to keep, construction, and maintain Express Feeder Lines within the Territorial Area of the other party.

Article 4
PREREQUISITE APPROVAL

4.1 **Commission Approval.** The provisions and the parties' respective performance of this Agreement are subject to the regulatory authority of the Commission, and appropriate approval by that body of this Agreement in its entirety is an absolute condition precedent to the validity, enforceability, and applicability hereof. This Agreement will have no effect whatsoever until such approval has been obtained. Any proposed modification to this Agreement must be submitted to the Commission for approval. In addition, the Parties agree to jointly petition the Commission to resolve any dispute concerning the provisions of this Agreement or the parties' respective performance hereunder.

4.2 **Liability in the Event of Disapproval.** In the event approval pursuant to Section 4.1 is not obtained or given by the Commission, neither party will have any claim against the other arising under this Agreement.

4.3 **Supersedes Prior Agreements.** Upon approval by the Commission, this Agreement is deemed to specifically supersede the Legacy Agreement and all other prior agreements between the parties defining the boundaries of their respective Territorial Areas in Polk County.

Article 5
DURATION OF THIS AGREEMENT

5.1 **Term.** This Agreement will remain in effect from the Effective Date and continue for an initial term of fifteen (15) years unless otherwise set forth in this Agreement. Thereafter, the "Term" of this Agreement will automatically extend for successive five (5) year periods, unless either party provides not less than twelve (12) months prior written notice of its desire for any such automatic extension to not occur.

Article 6
CONSTRUCTION OF AGREEMENT

6.1 **Other Electric Utilities.** Nothing in this Agreement is intended to define, establish, or affect in any manner the rights of either party relative to any other electric utility that is not a party to this Agreement, with respect to furnishing retail electric service, including the Territorial Area of either party relative to the service territory of any other electric utility that is not a party to this Agreement. The parties understand that Bartow or Lakeland may, from time to time and subject to Commission approval, enter into agreement with other electric utilities providing retail electric service in Polk County and that, in such event, nothing in this Agreement is to be construed or interpreted to prevent Bartow or Lakeland form designating any portion of its Territorial Area under this Agreement as the retail electric service territory of such other electric utility.

6.2 **Bulk Power for Resale.** Nothing in this Agreement is to be construed or interpreted to prevent either party from providing a bulk power supply for resale purposes, regardless of where the purchaser for resale may be located. Further, no provision or term of this Agreement is to be construed or interpreted as applying to bulk power supply for resale purposes.

6.3 **Intent and Interpretation.** It is hereby declared to be the purpose and intent of the parties that this Agreement is to be interpreted and construed, among other things, to further this State's policy of regulating the service territories of electric utilities; regulating the planning, development, and maintenance of a coordinated electric power grid throughout Florida; avoiding uneconomic duplication of generation, transmission and distribution facilities; and encouraging the installation and maintenance of facilities necessary for the parties to serve their respective customers.

Article 7

GENERAL PROVISIONS

7.1 **Negotiations.** Whatever terms or conditions may have been discussed during the negotiations leading up to the execution of this Agreement, the only terms and conditions agreed upon are those set forth herein, and no alteration, modification, enlargement or supplement to this Agreement is binding upon either of the parties unless made in writing, signed by both parties, and approved by the Commission.

7.2 **Successors and Assigns.** Nothing in this Agreement, expressed or implied, is intended nor is it to be construed to confer upon or give any Person, other than the parties, any right, remedy or claim under or by reason of this Agreement or any provision or conditions hereof; and all of the provisions, representations, covenants and conditions contained in this Agreement shall inure to the sole benefit of and shall be binding only upon the parties and their respective representatives, successors and assigns.

7.3 **Notices.** (a) Each party giving or making any notice, request, demand, or other communication (each, a **"Notice"**) pursuant to this Agreement must give the Notice in writing and must use one of the following methods of delivery, each of which for purposes of this agreement is a writing: (1) personal delivery; (2) registered or certified mail, in each case, return receipt requested and postage prepaid; (3) nationally recognized overnight courier, with all fees prepaid; or (4) electronic mail with electronic confirmation of the addressee opening the electronic mail (i.e., read receipt).

(b) Each party giving a Notice shall address the Notice to the appropriate person at the receiving party (the **"Addressee"**) at the address listed below or to another Addressee or at another address designated by a party in a Notice pursuant to this section 7.3:

If to Bartow:
City of Bartow
450 North Wilson Avenue
Bartow, Florida 33830
Attention: Brad Hiers, Director, Bartow Electric
Email: bradhiers.electric@cityofbartow.net

If to Lakeland:
Lakeland Electric
501 East Lemon Street
Lakeland, Florida 33801
Attention: Cindy Clemmons, Manager of Legislative & Regulatory Relations
Email: cindy.clemmons@lakelandelectric.com

(c) Except as provided elsewhere in this Agreement, a Notice is effective only if the party giving or making the Notice has complied with subsections (a) and (b) and if the Addressee has received the Notice. A Notice is deemed to have been received as follows:

(1) If a Notice is delivered in person, or sent by registered or certified mail, or nationally recognized overnight courier, upon receipt as indicated by the date on the signed receipt.

(2) If a Notice is sent by email, upon receipt by the party giving or making the Notice of a red receipt report indicating that the email was received by the Addressees.

(3) If the Addressee rejects or otherwise refuses to accept the Notice, or if the Notice cannot be delivered because of a change of address for which no Notice was given, then upon the rejection, refusal, or inability to deliver.

(4) Despite the other clauses in this subsection (c), if any Notice is received after 5:00 p.m. on a business day where the Addressee is located, or on a day that is not a business day where the addressee is located, then the Notice is deemed received at 9:00 a.m. on the next business day where the Addressee is located.

7.4 **Jurisdiction, Venue and Governing Law.** The parties irrevocably consent to jurisdiction and venue of the Courts of Polk County, Florida or the United States District Court in and for the Middle District of Florida, Tampa Division in connection with any action or proceeding arising out of or relating to this Agreement, document or instrument delivered pursuant to, in connection with, or simultaneously with this Agreement, or breach of this Agreement or any such document or instrument if the parties are unable to resolve any dispute by joint petition to the Commission as set forth in Section 4.1 of this Agreement. This Agreement shall be governed by the laws of the State of Florida. The prevailing party in any action, at law or equity, brought for the purpose of enforcing or interpreting this Agreement, shall be entitled to all costs, including reasonable attorneys' fees, including any proceedings before an administrative body.

Article 8
DEFINED TERMS

8.1 **Defined Terms.** Capitalized terms used in this agreement, and not defined elsewhere in this agreement, have the following definitions:

"**Bartow Territorial Area**" means the geographic areas in Polk County allocated to the City of Bartow, Florida as its retail electric service territory and labeled as "Bartow Territorial Area" or "Bartow" on the maps contained in Composite Exhibit A.

"**Effective Date**" means the date on which the Commission's final order granting approval for this agreement in its entirety becomes effective and no longer subject to judicial review.

"**Existing Customer**" means a Person receiving retail electric service from either Bartow or Lakeland at the location for which service is existent on the Effective Date of this Agreement.

"**Express Feeder Line**" means line(s) and related facilities, regardless of voltage, that transports power through the other party's Territorial Area, but is not used to serve load within the other party's Territorial Area.

"**Lakeland Electric Territorial Area**" means the geographic areas in Polk County allocated to the City of Lakeland, Florida, on behalf of its municipal utility, Lakeland Electric, as its retail electric service territory and labeled as "Lakeland Territorial Area" or "Lakeland" on the maps contained in Composite Exhibit A.

"**New Customer**" means each and every Person applying for retail electric service after the Effective Date of this Agreement at a Point of Use in the Territorial Area of either party.

"**Person**" means an individual, an entity, or a government body, except for Bartow and Lakeland.

"**Point of Use**" means the location with the Territorial Area of a party where a customer's end-use facilities consume electricity, to whom such party is entitled to provide retail electric service pursuant to this Agreement, regardless for where the customer's point of connection or metering is located.

"**Territorial Area**" means and refers to the Bartow Territorial Area or the Lakeland Electric Territorial Area, respectively, as the context requires.

"**Territorial Boundary Line**" means the boundary line(s) depicted on the maps contained in Composite Exhibit A which delineate the parties respective Territorial Areas in Polk County.

"**Temporary Service Customer**" means a retail electric customer of either party who is being temporarily served under the provisions of Section 1.3.

8.2 **Drafting Conventions.** The following drafting conventions are applicable to the reading of this Agreement:

(1) The words "include," "includes," and "including" are to be read as if they were followed by the phrase "without limitation."

(2) The headings provided in this Agreement are for convenience only and do not affect its meaning.

(3) Any reference to a contract or agreement (including this Agreement), document, or instrument means such contract, agreement, document, or instrument as amended or modified and in effect from time to time in accordance with the terms of that contract, agreement, document, or instrument.

(4) Unless specified otherwise, any reference to a law, statute, or regulation means that law, statute, or regulation as amended or supplemented from time to time and any corresponding provisions of successor laws, statutes, or regulations.

(5) The words "party" and "parties" refer only to a named party to this Agreement.

(6) The definitions in this Agreement apply equally to both singular and plural forms of the terms defined.

(7) Unless specified otherwise, references in this contract to articles, sections, and exhibits are references to articles, sections, and exhibits of this Agreement.

[*Signature Page Follows*]

The parties are signing this Territorial Agreement as of the date stated in the introductory clause.

CITY OF BARTOW, FLORIDA

By:
Name: Steve Githens
Title: Mayor

Attest:

By: Jacqueline Poole
Jacqueline M. Poole, City Clerk

Approved as to form and correctness:

By:
Sean R. Parker, City Attorney

CITY OF LAKELAND, FLORIDA, on behalf of its municipal utility, LAKELAND ELECTRIC

By: H. William Mutz
Name: H. William Mutz
Title: Mayor

CITY OF LAKELAND, FLORIDA
INCORPORATED JAN. 1. 1885

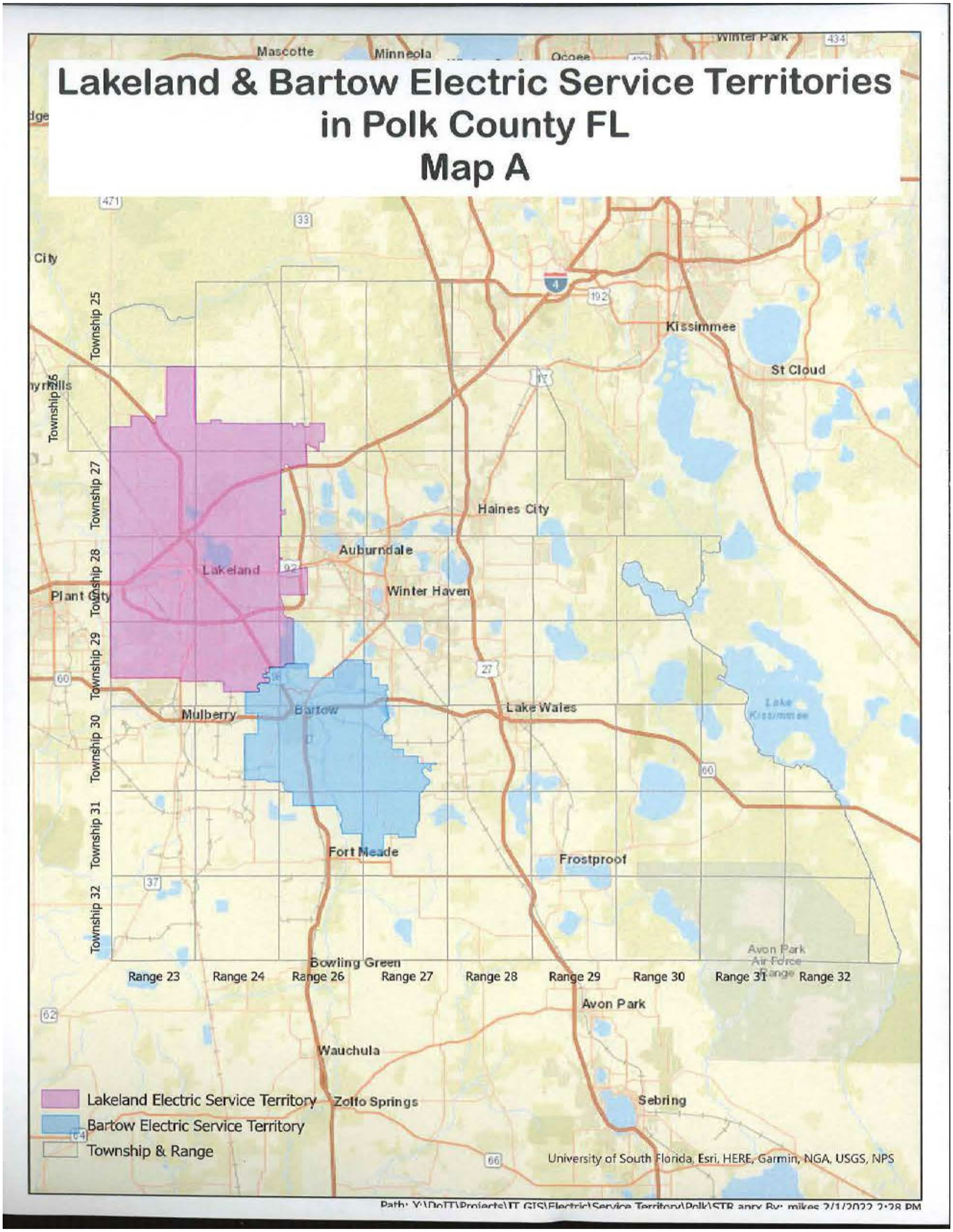
Attest:

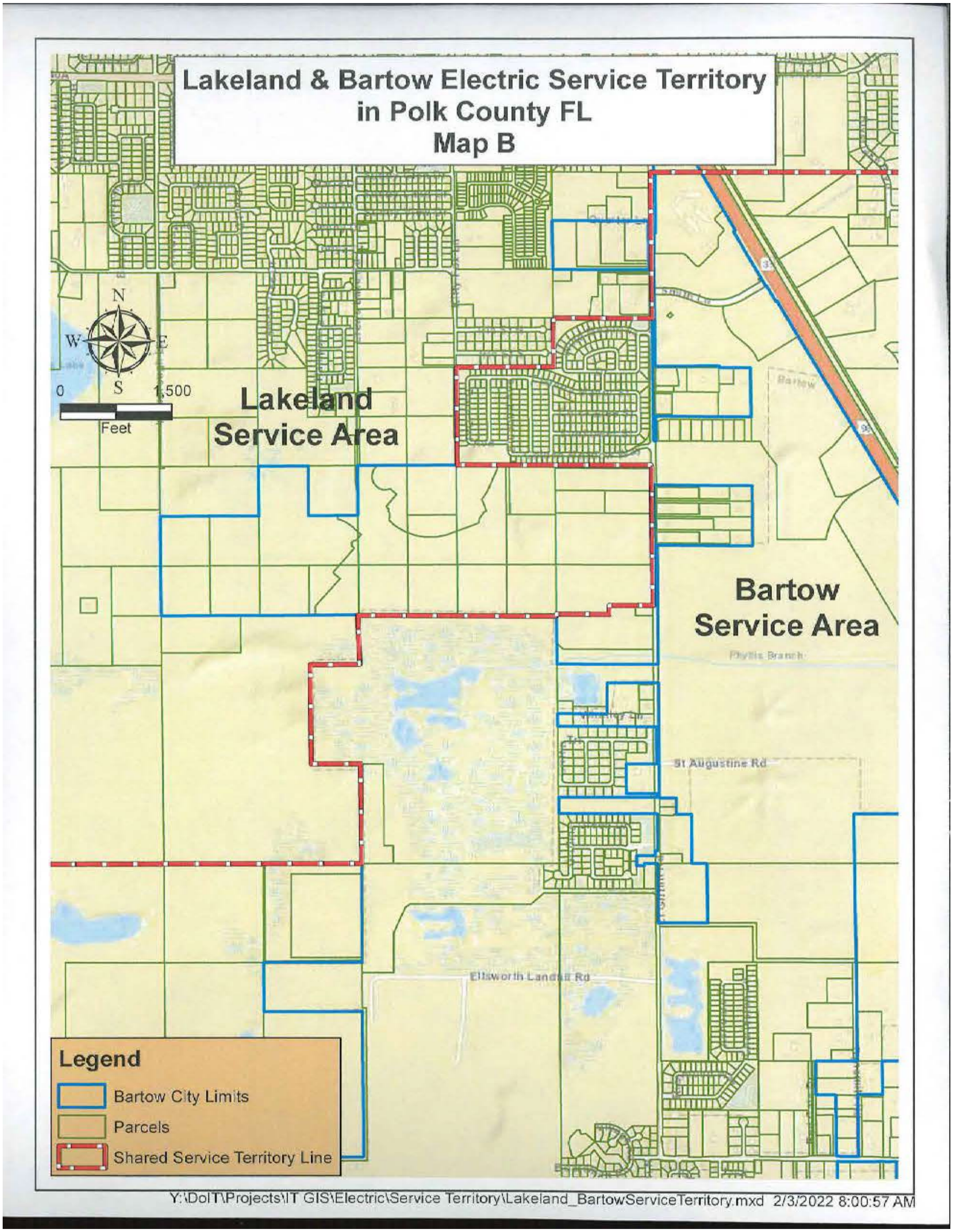
By: Kelly S. Koos
Kelly S. Koos, City Clerk

Approved as to form and correctness:

By:
Palmer C. Davis, City Attorney

[Signature Page to Territorial Agreement between Bartow and LE, dated as of April 4, 2022.]


Lakeland & Bartow Electric Service Territories
in Polk County FL
Map A
Mascotte
Minneola
Ocoee
Winter Park
Kissimmee
St Cloud
Haines City
Auburndale
Lakeland
Winter Haven
Plant City
Mulberry
Bartow
Lake Wales
Lake Kissimmee
Fort Meade
Frostproof
Bowling Green
Avon Park Air Force Range
Avon Park
Wauchula
Zolfo Springs
Sebring
Township 25
Township 26
Township 27
Township 28
Township 29
Township 30
Township 31
Township 32
Range 23
Range 24
Range 26
Range 27
Range 28
Range 29
Range 30
Range 31
Range 32
Lakeland Electric Service Territory
Bartow Electric Service Territory
Township & Range
University of South Florida, Esri, HERE, Garmin, NGA, USGS, NPS


Lakeland & Bartow Electric Service Territory
in Polk County FL
Map B
Lakeland
Service Area
Bartow
Service Area
N
S
W
E
0
1,500
Feet
St Augustine Rd
Ellsworth Landfill Rd
Legend
Bartow City Limits
Parcels
Shared Service Territory Line
Y:\DoIT\Projects\IT GIS\Electric\Service Territory\Lakeland_BartowServiceTerritory.mxd 2/3/2022 8:00:57 AM

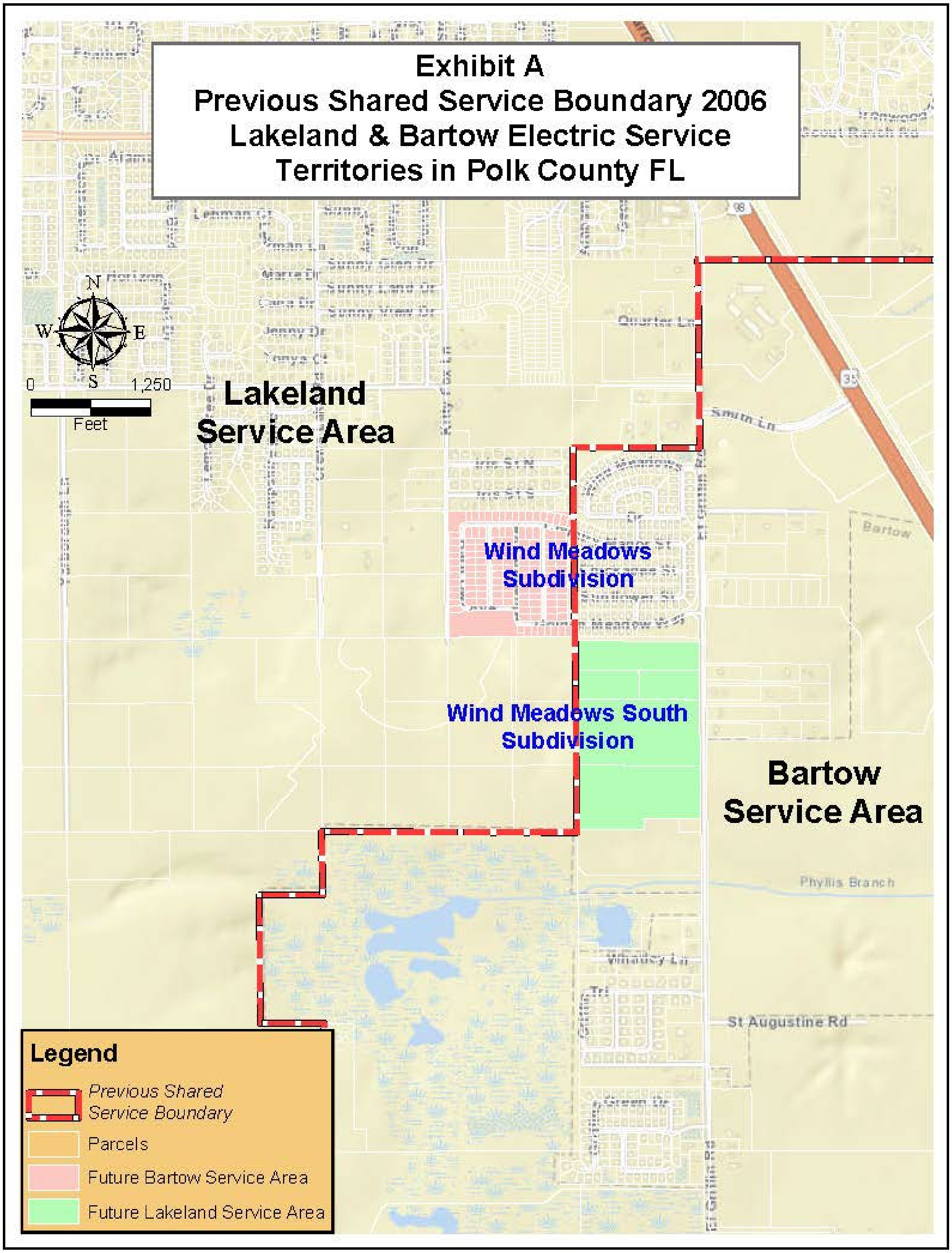


Exhibit A
Previous Shared Service Boundary 2006
Lakeland & Bartow Electric Service
Territories in Polk County FL
N
W
E
S
0
1,250
Feet
Lakeland
Service Area
Wind Meadows
Subdivision
Wind Meadows South
Subdivision
Bartow
Service Area
Smith Ln
Quarter Ln
Phyllis Branch
St Augustine Rd
Legend
Previous Shared
Service Boundary
Parcels
Future Bartow Service Area
Future Lakeland Service Area

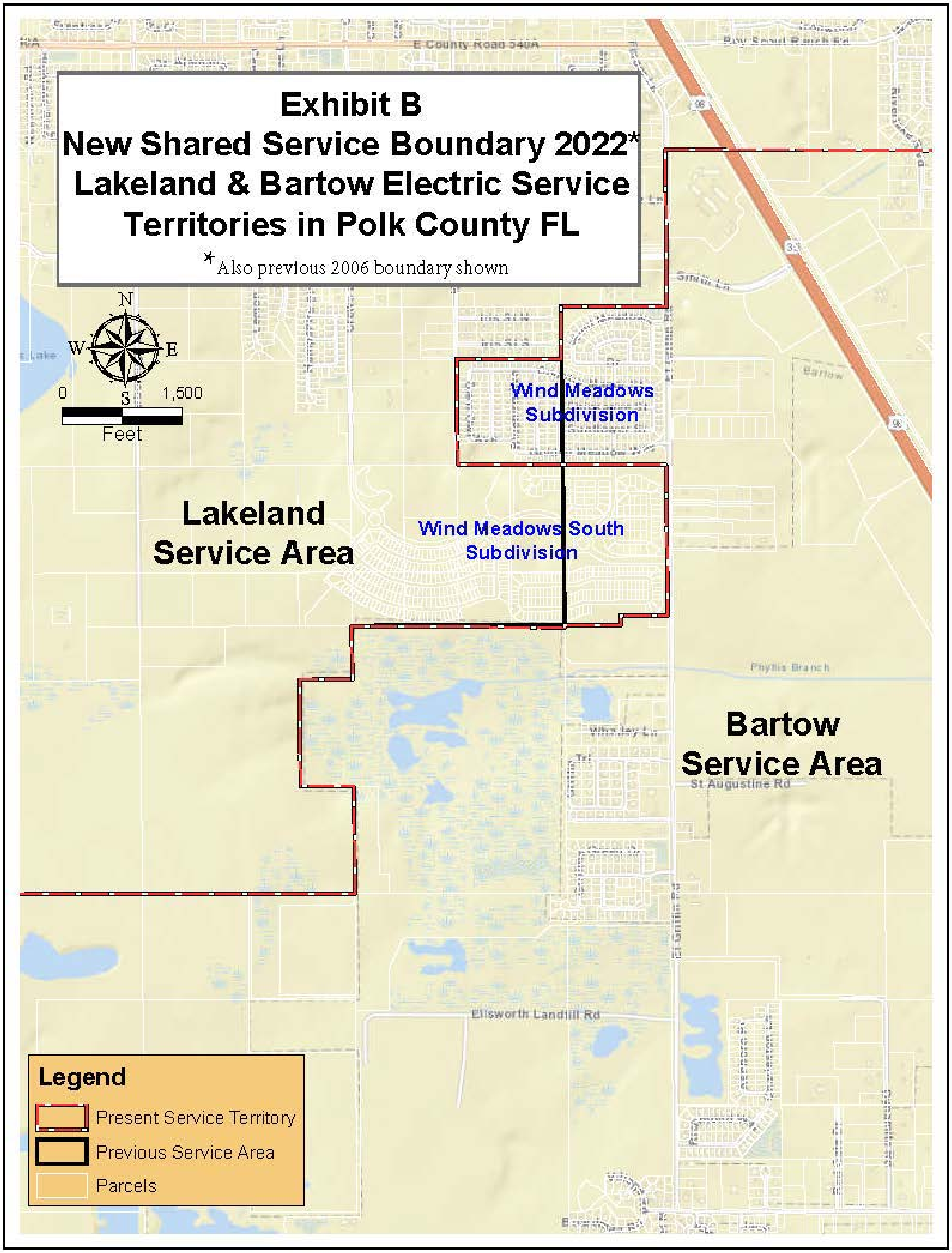


Exhibit B
New Shared Service Boundary 2022*
Lakeland & Bartow Electric Service
Territories in Polk County FL
*Also previous 2006 boundary shown
N
W
E
S
0
1,500
Feet
E County Road 540A
Wind Meadows
Subdivision
Wind Meadows South
Subdivision
Lakeland
Service Area
Bartow
Service Area
St Augustine Rd
Phyllis Branch
Ellsworth Landfill Rd
Legend
Present Service Territory
Previous Service Area
Parcels

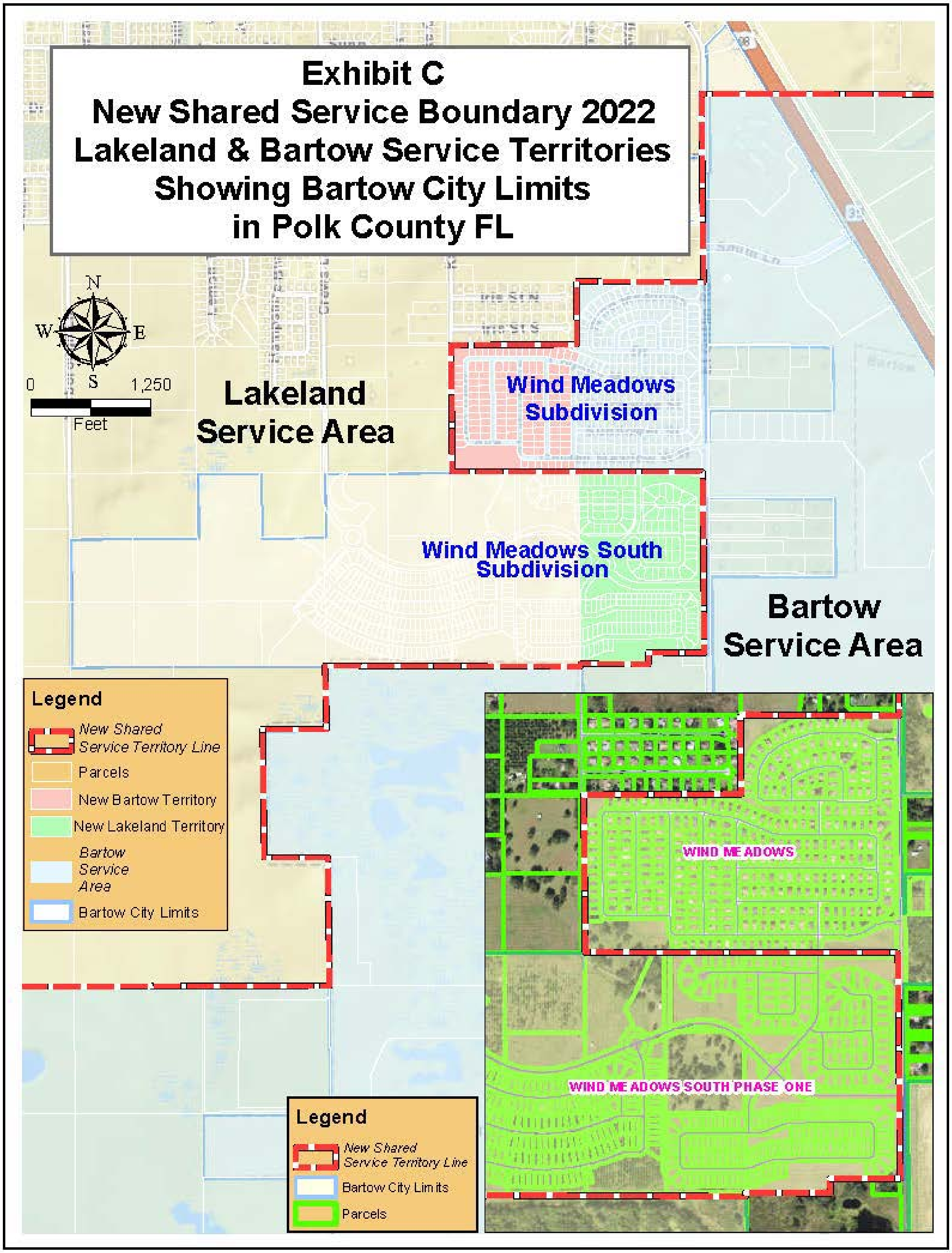
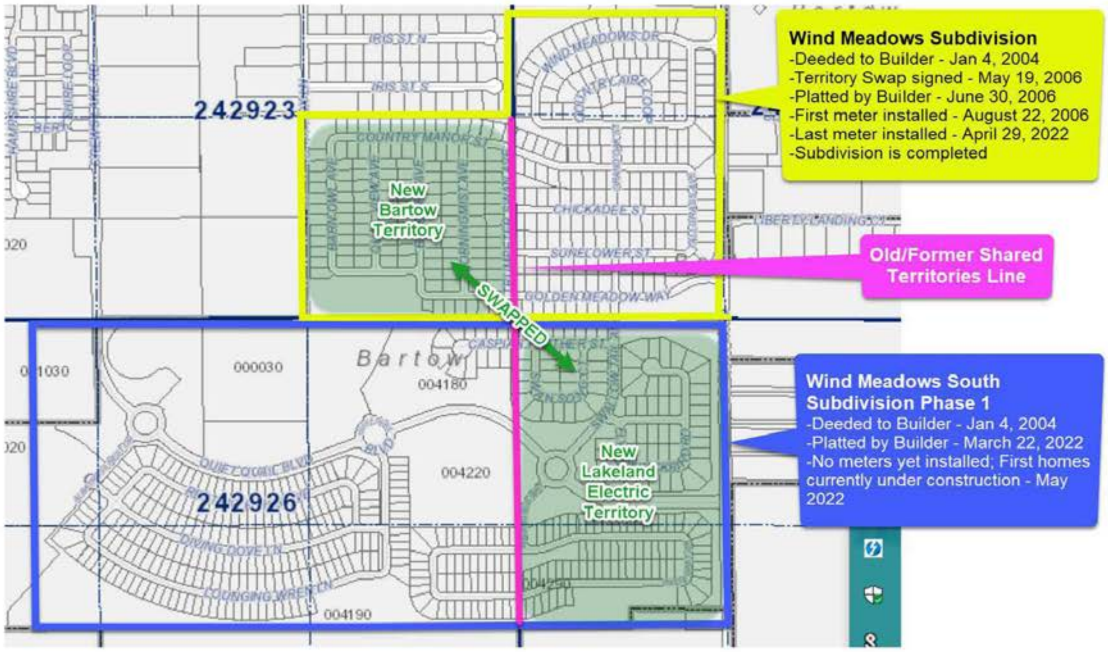


Exhibit C
New Shared Service Boundary 2022
Lakeland & Bartow Service Territories
Showing Bartow City Limits
in Polk County FL
N
W
E
S
0
1,250
Feet
Lakeland Service Area
Wind Meadows Subdivision
Wind Meadows South Subdivision
Bartow Service Area
Legend
New Shared Service Territory Line
Parcels
New Bartow Territory
New Lakeland Territory
Bartow Service Area
Bartow City Limits
WIND MEADOWS
WIND MEADOWS SOUTH PHASE ONE
Legend
New Shared Service Territory Line
Bartow City Limits
Parcels


Wind Meadows Subdivision
-Deeded to Builder - Jan 4, 2004
-Territory Swap signed - May 19, 2006
-Platted by Builder - June 30, 2006
-First meter installed - August 22, 2006
-Last meter installed - April 29, 2022
-Subdivision is completed
New Bartow Territory
SWAPPED
Old/Former Shared Territories Line
New Lakeland Electric Territory
Wind Meadows South Subdivision Phase 1
-Deeded to Builder - Jan 4, 2004
-Platted by Builder - March 22, 2022
-No meters yet installed; First homes currently under construction - May 2022
242923
242926
Bartow
000030
004180
004220
004190
GOLDEN MEADOW WAY
CHICKADEE ST
SUNFLOWER ST
COUNTRY MANOR ST
WIND MEADOWS DR
IRIS ST N
IRIS ST S

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: June 24, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Barrett, Coston) JGH
Office of the General Counsel (Sandy) JSC

RE: Docket No. 20220003-GU – Purchased gas adjustment (PGA) true-up

AGENDA: 07/07/22 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: 07/7/22

SPECIAL INSTRUCTIONS: None

Case Background

On May 26, 2022, Peoples Gas System (Peoples or Company) filed a Petition for a Mid-Course Correction of its purchased gas adjustment factor cap (PGA cap) (Petition). In its Petition, Peoples asserts that, without a mid-course adjustment to its PGA cap, it expects an under-recovery of costs greater than 10 percent of 2022 projected revenues. Peoples requested that, in order to reduce rate impact, its Petition should be heard at the July 7, 2022 Agenda Conference and that the requested factor adjustment be effective with the first billing cycle in August through the last billing cycle for December 2022.[1] The currently-effective PGA cap was established in Order No. PSC-2021-0437-FOF-GU (2021 PGA Order).[2] At Page 3 in the 2021 PGA Order, the Commission approved a levelized PGA cap for Peoples for the period January

[1]Document No. 03200-2022.

[2]Order No. PSC-2021-0437-FOF-GU, Final Order Approving Purchased Gas Adjustment True-up Amounts and Establishing Purchased Gas Cost Recovery Factors To Be Applied During the Period of January 2022 through December 2022, issued November 22, 2021, in Docket No. 20210003-GU, *In re: Purchased Gas Adjustment (PGA) true-up*.

2022 through December 2022 of $1.19163 per therm. The Company seeks a mid-cycle adjustment because recent market price projections for natural gas significantly exceed the price projections that were used to set the current PGA cap. Absent a correction, this projected increase in the price of natural gas is expected to result in a relatively large under-recovery of PGA costs by the end of 2022.[3]

Peoples' Petition conforms to requirements previously established by the Commission for seeking a mid-course correction to forecasted gas expenses.[4] The Commission has previously approved mid-course corrections to the PGA cap for several utilities when the amount of projected under recovery was substantial.[5]

Issue 1 in this recommendation addresses the PGA cost differences and the proposed related adjustment to the PGA cap. The proposed effective date of the revised PGA cap, as reflected in the proposed tariff sheet revision, is addressed in Issue 2. The revised tariff sheet is included as Attachment A to this recommendation.

The Commission is vested with jurisdiction over the subject matter of this proceeding by the provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

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[3]An annual docket is established to review the actual and estimated purchased gas costs. Ordinarily, the appropriate levelized purchased gas cost recovery (cap) factors for Peoples and the other investor-owner natural gas utilities are set/reset for a full 12-month period on an annual basis. The next hearing for the Purchased Gas Adjustment docket is scheduled to begin on November 1, 2022.

[4]*See* Order No. PSC-05-1029-PCO-GU (2005 Mid-course Order, issued October 21, 2005, in Docket No. 20050003-GU, *In re: Purchased Gas Adjustment (PGA) true up*. (The Commission has adopted a method for recovery of purchased gas costs by regulated natural gas utilities by means of a levelized Purchased Gas Adjustment (PGA) factor to serve as a cap, or maximum recovery factor, for each calendar year commencing January 1 through December 31. The Commission has also adopted a method by which a utility may, at its option, request a mid-course correction if revised projected expenses for the remainder of the period significantly exceed projected revenues as calculated under the Commission-approved cap. The Commission has previously approved mid-course corrections to the PGA cap for several utilities when the amount of projected under recovery was substantial.)

[5]*See* Order No. PSC-00-1910-PCO-GU, Chesapeake Utilities Corporation Mid-Course Correction, issued February 19, 2001, in Docket No. 010003-GU, *In re: Purchased Gas Adjustment (PGA) True-up;* Order No. PSC-00-1422-PCO-GU, City Gas Company of Florida Mid-Course Correction, issued February 19, 2001, in Docket No. 010003-GU, *In re: Purchased Gas Adjustment (PGA) True-up*; Order No. PSC-00-2137-PCO-GU, Florida Public Utilities Mid-Course Correction, issued February 19, 2001, in Docket No. 010003-GU, *In re: Purchased Gas Adjustment (PGA) True-up*; Order No. PSC-00-1524-PCO-GU, Peoples Gas System Mid Course Correction, issued February 19, 2001, in Docket No. 010003-GU, *In re: Purchased Gas Adjustment (PGA) True-up*; Order No. PSC-00-1909-PCO-GU, Indiantown Gas Company Mid Course Correction, issued February 19, 2001, in Docket No. 010003-GU, *In re: Purchased Gas Adjustment (PGA) True-up*; Order No. PSC-00-2138-PCO-GU, St. Joe Natural Gas Company Mid-Course Correction, issued February 19, 2001, in Docket No. 010003-GU, *In re: Purchased Gas Adjustment (PGA) True-up*.

Discussion of Issues

Issue 1: Should the Commission approve the Petition for Mid-Course Correction filed by Peoples Gas System?

Recommendation: Yes. The Commission should approve the Petition for Mid-Course Correction filed by Peoples Gas System. Adjusting the PGA cap as proposed by the Company would allow it the opportunity to timely recover the recent market-driven escalation in the Company's forecasted costs for natural gas that are expected to be much higher than originally forecasted. (Barrett)

Staff Analysis:

Summary of Petition

By Order No. PSC-2021-0437-FOF-GU (2021 PGA Order), the Commission approved Peoples' levelized PGA cap factor of $1.19163 per therm, effective with the first billing cycle for January 2022. Since implementing the current PGA cap, Peoples has monitored its natural gas cost recovery revenue and expenses on an ongoing basis, and based upon the actual 2021 results and updated estimates for 2022, the Company now projects that an under-recovery greater than 10 percent is likely to occur absent a modification to the PGA cap.

In its revised projection for the remainder of 2022, the Company estimates that the expense for purchasing natural gas will significantly exceed the revenues that are projected to be recovered via the currently-approved levelized PGA cap. Specifically, the revised 2022 expense for purchasing natural gas is estimated to be $194,212,488, while the projected revenues for the same period would be $177,743,492. When this difference between expenses and revenues is coupled with the true-up balances, interest charges, and other adjustments, the end-of-year (2022) true-up balance is projected to be an under-recovery of $23,491,901. The Company asserts that unless a mid-course correction is made for the remainder of 2022, the true-up balance of $12,048,954 under-recovery that existed at the beginning of 2022 is estimated to increase to $23,491,901 by the end of December 2022.[6]

Peoples asserts that the primary cause of the projected 2022 under-recovery is a significant increase in projected 2022 natural gas prices, yielding higher costs than the projected costs that were used to establish the currently-approved PGA cap. According to Peoples, since the issuance of the 2021 PGA Order, a convergence of inter-related factors has "resulted in an extraordinary environment affecting natural gas pricing." These factors include strong liquified natural gas (LNG) exports, geopolitical uncertainty caused by Russia's military invasion of Ukraine, lower-than-projected storage inventory levels, demand for natural gas exceeding current natural gas production levels, and atypical weather patterns. (Petition at 3) Peoples believes resetting the PGA cap for August through December of 2022 would provide its customers with the appropriate price signal, while at the same time allow it to recover the reprojected costs for purchased natural gas.

[6]Document No. 00411-2022, Peoples' monthly PGA filing for December 2021 (Schedule A-2, Line 12).

Peoples is proposing to reset its PGA cap from $1.19163 per therm to $1.70492 per therm, effective with the first billing cycle of August 2022 through the last billing cycle of December 2022. If approved, applying this revised PGA cap will allow the Company to address the under-recovered true-up balance, although it may not eliminate the full amount of the re-projected expenses if natural gas prices continue to increase. However, Commission approval of this mid-cycle action would allow the Company to reduce the impact of the true-up balance in 2022, and thereby mitigate having to do so during the year 2023, for customers who are subject to the PGA. If approved, the Company states that the average RS-2 residential customer with monthly consumption of 14 therms would incur an additional gas cost of $7.19 per month if natural gas costs require the PGA to increase to the proposed new PGA cap between August and December.

A revised tariff sheet in "clean" and "legislative" formats is attached to the Company's Petition. Because the Company is requesting an effective date beginning with the first billing cycle in August 2022, Peoples requested consideration of this Petition on or before the July 7, 2022 Commission Agenda Conference in order to allow it to provide notice to customers. The Company's proposed effective date and revisions to its tariff are addressed in Issue 2.

Analysis

In projecting its costs for natural gas, the Company evaluates New York Mercantile Exchange (NYMEX) natural gas futures settlement prices. For 2022, this evaluation was done in July 2021, resulting in a average price of $3.40 per MMBTU.[7] In the 2021 PGA proceeding, Peoples' witness Bramley testified that a significant weather event earlier in February 2021 caused daily cash prices for natural gas to set records across much of the United States. In testimony dated August 6, 2021, she stated:

> However, starting in May [of 2021] and continuing into July, the current and forward price for natural gas has continued to increase. Unlike the temporary natural gas price movements Peoples experienced in February [of 2021], with Winter Storm Uri, the increases seen since May are expected to be a fundamental market shift that continues for the current year and into 2022. The drivers of this change are low natural gas storage levels, high demand for liquefied natural gas exports, extreme weather, and low production growth. (TR 47)[8]

Updated NYMEX natural gas futures settlement prices for 2022 were evaluated and averaged over May 4-10, 2022 (excluding weekends), indicating an annual average of $7.00 per MMBTU, which is more than double the average that was forecasted at the time the original 2022 forecast was prepared ($3.40 per MMBTU).[9] Staff notes that the factors driving this increase, per the Company's Petition in this case, are nearly identical to those factors cited by the Company in the

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[7]The results of that analysis indicated the five-day average NYMEX Futures Natural Gas price of $3.40 per MMBTU. For forecasting purposes, Peoples adjusts that value to account for unexpected and unforeseen changes due to market forces over the forecasted period. The adjusted annual average price was $4.08 per MMBTU.

[8]Document No. 12644-2021, Transcript –Volume 1, Page 1 to 63, of 11/2/21 hearing in Docket No. 20210003-GU.

[9]The Company provided information that the adjusted value used for forecasting purposes was $7.47 per MMBTU. The adjustment of $0.47 per MMBTU is to account for unexpected and unforeseen changes due to market forces over the forecasted period. The Company also provided information on an analysis performed roughly a month later, indicating that current NYMEX future prices that the Company evaluated (as of June 6, 2022) for the 3rd and 4th quarter of 2022 exceed $9.00 per MMBTU.

development of the current PGA cap. In its Petition, the Company also noted that current events in Ukraine have influenced natural gas market prices. Staff agrees that it is reasonable to conclude that these are causative factors impacting recent increases in natural gas prices and price futures.[10]

The underrecovery of costs in 2022 is not based on year-to-date actual outcomes of PGA expenses, revenues, and other adjustments, but rather projected PGA expenses exceeding projected revenues for the last 7 months of 2022.[11] During this forward-looking 7-month period, expenses are expected to significantly exceed revenues due primarily to the aforementioned increases in the projected price of natural gas.

Absent the instant pleading, staff believes November's cost recovery hearing would be the forum for Peoples to seek recovery of its actual and estimated costs. However, as the Petition demonstrates, Peoples is expecting to incur higher market prices than originally projected for natural gas, resulting in an estimated 2022 year-end under-recovery balance of $23,491,901.

Based on the data provided in Peoples' revised forecast, staff calculated the mid-course correction percentage by comparing the projected 2022 year-end under-recovery balance ($23,491,901) to the projected 2022 revenues ($177,743,492). The resulting mid-course correction percentage, 13.22 percent, exceeds the 10 percent trigger for mid-course correction procedures as identified in Order No. PSC-93-0708-FOF-GU.

Staff believes addressing the imbalance in costs at an earlier occasion is preferred over waiting until November's hearing to do so. Although the Commission sets a levelized PGA cap, utilities have the flexibility to charge a lower factor on monthly bills. A mid-cycle change to reset the PGA cap is an opportunity for the Commission to be responsive to the market-driven escalation in forecasted costs. While it is possible that market prices between now and November's hearing could change in a manner that would reduce the projected under-recovery balance, the opposite is possible as well. Absent any action, the higher or lower true-up balance would be addressed at the November evidentiary hearing in this docket, when the Commission sets the Company's 2023 PGA cap. However, staff believes a PGA cap change implemented for the August through December 2022 billing cycles is more timely. Staff believes this action will greatly reduce the true-up balance through the remaining months of 2022, and the results of that action would, in turn, moderate or eliminate the portion of the 2023 PGA cap that is calculated from the end-of-year (2022) true-up balance.

In addition, it is important to note that, while the instant Petition addresses a proposed revision to the PGA cap for Peoples, the determination of prudence of PGA costs incurred is reserved as an issue to be resolved at the time of the hearing or in a subsequent Commission Agenda Conference. Any costs found to be imprudently incurred and recovered would be a matter to be addressed by the Commission at that time.

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[10]As a general matter, supply disruptions in any market for natural gas will influence demand and commodity prices in other markets. Constrained supply would put upward pressure on market prices.
[11]*See* Petition, Appendix A, Page 9.

Bill Impact for typical residential customer

The revised PGA cap the Company is recommending is $1.70492 per therm, an increase of approximately $0.51 cents per therm. If approved, the Company stated that an average residential customer taking service under the RS-2 tariff with monthly consumption of 14 therms would incur an additional gas cost of $7.19 per month, for the August through December 2022 billing cycles. Staff typically assumes average residential usage of 20 therms per month for comparative purposes. A sample bill for a residential customer on the RS-2 rate schedule using 20 therms of natural gas is shown below in Table 1-1. Based on the proposed PGA cap adjustment, a residential customer taking service under the RS-2 tariff with monthly consumption of 20 therms would incur an additional gas cost of $10.27 per month, for the August through December 2022 billing cycles.

Table 1-1
Sample Bill for Residential Customer on the RS-2 Rate Schedule Using 20 Therms

Invoice Component	Currently-Approved Charges for July, 2022 ($)	Proposed New Charges for Aug-Dec, 2022 ($)	Current to Proposed Difference ($)	Current to Proposed Difference (%)
Customer Charge	$18.10	$18.10	-	-
Distribution Charge (factor = 0.42721)	8.54	8.54	-	-
Purchased Gas Adjustment	23.83	34.10	$10.27	43.10%
Gross Receipts Tax	1.03	1.03	-	-
Total Bill	$51.50	$61.77	$10.27	19.94%

Source: Peoples provided this information to staff, noting that Franchise Fees and Municipal Public Service Taxes are not included for this sample bill, because both values are dependent upon the customer's location.

Conclusion

Staff recommends the Commission approve the Petition for Mid-Course Correction filed by Peoples Gas System. Adjusting the PGA cap as proposed by the Company would allow Peoples the opportunity to timely recover the recent market-driven escalation in the Company's forecasted costs for natural gas that are expected to be much higher than originally forecasted.

Issue 2: If approved by the Commission, what is the appropriate effective date for Peoples' revised levelized PGA cap?

Recommendation: The appropriate revised levelized PGA cap shown on Attachment A (tariff sheet No. 7.101-1) should become effective with the first billing cycle of August 2022. (Coston)

Staff Analysis: In its Petition, Peoples has requested that the proposed revisions to the PGA cap and associated tariffs become effective beginning with the first billing cycle of August 2022, which starts August 2, 2022.[12] Under this request, the effective date of the increase would be 26 days post-Commission vote. Attachment A to this recommendation contains the proposed tariff sheet.

The Commission has considered the effective date of rates and charges of the revised PGA cap and for the levelized purchased gas adjustment cost recovery factors on a case-by-case basis. While petitions for purchased gas adjustment cost recovery mid-course corrections are infrequent, the Commission has approved an effective date less than 30 days from the Commission's vote.

In Order No. PSC-05-1029-PCO-GU, the Commission approved a mid-course correction to Florida Public Utilities Company's PGA cap on the effective date of the Commission's vote.[13] In 2001, the Commission approved requests by six natural gas utilities for mid-course corrections to their caps. In each of these cases, the Commission allowed the new cap to take effect the day of the Commission's vote.[14] In the 2001 cases, the Commission stated that the requests were driven by drastic increases in the price of natural gas.

For comparison purposes, over the last 20 years, in the electric Fuel Cost Recovery Clause docket, the Commission has approved fuel cost recovery factor rate decreases effective sooner than the next full billing cycle after the date of the Commission's vote, with the range between the vote and effective date being from 25 to 2 days. The rationale for that action being that it was in the customers' best interests to implement the lower rate as soon as possible. With regard to fuel cost recovery factor/rate increases, the Commission has approved an effective date of the revised factors ranging from 14 to 29 days after the vote. In two of these cases, the Commission noted that the utility had given its customers 30 days' written notice before the date of the vote

[12]Peoples Gas System Response to Data Request.

[13]Order No. PSC-2005-1029-PCO-GU, Final Order Approving Mid-Course Correction, issued October 21, 2005, in Docket No. 20050003-GU, *In re: Purchased Gas Adjustment (PGA) true-up.*

[14]*See* Order No. PSC-00-1910-PCO-GU, Chesapeake Utilities Corporation Mid-Course Correction, issued February 19, 2001, in Docket No. 010003-GU, *In re: Purchased Gas Adjustment (PGA) True-up;* Order No. PSC 00-1422-PCO-GU, City Gas Company of Florida Mid-Course Correction, issued February 19, 2001, in Docket No. 010003-GU, *In Re: Purchased Gas Adjustment (PGA) True-up*; Order No. PSC-00-2137-PCO-GU, Florida Public Utilities Mid-Course Correction, issued February 19, 2001, in Docket No. 010003-GU, *In Re: Purchased Gas Adjustment (PGA) True-up*; Order No. PSC-00-1524-PCO-GU, Peoples Gas System Mid Course Correction, issued February 19, 2001, in Docket No. 010003-GU, *In Re: Purchased Gas Adjustment (PGA) True-up*; Order No. PSC-00-1909-PCO-GU, Indiantown Gas Company Mid Course Correction, issued February 19, 2001, in Docket No. 010003-GU, *In Re: Purchased Gas Adjustment (PGA) True-up*; Order No. PSC-00-2138-PCO-GU, St. Joe Natural Gas Company Mid-Course Correction, issued February 19, 2001, in Docket No. 010003-GU, *In Re: Purchased Gas Adjustment (PGA) True-up*.

that a fuel cost recovery factor increase had been requested and provided the proposed effective date of the higher fuel factors. Staff believes the same rationale is applicable to a gas mid-course correction.

As previously noted, there are 26 days between the Commission's vote on July 7, 2022, and the beginning of Peoples' billing cycle on August 2, 2022. Staff notes that an effective date in August 2022 will provide the greatest number of months within 2022 over which to spread recovery, resulting in a lower potential monthly bill impact for Peoples' customers.

On May 26, 2022, the Company added information about this Petition to its website, and bill and email notifications are planned for issuance with the July 1, 2022 billing cycle.[15] Staff reviewed drafts of customer notifications prior to the issuance of bills for the July 2022 billing cycle. If approved, billing and email notifications will be issued with the August 2, 2022 billing cycle announcing the Commission's decision on the matter. Per the Company, its webpage would also be updated to reflect the Commission decision.

Conclusion

Based on the above, staff recommends that the appropriate revised levelized PGA cap shown on Attachment A should become effective with the first billing cycle of August 2022.

[15]The website link for Peoples' Frequently Asked Questions page, which contains information about the Petition, is: https://www.peoplesgas.com/rates/faq/

Issue 3: Should this docket be closed?

Recommendation: No. Docket No. 20220003-GU is an on-going proceeding and should remain open. (Sandy)

Staff Analysis: Docket No. 20220003-GU is an on-going proceeding and should remain open.

GENERAL APPLICABILITY PROVISIONS (Continued)

and Contract Interruptible rate schedules will be curtailed or interrupted at the sole discretion of the Company. The Customer shall hold the Company harmless from any and all liabilities, penalties, alternate fuels subsidies, price adjustments and claims of whatever type, resulting from or arising out of the Company's curtailment or interruption of deliveries of Gas transported by Company under an interruptible rate schedule.

B. PURCHASED GAS ADJUSTMENT CLAUSE

The energy charge of the Monthly Rate for Gas supplied in any Billing Period shall be adjusted by the Company's expected weighted average cost of Gas (WACOG). The WACOG may not exceed the Commission-approved purchased Gas cost recovery factor based on estimated Gas purchases for the twelve-month period of January through December, in accordance with the methodology adopted by the Commission on May 2, 1991, in Order No. 24463, Docket No. 910003-GU, or as such methodology may be amended from time to time by further order of the Commission. The WACOG determined as set forth above shall be multiplied by 1.00503 for regulatory fees, rounded to the nearest $.00001 per Therm, and applied to the total number of Therms consumed by the Customer during the Billing Period.

The purchased Gas cost recovery factor (cap) approved by the Commission for bills rendered for meter readings taken on or after ~~January~~ August 1, 2022, beginning with the first or applicable billing cycle through the last billing cycle for December 2022 is ~~$1.19163~~$1.70492 per Therm.

The purchased Gas cost recovery factor shall serve as a cap or maximum recovery factor. If re-projected expenses for the remaining period exceed projected recoveries by at least 10% for the twelve (12) month period, a mid-course correction may formally be requested by the Company. For changes in market conditions and costs, the Company, upon one day's notice to the Commission, may increase or decrease the WACOG as long as any increase does not exceed the authorized cap. The current month WACOG may be adjusted for prior months' differences between projected and actual costs of Gas purchased, but may not exceed the approved cap for the period.

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: June 24, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Guffey, Coston, Draper) JGH
Office of the General Counsel (Sandy, Crawford) JSC

RE: Docket No. 20220067-GU – Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company - Indiantown Division.

AGENDA: 07/07/22 – Regular Agenda – Tariff Suspension – Participation is at the discretion of the Commission

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Passidomo

CRITICAL DATES: 07/25/22 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

On May 24, 2022, Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company-Fort Meade, and Florida Public Utilities Company-Indiantown Division (collectively FPUC or Company) filed a petition seeking Commission approval to increase rates and charges and to consolidate the four natural gas utilities into one utility operating under the name Florida Public Utilities Company (FPUC). The four natural gas utilities provide sales and transportation of natural gas and are public utilities subject to the Commission's regulatory jurisdiction under Chapter 366, Florida Statutes (F.S.).

In 2009, Chesapeake Utilities Corporation, a Delaware corporation, which owned and operated the Florida Division of Chesapeake Utilities Corporation, acquired Florida Public Utilities

Company's electric and gas divisions. In 2010, Florida Public Utilities Company acquired Indiantown Gas Company and in 2013 the natural gas assets of Fort Meade, a municipal utility. Since the acquisitions, Indiantown Gas Company operates as Florida Public Utilities Company-Indiantown Division and Fort Meade as Florida Public Utilities Company-Fort Meade.

The Company currently serves approximately 92,000 residential, commercial, and industrial customers in 26 counties throughout the state of Florida. In its petition, the Company requested an increase of $43.8 million in additional annual revenues. Of that amount, $19.8 million is associated with moving the Company's current investment in the Commission-approved Gas Reliability Infrastructure Program (GRIP), which is being recovered through a separate surcharge on customers' bills, into base rates. The remaining $24 million, according to FPUC, is necessary for the Company to earn a fair return on its investment and a requested return on equity of 11.25 percent. The Company based its request on a 13-month average rate base of $454.9 million for the projected test year January through December 2023. The requested overall rate of return is 6.43.

FPUC's last approved rate case was in 2008,[1] Florida Division of Chesapeake Utilities Corporation's last rate case was in 2009,[2] and the Indiantown Division's last rate case was in 2003, prior to its acquisition in 2013.[3] Fort Meade was a municipal utility prior to its acquisition in 2013 and has not had a rate case prior to this pending docket. More recently, in Commission Order No. PSC-2021-0148-TRF-GU,[4] the four individual utilities' tariffs were consolidated without modifications to customer rates. Prior to the consolidation of the tariffs, the utilities provided natural gas service under four separate Commission-approved tariffs.

The Company stated that the key drivers for the proposed rate increase are: capital investments to expand service, technology and safety investments, increased insurance premiums, and an increase in cost of materials and labor as a result of high inflation. As part of the petition, the Company filed a new 2023 depreciation study, a cost recovery environmental surcharge, revisions to its Area Expansion Program (AEP), and consolidated rate structures.

In its petition, the Company requested an interim rate increase of $7.13 million. Section 366.071, F.S., addresses interim rates and procedures and requires the Commission to authorize within 60 days of a filing for an interim rate increase the collection of interim rates. On June 7, 2022, the Company waived the 60-day provision of Section 366.071(2), F.S., and agreed to defer

[1] Order No. PSC-2009-0848-S-GU, issued December 28, 2009, in Docket No. 20080366-GU, *In re: Petition for rate increase by Florida Public Utilities Company.*

[2] Order No. PSC-10-0029-PAA-GU, issued January 14, 2010, in Docket No. 20090125-GU, *In re: Petition for increase in rates by Florida Division of Chesapeake Utilities Corporation.*

[3] Order No. PSC-04-0565-PAA-GU, issued June 2, 2004, in Docket No. 20030954-GU, *In re: Petition for rate increase by Indiantown Gas Company*.

[4] Order No. PSC-2021-0148-TRF-GU, issued April 22, 2021, in Docket No. 20200214-GU, *In re: Joint petition of Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and the Florida Division of Chesapeake Utilities Corporation for approval of consolidation of tariffs, for modifications to retail choice transportation service programs, and to change the MACC for Florida Public Utilities Company.*

implementation of the proposed interim rates until the issue is addressed at the scheduled August 2, 2022 Agenda Conference.[5]

This recommendation is to suspend the proposed final rates and charges. Pursuant to Sections 366.06(2) and (4), F.S., FPUC requested that this rate case should be processed using the Commission's hearing process. Accordingly, an administrative hearing has been scheduled for this matter from October 25 through 28, 2022. The Commission has jurisdiction over this request under Section 366.06, F.S.

[5] Document No. 03478-2022, filed June 7, 2022.

Discussion of Issues

Issue 1: Should the request for a permanent increase in rates and charges be suspended for FPUC?

Recommendation: Yes. Staff recommends that the requested permanent increase in rates and charges be suspended for FPUC. (Guffey)

Staff Analysis: Staff recommends that the requested permanent increase in rates and charges be suspended for FPUC to allow staff and the parties time to analyze the case and for the Commission to conduct a hearing.

Pursuant to Section 366.06(3), F.S., the Commission may withhold consent to the operation of all or any portion of a new rate schedule, delivering to the utility requesting such a change, a reason, or written statement of a good cause for doing so with 60 days. Staff believes that the reasons previously stated are good cause consistent with the requirements of Section 366.06(3), F.S.

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open pending the Commission's final resolution of the Company's requested rate increase. (Sandy)

Staff Analysis: This docket should remain open pending the Commission's final resolution of the Company's requested rate increase.