

**MINUTES OF December 6, 2011**  
**COMMISSION CONFERENCE**  
**COMMENCED: 9:32 am**  
**ADJOURNED: 10/25 am**

**COMMISSIONERS PARTICIPATING:** Chairman Graham  
Commissioner Edgar  
Commissioner Brisé  
Commissioner Balbis  
Commissioner Brown

Parties were allowed to address the Commission on items designated by double asterisks (\*\*).

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1                    **Approval of Minutes**  
                         October 4, 2011 Regular Commission Conference

DECISION: The minutes were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

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2\*\*

**Consent Agenda**

A) Docket No. 110304-GU – Application for authorization to issue common stock, preferred stock and secured and/or unsecured debt, and to enter into agreements for interest rate swap products, equity products and other financial derivatives, and to exceed limitation placed on short-term borrowings in 2012, by Florida Division of Chesapeake Utilities Corporation.

The Company seeks authority to issue during calendar year 2012: up to 5,875,782 shares of Chesapeake common stock, up to 1,000,000 shares of Chesapeake preferred stock, up to \$120 million in secured and/or unsecured debt, to enter into agreements up to \$40 million in Interest Rate Swap Products Equity Products and other financial derivatives, and to issue short-term obligations in an amount not to exceed \$100 million.

Chesapeake Utilities Corporation allocates funds to the Florida Division, Florida Public Utilities, and Indiantown Gas Company on an as-needed basis, although in no event would such allocations exceed 75 percent of the proposed equity securities (common stock and preferred stock), long-term debt, short-term debt, interest rate swap products, equity products, and financial derivatives.

**Recommendation:** The Commission should approve the action requested in the docket referenced above. For monitoring purposes, this docket should remain open until April 26, 2013, to allow the Company time to file the required Consummation Report.

**DECISION:** The recommendation was approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

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3\*\*PAA

**Docket No. 110263-EU** – Joint Petition for approval to amend territorial agreement in Lake and Orange Counties by Progress Energy Florida, Inc. and the City of Mount Dora.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Brisé

**Staff:** GCL: Barrera

ECR: Rieger

**Issue 1:** Should the Commission approve the joint petition for approval to amend a territorial agreement in Lake and Orange Counties between PEF and Mount Dora?

**Recommendation:** Yes. The joint petition to amend a territorial agreement between PEF and Mount Dora should be approved.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If no person whose substantial interests are affected files a protest to the Commission's proposed agency action order within 21 days, the docket may be closed upon issuance of a consummating order.

**DECISION:** The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

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4\*\*

**Docket No. 110293-EI** – Petition for approval of revised underground residential distribution tariffs, by Progress Energy Florida, Inc.

**Critical Date(s):** 12/13/11 (60-Day Suspension Date)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** ECR: A. Roberts, Draper

GCL: Barrera

**Issue 1:** Should the Commission suspend PEF proposed Tariff Sheets Nos. 4.113, 4.114, 4.115 and 4.122 regarding construction of underground residential facilities?

**Recommendation:** Yes.

**Issue 2:** Should this docket be closed?

**Recommendation:** No. This docket should remain open pending the Commission's final decision on the proposed tariff revision.

**DECISION:** The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

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5\*\*PAA

**Docket No. 110133-GU** – Petition for approval of acquisition adjustment and recovery of regulatory assets, and request for consolidation of regulatory filings and records of Florida Public Utilities Company and Florida Division of Chesapeake Utilities Corporation. (Deferred from the November 22, 2011 Commission Conference, revised recommendation filed.)

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Brisé

**Staff:** ECR: Slemkewicz, Draper, Kaproth, Salnova, Springer

GCL: Young

**Issue 1:** Has Chesapeake complied with the reporting requirements of Order No. PSC-10-0029-PAA-GU?

**Recommendation:** Yes. Chesapeake has complied with the reporting requirements of Order No. PSC-10-0029-PAA-GU.

**Issue 2:** Should the Commission accept Chesapeake's proposal to amortize the \$34,192,493 positive acquisition adjustment over a 30 year period, beginning November 2009?

**Recommendation:** Yes. Chesapeake should be allowed to record the \$34,192,493 purchase price premium as a positive acquisition adjustment to be amortized over a 30-year period beginning November 2009. The positive acquisition adjustment should be recorded in Account 114 – Gas Plant Acquisition Adjustments and the amortization expense should be recorded in Account 406 – Amortization of Gas Plant Acquisition Adjustment. The level of the actual cost savings supporting Chesapeake's request should be subject to review in FPUC's next rate case proceeding. In FPUC's next rate proceeding, if it is determined that any of the cost savings no longer exist, the acquisition adjustment may be partially or totally removed as deemed appropriate by the Commission. FPUC should file its earnings surveillance reports with and without the effect of the acquisition adjustment. Chesapeake is not seeking approval of an acquisition adjustment associated with the Indiantown Gas Company transaction at this time.

**Issue 3:** Should the Commission accept Chesapeake's proposal to amortize, above the line, the regulatory assets established for transaction and transition costs of \$2,207,158 over a five year period, beginning November 2009?

**Recommendation:** Yes. Transaction and transition costs should be recorded as a regulatory asset and amortized over five years beginning November 2009. The amounts should be \$1,650,983 and \$556,175, respectively, for a total of \$2,207,158. The Commission should find that the approval to record the regulatory asset for accounting purposes does not limit the Commission's ability to review the amounts for reasonableness now and in future rate proceedings.

**ITEM NO.**

**CASE**

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5\*\*PAA

**Docket No. 110133-GU** – Petition for approval of acquisition adjustment and recovery of regulatory assets, and request for consolidation of regulatory filings and records of Florida Public Utilities Company and Florida Division of Chesapeake Utilities Corporation. (Deferred from the November 22, 2011 Commission Conference, revised recommendation filed.)

(Continued from previous page)

**Issue 4:** Should the Commission accept Chesapeake’s proposed use of the modified straight-line method to amortize the acquisition premium over 30 years and the regulatory assets over 5 years?

**Recommendation:** No, the unmodified straight-line amortization methodology should be used to amortize the acquisition adjustment and the transaction and transition costs.

**Issue 5:** Should the Commission accept Chesapeake’s proposal to consolidate the earnings surveillance reports and accounting records of the Florida Division of Chesapeake, the gas division of FPUC, and the FPUC - Indiantown Division with a combined midpoint return on equity of 10.85 percent?

**Recommendation:** No. Chesapeake should not be permitted to consolidate the earnings surveillance reports and accounting records of the three utilities until such time as the rates and tariffs are combined.

**Issue 6:** Should Chesapeake’s request to establish a combined benchmark methodology for FPUC and the Florida Division for the purpose of evaluating incremental cost increases in future rate proceedings be approved?

**Recommendation:** No. It is premature to establish a combined benchmark for the Florida Division and FPUC since the two utilities are not functioning as a single utility for regulatory purposes.

**Issue 7:** What is the amount, if any, of excess earnings for 2010 for the Florida Division?

**Recommendation:** The Florida Division does not have any excess earnings for 2010.

**Issue 8:** What is the amount, if any, of excess earnings for 2010 for the gas division of FPUC?

**Recommendation:** The gas division of FPUC does not have any excess earnings for 2010 based on the inclusion of the acquisition adjustment and the transaction and transition costs recommended in previous issues.

**Issue 9:** What is the appropriate disposition of the 2010 excess earnings, if any, for the Florida Division and the gas division of FPUC?

**Recommendation:** Depending on the level of any excess earnings, the appropriate disposition of any refund, with interest, would be a credit on the customers’ bills or a refund through the Purchased Gas Adjustment (PGA) cost recovery clause. Interest should be calculated using the commercial paper rate as provided in Rule 25-7.091(4), F.A.C. This issue is moot if the recommendations in Issues 7 and 8 are approved.

**ITEM NO.**

**CASE**

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5\*\*PAA

**Docket No. 110133-GU** – Petition for approval of acquisition adjustment and recovery of regulatory assets, and request for consolidation of regulatory filings and records of Florida Public Utilities Company and Florida Division of Chesapeake Utilities Corporation. (Deferred from the November 22, 2011 Commission Conference, revised recommendation filed.)

(Continued from previous page)

**Issue 10:** 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.

**DECISION:** The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

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6\*\*PAA

**Docket No. 110098-WU** – Application for authority to transfer assets and water Certificate No. 428-W in Levy County, from Par Utilities, Inc., to Hash Utilities, LLC. (Deferred from the November 22, 2011 Commission Conference, revised recommendation filed.)

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** ECR: Brady, Gardner, Simpson

GCL: Young

**(Proposed Agency Action for Issues 2, 3, and 4.)**

**Issue 1:** Should the transfer of assets and Certificate No. 428-W from Par Utilities, Inc. to Hash Utilities, LLC. be approved?

**Recommendation:** Yes, the transfer is in the public interest and should be approved effective the date of Commission vote. The territory being transferred is described in Attachment A of staff's memorandum dated November 22, 2011. The resultant order should serve as Hash's water certificate and should be retained by Hash. The Utility's existing rates and charges should continue to be in effect until authorized to change by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective for services provided or connections made on or after the stamped approval date on the tariff pages, pursuant to Rule 25-30.475(1), F.A.C. Hash should be responsible for submitting annual reports and remitting regulatory assessment fees (RAFs) for the Inglewood system for 2011 and all future years.

**Issue 2:** What is the net book value of the Inglewood water system for transfer purposes and should an acquisition adjustment be approved?

**Recommendation:** The net book value of the Inglewood water system is \$27,314 as of December 31, 2010. A ~~positive~~ negative acquisition adjustment should not be ~~approved~~ included in rate base. Within 30 days of the date of the final order, Hash should be required to provide general ledgers which show its books have been updated to reflect the Commission-approved balances as of December 31, 2010, along with a statement that these numbers will also be reflected in the Utility's 2011 annual report.



**ITEM NO.**

**CASE**

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6\*\*PAA

**Docket No. 110098-WU** – Application for authority to transfer assets and water Certificate No. 428-W in Levy County, from Par Utilities, Inc., to Hash Utilities, LLC. (Deferred from the November 22, 2011 Commission Conference, revised recommendation filed.)

(Continued from previous page)

**Issue 3:** Should the Buyer’s request for a bi-monthly billing cycle be approved?

**Recommendation:** Yes, the request for a bi-monthly billing cycle should be approved. Hash should be required to bill on a bi-monthly basis until authorized to change the billing cycle by this Commission in a subsequent proceeding. Hash should be required to file a proposed customer notice to reflect the bi-monthly billing cycle for the water system. The approved bi-monthly billing cycle should be effective for services rendered on or after the stamped approval date of the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved bi-monthly service cycle should not be implemented until staff has approved the proposed customer notice. Hash should provide proof of the date notice was given within ten days after the date of the notice.

**Issue 4:** Should the Buyer’s request for a meter installation charge be approved?

**Recommendation:** Yes. Hash Utilities, LLC’s request for a meter installation charge should be approved. Hash should be required to charge the approved meter installation charge until authorized to change the charge by this Commission in a subsequent proceeding. The charge should be effective for new connections made on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C.

**Issue 5:** Should this docket be closed?

**Recommendation:** Yes. If no protest to the proposed agency action issue is filed by a substantially affected person within 21 days of the date of the order, the docket should be closed upon the issuance of a consummating order.

**DECISION:** The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

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7\*\*

**Docket No. 110216-WU** – Application for amendment of Certificate No. 347-W to delete territory in Marion County by Marion Utilities, Inc. (Deferred from the October 4, 2011 Commission Conference.)

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Balbis

**Staff:** ECR: Walden

GCL: Young

**Issue 1:** Should the Commission approve Marion’s application for amendment to delete the International Villas system from its Water Certificate No. 347-W?

**Recommendation:** Yes. The Commission should approve the application filed by Marion Utilities, Inc. to delete territory, as reflected on Attachment A of staff’s memorandum dated September 22, 2011, from its certificated service area, effective the day of the Commission’s vote. The resultant order should serve as Marion’s amended certificate and should be retained by the Utility.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes, if staff’s recommendations in Issues 1 is approved, no further action is required, and the docket should be closed.

**DECISION:** The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

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8\*\*PAA

**Docket No. 110023-WS** – Application for certificates to provide water and wastewater service in Lake County by MFL Utility Systems, L.L.C.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Brisé

**Staff:** ECR: Jones-Alexis, Mouring, Walden

GCL: Young

**(Proposed Agency Action for Issues 1 and 2.)**

**Issue 1:** What are the appropriate initial water and wastewater rates and return on investment for MFL Utility?

**Recommendation:** The water and wastewater rates, as shown on Schedule Nos. 1 and 2 of staff's memorandum dated November 22, 2011, are reasonable and should be approved. MFL Utility should be required to file a proposed customer notice to reflect the Commission-approved rates for the water and wastewater systems. The approved rates should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). In addition, the approved rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days after the date of the notice. MFL Utility should be required to charge the approved rates until authorized to change them by the Commission in a subsequent proceeding. A return on equity of 10.85 percent plus or minus 100 basis points should also be approved.

**Issue 2:** What are the appropriate miscellaneous service charges for MFL Utility?

**Recommendation:** The appropriate miscellaneous service charges for MFL Utility are those described in the analysis portion of staff's memorandum dated November 22, 2011. MFL Utility should be required to file a proposed customer notice to reflect the Commission-approved charges for the water and wastewater systems. The approved miscellaneous service charges should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days after the date of the notice. MFL Utility should be required to collect the approved charges until authorized to change them by the Commission in a subsequent proceeding.

**ITEM NO.**

**CASE**

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8\*\*PAA

**Docket No. 110023-WS** – Application for certificates to provide water and wastewater service in Lake County by MFL Utility Systems, L.L.C.

(Continued from previous page)

**Issue 3:** Should this docket be closed?

**Recommendation:** If no timely protest to the proposed agency action issues is filed with the Commission by a substantially affected person, a Consummating Order should be issued. However, the docket should remain open to allow MFL Utility to file a proposed customer notice reflecting the Commission-approved water and wastewater rates and charges and to provide proof of the date notice was given no less than ten days after the date of the notice.

**DECISION:** The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

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9\*\*PAA

**Docket No. 110020-WS** – Application for certificates to provide water and wastewater service in Marion County by OB Utility Systems, L.L.C.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Brisé

**Staff:** ECR: Jones-Alexis, Mouring, Walden

GCL: Jaeger

**(Proposed Agency Action for Issues 1 and 2.)**

**Issue 1:** What are the appropriate initial water and wastewater rates and return on investment for OB Utility?

**Recommendation:** The water and wastewater rates, as shown on Schedule Nos. 1 and 2 of staff's memorandum dated November 22, 2011, respectively, are reasonable and should be approved. OB Utility should be required to file a proposed customer notice to reflect the Commission-approved rates for the water and wastewater systems. The approved rates should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). In addition, the approved rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days after the date of the notice. OB Utility should be required to charge the approved rates until authorized to change them by the Commission in a subsequent proceeding. A return on equity of 10.85 percent plus or minus 100 basis points should also be approved.

**Issue 2:** What are the appropriate miscellaneous service charges for OB Utility?

**Recommendation:** The appropriate miscellaneous service charges for OB Utility are those described in the analysis portion of staff's memorandum dated November 22, 2011. OB Utility should be required to file a proposed customer notice to reflect the Commission-approved charges for the water and wastewater systems. The approved miscellaneous service charges should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days after the date of the notice. OB Utility should be required to collect the approved charges until authorized to change them by the Commission in a subsequent proceeding.

**ITEM NO.**

**CASE**

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9\*\*PAA

**Docket No. 110020-WS** – Application for certificates to provide water and wastewater service in Marion County by OB Utility Systems, L.L.C.

(Continued from previous page)

**Issue 3:** Should this docket be closed?

**Recommendation:** If no timely protest to the proposed agency action issues is filed with the Commission by a substantially affected person, a Consummating Order should be issued. However, the docket should remain open to allow OB Utility to file a proposed customer notice reflecting the Commission-approved water and wastewater rates and charges and to provide proof of the date notice was given no less than ten days after the date of the notice.

**DECISION:** The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

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10\*\*PAA

**Docket No. 110021-WS** – Application for certificates to provide water and wastewater service in Lake County by COL Utility Systems, L.L.C.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Brisé

**Staff:** ECR: Jones-Alexis, Mouring, Walden

GCL: Klancke

**(Proposed Agency Action for Issues 1 and 2.)**

**Issue 1:** What are the appropriate initial water and wastewater rates and return on investment for COL Utility?

**Recommendation:** The water and wastewater rates, as shown on Schedule Nos. 1 and 2 of staff's memorandum dated November 22, 2011, respectively, are reasonable and should be approved. COL Utility should be required to file a proposed customer notice to reflect the Commission-approved rates for the water and wastewater systems. The approved rates should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code (F.A.C.). In addition, the approved rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days after the date of the notice. COL Utility should be required to charge the approved rates and charges until authorized to change them by the Commission in a subsequent proceeding. A return on equity of 10.85 percent plus or minus 100 basis points should also be approved.

**Issue 2:** What are the appropriate miscellaneous service charges for COL Utility?

**Recommendation:** The appropriate miscellaneous service charges for COL Utility are those described in the analysis portion of staff's memorandum dated November 22, 2011. COL Utility should be required to file a proposed customer notice to reflect the Commission-approved charges for the water and wastewater systems. The approved miscellaneous service charges should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days after the date of the notice. COL Utility should be required to collect the approved charges until authorized to change them by the Commission in a subsequent proceeding.

**ITEM NO.**

**CASE**

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10\*\*PAA

**Docket No. 110021-WS** – Application for certificates to provide water and wastewater service in Lake County by COL Utility Systems, L.L.C.

(Continued from previous page)

**Issue 3:** Should this docket be closed?

**Recommendation** If no timely protest to the proposed agency action issues is filed with the Commission by a substantially affected person, a Consummating Order should be issued. However, the docket should remain open to allow COL Utility to file a proposed customer notice reflecting the Commission-approved water and wastewater rates and charges and to provide proof of the date notice was given no less than ten days after the date of the notice.

**DECISION:** The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown



**ITEM NO.**

**CASE**

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11\*\*

**Docket No. 110001-EI** – Fuel and purchased power cost recovery clause with generating performance incentive factor.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Brisé

**Staff:** ECR: Lester, Barrett, Draper, Franklin, Watts

GCL: Barrera, Bennett

**Issue 1:** Should the Commission approve FPL’s petition for a mid-course revision to its 2012 fuel cost recovery factors?

**Recommendation:** Yes. Staff recommends the Commission approve FPL’s Petition for Mid-Course Correction to its 2012 fuel factors. The revised fuel factors should become effective with the first billing cycle in January 2012. The recommended fuel factors are presented in Attachment A of staff’s memorandum dated November 23, 2011.

**Issue 2:** Should this docket be closed?

**Recommendation:** No. The Fuel and Purchased Power Cost Recovery Clause is an on-going docket and should remain open.

DECISION: The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown