MINUTES OF February 9, 2010 COMMISSION CONFERENCE COMMENCED: 9:31 am **RECESSED:** 10:36 am **RECONVENED:** 10:46 am **RECESSED:** 12:10 pm **RECONVENED:** 12:20 pm **RECESSED:** 1:48 pm 1:57 pm **RECONVENED: ADJOURNED:** 3:28 pm

COMMISSIONERS PARTICIPATING: Chairman Argenziano

Commissioner Edgar Commissioner Skop Commissioner Klement Commissioner Stevens

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

1 **Approval of Minutes**

January 5, 2010 Regular Commission Conference

<u>DECISION</u>: The minutes were approved.

ITEM NO.	CASE			
2**	Consent Agenda			
PAA	A) Request for cancellation of a shared tenant services certificate.			
	DOCKET NO.	COMPANY NAME	EFFECTIVE DATE	
	100029-TS	Florida College Inc.	12/31/2009	

Recommendation: The Commission should approve the action requested in the docket referenced above and close the docket.

<u>DECISION</u>: The recommendation was approved.

Docket No. 090478-WS – Application for original certificates for proposed water and wastewater system, in Hernando and Pasco Counties, and request for initial rates and charges, by Skyland Utilities, LLC.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: GCL: Klancke

ECR: Brady, Simpson

(Participation is at the Commission's discretion.)

<u>Issue 1:</u> Should Hernando's Request for Oral Argument on its Motion to Dismiss be granted?

Recommendation: The Request for Oral Argument should be denied as being untimely filed. However, the Commission has the discretion to request oral argument from the parties if it believes oral argument would assist the Commission in rendering its decision. In such an event, staff recommends that each side should be allowed 10 minutes to address the Commission on the matter.

<u>Issue 2:</u> Should the Commission grant Hernando County's Motion to Dismiss Application of Skyland Utilities, LLC., for Lack of Jurisdiction with Incorporated Memorandum of Law?

Recommendation: No. The Commission should deny Hernando County's Motion to Dismiss Application of Skyland Utilities, LLC., for Lack of Jurisdiction with Incorporated Memorandum of Law.

Issue 3: Should this docket be closed?

Recommendation: No. This docket should remain open to allow this matter to proceed to hearing.

<u>DECISION</u>: The Commission granted the parties' request for Oral Argument. Motion to Strike Hernando County's Reply to Staff's Memorandum was approved. The Recommendations for Issues 2 and 3 were approved. Hernando County's Motion to Dismiss was denied.

4**PAA

Docket No. 090122-EG – Petition for approval of modifications to approved energy conservation programs, by Associated Gas Distributors of Florida.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Klement

Staff: RAD: Ellis, Brown GCL: Fleming

<u>Issue 1:</u> Should the Commission approve the Associated Gas Distributors of Florida's petition to add the proposed Conservation Demonstration and Development Program to their member LDC's conservation programs?

Recommendation: Yes. The proposed Conservation Demonstration and Development Program will allow the member LDCs of AGDF to pursue opportunities for individual and joint research and development of new natural gas conservation programs. These funds should not be used for any expenditures more appropriately included in other programs, nor for load-building or transportation measures. Expenditures for each member LDC's program should feature a five year cap, with an individual project cap not to be exceeded without Commission approval, as outlined below.

LDC	Program Five-Year Cap	Individual Project Cap
City Gas Company	\$500,000	\$100,000
Chesapeake Utilities Comp.	\$300,000	\$60,000
Florida Public Utilities	\$300,000	\$60,000
Indiantown Gas Company	\$50,000	\$10,000
Peoples Gas Company	\$750,000	\$150,000
Sebring Gas System	\$50,000	\$10,000
St. Joe Natural Gas Comp.	\$50,000	\$10,000

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, the program modifications should become effective March 25, 2010. If a protest is filed within 21 days of the issuance of the proposed agency action order, the program modifications should not be implemented until after the resolution of the protest. If no timely protest is filed, the docket should be closed upon the issuance of a consummating order.

DECISION: The recommendations were approved.

5

Docket No. 090451-EM – Joint petition to determine need for Gainesville Renewable Energy Center in Alachua County, by Gainesville Regional Utilities and Gainesville Renewable Energy Center, LLC.

Critical Date(s): 02/09/10 (135 day deadline pursuant to Rule 25-22.080(2), Florida

Administrative Code, waived through this date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: RAD: S. Brown, Ellis GCL: Sayler, M. Brown

(Issue 1 has been stipulated.)

<u>Issue 1:</u> Are Gainesville Regional Utilities and Gainesville Renewable Energy Center, LLC proper applicants within the meaning of Section 403.519, F.S.?

Recommendation: At the December 16, 2009 hearing, the Commission voted to approve the following stipulation:

Yes. Gainesville Regional Utilities (GRU) is a municipal electric, natural gas, water, wastewater, and telecommunications utility serving retail customers; it is owned and operated by the City of Gainesville in Alachua County, located in north-central Florida; and it is a valid applicant under the Florida Electrical Power Plant Siting Act (PPSA), Chapter 403, Part II, F.S.

Gainesville Renewable Energy Center, LLC (GREC LLC) is a private renewable power producer that will own, operate, and maintain the proposed Gainesville Renewable Energy Center biomass facility and sell 100 percent of the facility's electric power output to GRU under a 30-year power purchase agreement (PPA). GREC LLC is an appropriate joint applicant pursuant to the Commission's decisions and the Florida Supreme Court's decision in Nassau Power Corp. v. Deason, 641 So. 2d 396 (Fla. 1994).

<u>Issue 2:</u> Is there a need for the Gainesville Renewable Energy Center, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519, F.S.?

Recommendation: GRU's current load forecast indicates that the company does not have a reliability need, based on a planning reserve margin of 15 percent, for additional capacity until the year 2023. However, the additional generation from the Gainesville Renewable Energy Center Project will enhance the overall reliability of the GRU system.

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Docket No. 090451-EM – Joint petition to determine need for Gainesville Renewable Energy Center in Alachua County, by Gainesville Regional Utilities and Gainesville Renewable Energy Center, LLC.

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<u>Issue 3:</u> Is there a need for the Gainesville Renewable Energy Center, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, F.S.?

Recommendation: Based on current fuel forecasts and environmental requirements, the addition of the GREC Project would result in a cumulative net present value cost of approximately \$100 million over the life of the facility. However, if GRU re-sells half of the contracted capacity and if pending carbon legislation is enacted, the GREC Project could provide cumulative net present value savings of approximately \$400 million over the life of the facility. Therefore, the GREC Project could act as a hedge against increased costs associated with future regulation of carbon emissions.

<u>Issue 4:</u> Is there a need for the Gainesville Renewable Energy Center, taking into account the need for fuel diversity and supply reliability, as this criterion is used in Section 403.519, F.S.?

Recommendation: Yes. The GREC Project would add a biomass fuel source that would significantly reduce coal and natural gas usage on the GRU system. Multiple studies have demonstrated that there is sufficient biomass for the proposed GREC Project.

<u>Issue 5:</u> Are there any renewable energy sources and technologies, as well as conservation measures, taken by or reasonably available to Gainesville Regional Utilities which might mitigate the need for the proposed Gainesville Renewable Energy Center?

Recommendation: Since GRU does not have a need for capacity until 2023, GRU did not perform a formal evaluation to determine whether there are any demand-side management or conservation measures available that could mitigate the need for the proposed GREC biomass facility. The decision to build the GREC Project was made to enhance fuel diversity and act as an economic hedge against future carbon regulation.

<u>Issue 6:</u> Is the Gainesville Renewable Energy Center the most cost-effective alternative available, as this criterion is used in Section 403.519, F.S.?

Recommendation: Based on current fuel forecasts and environmental requirements, the addition of the GREC Project would result in a cumulative net present value cost of approximately \$100 million. However, if GRU re-sells half of the contracted capacity and if pending carbon legislation is enacted, the GREC Project could provide cumulative net present value savings of approximately \$400 million over the life of the facility. Therefore, the GREC Project could act as a hedge against future regulation of carbon emissions.

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Docket No. 090451-EM – Joint petition to determine need for Gainesville Renewable Energy Center in Alachua County, by Gainesville Regional Utilities and Gainesville Renewable Energy Center, LLC.

(Continued from previous page)

<u>Issue 7:</u> Based on the resolution of the foregoing issues, should the Commission grant the petition to determine the need for the proposed Gainesville Renewable Energy Center?

Recommendation: Yes. The additional generation from the GREC Project will enhance the overall reliability of the GRU system and significantly increase the amount of renewable generation on GRU's system. If GRU re-sells half of the contracted capacity and if pending carbon legislation is enacted, the GREC Project could provide cumulative net present value savings of approximately \$400 million over the life of the facility. Therefore, the GREC Project could act as a hedge against future regulation of carbon emissions. Any rate impact would be the result of the Gainesville City Commission's policy decisions.

Issue 8: Should this docket be closed?

Recommendation: Yes. Upon issuance of a final order addressing GRU and GREC LLC's joint petition to determine the need for the GREC Project, the docket should be closed when the time for filing an appeal has run.

<u>DECISION</u>: Issue No. 1 was stipulated. This item was deferred to take supplemental evidence with the understanding that staff will get with the parties and that the Utility has waived the statutory timeframe.

ITEM NO. CASE

6**PAA

Docket No. 090337-TX – Petition for designation as eligible telecommunications carrier (ETC) by Easy Telephone, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: RAD: Williams, Casey GCL: Brooks, Teitzman

Issue 1: Should Easy Telephone be granted ETC designation in the State of Florida? **Recommendation:** Yes. Staff recommends that Easy Telephone be granted ETC designation status in the AT&T wire centers listed in Attachment B of staff's memorandum dated January 28, 2010.

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 within 21 days of the issuance of the Commission Order, this docket should be closed upon issuance of a consummating order.

<u>DECISION</u>: The recommendations were approved.

ITEM NO. CASE

7**PAA

Docket No. 090508-EI – Petition for approval of new environmental program for cost recovery through Environmental Cost Recovery Clause, by Tampa Electric Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Klement

Staff: ECR: Wu

GCL: Brown, Williams

<u>Issue 1:</u> Should the Commission approve TECO's petition for approval of the GHG Reduction Program and the recovery of the costs of this program through the ECRC, pursuant to Sections 366.8255 and 403.44, F.S.?

Recommendation: Yes. As proposed, TECO's GHG Reduction Program complies with the statutory requirements specified in Sections 366.8255 and 403.44, F.S.

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.

DECISION: This item was deferred to a later Commission Conference.

ITEM NO. CASE

8**PAA

Docket No. 100025-EI – Petition for approval of cost recovery for new environmental program by Progress Energy Florida.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Stevens

Staff: ECR: Wu

GCL: Brown, Williams

<u>Issue 1:</u> Should the Commission approve PEF's petition for approval of the ICR Compliance Program and the recovery of the associated costs through the ECRC, pursuant to Section 366.8255, F.S.?

<u>Recommendation:</u> Yes. PEF's ICR Compliance Program satisfies the statutory requirements specified in Section 366.8255, F.S.

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.

DECISION: The recommendations were approved.

9**PAA

Docket No. 090244-WU – Application for staff-assisted rate case in Lake County by TLP Water, Inc.

Critical Date(s): 10/25/10 (15-Month Effective Date (SARC))

Commissioners Assigned: All Commissioners

Prehearing Officer: Argenziano

Staff: ECR: Hudson, Bulecza-Banks, Daniel, Fletcher, Walden

GCL: Klancke

(Proposed Agency Action Except for Issues 13, 14 and 15.)

Issue 1: Is the quality of service provided by TLP Water, Inc. satisfactory?

Recommendation: The overall quality of service is marginal. Water quality provided by TLP Water, Inc. (the Utility) is meeting Florida Department of Environmental Protection (DEP) standards and should be considered satisfactory. Operational conditions should be considered marginal due to the outstanding DEP violations. The Utility's attempt to address customer satisfaction is satisfactory, although improved communication to the customers outside the park would be beneficial.

<u>Issue 2:</u> What are the used and useful percentages of the Utility's plant and distribution system?

Recommendation: The water plant and distribution system for TLP Water, Inc. are 100 percent used and useful.

Issue 3: What is the appropriate average test year rate base for TLP?

Recommendation: The appropriate average test year rate base for TLP is \$67,899.

<u>Issue 4:</u> What is the appropriate return on equity and overall rate of return for this utility?

Recommendation: The appropriate return on equity (ROE) is 11.30 percent with a range of 10.30–12.30 percent. The appropriate overall rate of return is 12.00 percent.

Issue 5: What are the appropriate amount of test year revenues?

Recommendation: The appropriate test year revenue for this Utility is \$24,804.

Issue 6: What are the appropriate operating expenses?

Recommendation: The appropriate amount of operating expenses for TLP is \$26,561.

Issue 7: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$34,708 for water.

<u>Issue 8:</u> Should the Utility's current rate structure be changed, and if so, what is the appropriate rate structure for the Utility's water system?

Recommendation: No. Due to the lack of metered data coupled with low average consumption due to a highly seasonal customer base, staff recommends a continuation of a flat rate structure. However, staff recommends that a dual flat rate is appropriate to include a flat rate for both residences that are occupied year round and a reduced flat rate for residences that are unoccupied for at least 60 consecutive days during the off-season.

ITEM NO. CASE

9**PAA

Docket No. 090244-WU – Application for staff-assisted rate case in Lake County by TLP Water, Inc.

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<u>Issue 9:</u> Is an adjustment to reflect repression of consumption appropriate at this time?

Recommendation: No, a repression adjustment is not appropriate at this time.

Issue 10: What are the appropriate rates for this Utility?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4 of staff's memorandum dated January 28, 2010. The recommended rates should be designed to produce revenues of \$34,708, excluding miscellaneous service charges. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 11: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The Utility did not implement the Commission-approved interim rates. Therefore, no refund is necessary.

Issue 12: Should the Utility be allowed to implement a returned check charge, and, if so, what is the appropriate amount?

Recommendation: Yes. TLP should be allowed to implement a returned check charge. The amount of the returned check should be the actual costs incurred by the Utility.

<u>Issue 13:</u> What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Recommendation: The water rates should be reduced as shown on Schedule 4 of staff's memorandum dated January 28, 2010, to remove rate case expense grossed up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. TLP should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

ITEM NO. CASE

9**PAA

Docket No. 090244-WU – Application for staff-assisted rate case in Lake County by TLP Water, Inc.

(Continued from previous page)

<u>Issue 14:</u> Should the recommended rates be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than TLP?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. Prior to implementation of any temporary rates, TLP should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum dated January 28, 2010. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., TLP should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

<u>Issue 15:</u> Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC USOA primary accounts associated with the Commission-approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, TLP should provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

Issue 16: Should this docket be closed?

Recommendation: No. The docket should remain open until a final order has been issued, staff has approved the revised tariffs sheets and customer notices, the Utility has sent the notices to its customers, staff has received proof that the customers have received notice within 10 days after the date of the notice, and the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once staff has verified all of the above actions are complete, this docket should be closed administratively.

DECISION: The recommendations were approved.

ITEM NO. CASE

10**

Docket No. 090493-WS – Application for transfer of majority organizational control of Parkland Utilities, Inc., holder of Certificate Nos. 242-W and 185-S in Broward and Palm Beach Counties, from National Development Corporation to East Coast Equity Management Corporation.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Klement

Staff: ECR: Clapp, Kaproth

GCL: Klancke

Issue 1: Should the transfer of majority organizational control be approved?

Recommendation: Yes, the transfer of majority organizational control of Parkland Utilities, Inc., Certificate Nos. 242-W and 185-S, to Ronald M. Nunes, Michael K. Bergen, and the East Coast Equity Management Corporation is in the public interest and should be approved effective the date of the Commission vote. The resultant order should serve as the utility's water and wastewater certificates and should be retained by the utility. 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 sheets.

Issue 2: Should this docket be closed?

Recommendation: Yes, because no further action is necessary, this docket should be closed.

DECISION: The recommendations were approved as modified by staff at the Commission Conference.

ITEM NO. CASE

11**

Docket No. 090546-WS – Application for transfer of water and wastewater facilities to City of Sebring by Highlands Ridge Utilities, LLC.

Critical Date(s): None

Commissioners Assigned: All Commissioners **Prehearing Officer:** Administrative

Staff: ECR: Clapp, Kaproth

GCL: Holley

<u>Issue 1:</u> Should the transfer of the water and wastewater facilities of Highlands Ridge Utilities, LLC to the City of Sebring, Florida be acknowledged as a matter of right, and Certificate Nos. 544-W and 474-S be cancelled?

Recommendation: Yes. The transfer of the Highlands Ridge water and wastewater territory and facilities to the City of Sebring should be acknowledged as a matter of right, pursuant to Section 367.071(4)(a), F.S., and Certificate Nos. 544-W and 474-S should be cancelled effective August 3, 2009, which was the closing date of the sale. Highlands Ridge should be required to pay all outstanding regulatory assessment fees (RAFs) for January 1, 2009, through August 3, 2009, by March 31, 2010.

<u>Issue 2:</u> Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendation in Issue 1, this docket should be closed because no further action is necessary.

DECISION: The recommendations were approved.

ITEM NO. CASE

12**

Docket No. 100015-WS – Territory correction for Hideaway water and wastewater systems held by FIMC Hideaway, Inc. in Levy County.

Critical Date(s): None

Commissioners Assigned: All Commissioners **Prehearing Officer:** Administrative

Staff: ECR: Brady, Rieger

GCL: Holley

<u>Issue 1:</u> Should the corrected legal description of the original Hideaway water and wastewater service territory shown in Attachment A of staff's memorandum dated January 28, 2010, be approved?

Recommendation: Yes. The corrected legal description of the original Hideaway water and wastewater service territory shown in Attachment A of staff's memorandum dated January 28, 2010, should be approved. The resulting order should serve as Certificate Nos. 426-W and 362-S and should be retained by FIMC Hideaway, Inc.

Issue 2: Should this docket be closed?

Recommendation: Yes. Since no further actions are required, the docket should be closed.

DECISION: The recommendations were approved.

Docket No. 090109-EI – Petition for approval of solar energy power purchase agreement

between Tampa Electric Company and Energy 5.0, LLC.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Klement

Staff: GCL: Helton

As discussed at the January 26, 2010 Commission Conference, this docket is placed on

the February 9, 2010 Commission Conference.

<u>DECISIONS</u>: Motion to Reconsider for the purpose stated by Commissioner Skop and for discussion was

approved.

Motion to hear from the parties was approved

Motion to vacate PAA Order No. PSC-10-0057-PAA-EI and to set the matter for evidentiary

hearing at the earliest possible date was approved.