

MINUTES OF November 22, 2011

COMMISSION CONFERENCE

COMMENCED: 9:33 am

RECESSED: 11:06 am

RECONVENED: 11:11 am

RECESSED: 1:26 pm

RECONVENED: 2:04 pm

ADJOURNED: 2:47 pm

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 (**).

1A Election of Commission Chairman for a two-year term beginning January 2, 2012

Decision: On the Motion of Commissioner Edgar, and second by Chairman Graham, Commissioner Brisé was unanimously elected Commission Chairman for a two-year term beginning January 2, 2012.

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

1B Approval of Minutes
September 20, 2011 Regular Commission Conference
October 18, 2011 Regular Commission Conference

DECISION: The minutes were approved.

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

ITEM NO.

CASE

2**

Consent Agenda

- A) Docket No. 110276-EI – Application for authority to issue and sell securities during 12 months ending December 31, 2012, by Progress Energy Florida, Inc.

Application of Progress Energy Florida, Inc. (Company) for authority to issue, sell or otherwise incur during 2012 up to \$1.0 billion of any combination of equity securities, long-term debt securities and other long-term obligations. Additionally, the Company requests authority to issue, sell, or otherwise incur during 2012 and 2013 up to \$1.0 billion outstanding at any time of short-term debt securities and other obligations.

In connection with this application, PEF confirms that the capital raised pursuant to this application will be used in connection with the activities of PEF and PEF's regulated subsidiaries and not the unregulated activities of its unregulated subsidiaries or affiliates.

- B) Docket No. 1100281-GU – Application for authority to issue debt security, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida City Gas.

Florida City Gas (Company) seeks authority to finance its on-going cash requirements through its participation and borrowings from and investments in AGL Resources Inc.'s (AGLR) Utility Money Pool during 2012. FCG is a division of Pivotal Utility Holdings, Inc., which is a wholly-owned subsidiary of AGLR. The maximum aggregate short-term borrowings by Pivotal Utility Holdings, Inc.'s three utilities (Elizabethtown Gas, Elkton Gas, and Florida City Gas) from the Utility Money Pool during 2012 will not exceed \$800 million. Florida City Gas states that its share of these borrowings will not exceed \$250 million.

In connection with this application, Florida City Gas confirms that the capital raised pursuant to this application will be used in connection with the regulated natural gas operations of Florida City Gas and not the unregulated activities of the utility or its affiliates.

ITEM NO.

CASE

2**

Consent Agenda

(Continued from previous page)

- C) Docket No. 110283-EI – Application for authority to issue and sell securities and to receive common equity contributions during 12 months ending December 31, 2012, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Gulf Power Company.

Application by Gulf Power Company (Company) for authority to receive equity funds from and/or to issue common equity securities to its parent company, Southern Company (Southern); issue and sell long-term debt and equity securities; and issue and sell short-term debt securities during 2012. The amount of common equity contributions received from and issued to Southern, the amount of other equity securities issued, and the maximum principal amount of long-term debt securities issued will total not more than \$700 million. The maximum principal amount of short-term debt at any one time will total not more than \$300 million.

In connection with this application, Gulf Power Company confirms that the capital raised pursuant to this application will be used in connection with the regulated electric operations of Gulf Power Company and not the unregulated activities of the utility or its affiliates.

PAA

- D) Application for Certificate of Authority to Provide Telecommunications Service.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
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110268-TX	365 Wireless, LLC
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ITEM NO. CASE

2** Consent Agenda

(Continued from previous page)

PAA E) Request for Cancellation of Competitive Local Exchange Telecommunications Certificates.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>EFFECTIVE DATE</u>
110274-TX	Global Capacity Direct, LLC	9/21/2011
110275-TX	Global Capacity Group, Inc.	9/21/2011

Recommendation: The Commission should approve the action requested in the dockets referenced above and close these dockets. For monitoring purposes, Docket No. 110276-EI should remain open until April 29, 2013, to allow the Company time to file the required Consummation Report. For monitoring purposes, Docket Nos. 110281-GU and 110283-EI 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

3**

Docket No. 110013-TP – Request for submission of proposals for relay service, beginning in June 2012, for the deaf, hard of hearing, deaf/blind, or speech impaired, and other implementation matters in compliance with the Florida Telecommunications Access System Act of 1991.

Critical Date(s): The current contract with Sprint expires May 31, 2012. Significant time is needed to issue the RFP, evaluate proposals, and establish the system.

Commissioners Assigned: All Commissioners

Prehearing Officer: Brisé

Staff: RAD: Bloom

GCL: Miller

Issue 1: Should the Request for Proposals be issued?

Recommendation: Yes. The Commission should issue the Request for Proposals, as set forth in Attachment A of staff's memorandum dated November 9, 2011.

DECISION: The recommendations were approved as modified, based on discussions at the Commission Conference. The plan provides an optional qualification for an in-State Call Center at 100 points; approves assignment of technical points; and that bidders who do not meet an excellent criteria will not be considered. Also includes oral modifications by Commissioner Brown on pages 18, 37, and 40. Staff was given administrative authority to make non-substantive changes. Also, the total number of points were modified to a 50/50 split, 50 for technical and 50 for price; quarterly, 75% of calls are to be handled in the State of Florida throughout the contract period.

Issue 2: Should this docket be closed?

Recommendation: No.

DECISION: The recommendation was approved.

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

ITEM NO.

CASE

4

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

Critical Date(s): Decision must be rendered before 12/01/2011 in order to implement factors for 01/01/2012, or the first billing cycle in 2012.

Commissioners Assigned: All Commissioners

Prehearing Officer: Brisé

Staff: ECR: Barrett, Cicchetti, Draper, Franklin, Lee, Lester, A. Roberts, Springer, Watts

GCL: Bennett, Barrera

(Participation is Limited to Commissioners and Staff.)

Issue 1C: Should PEF be permitted to recover the costs of replacement power due to the extended outage at Crystal River 3 in this docket?

Recommendation: Yes. The Commission should approve Option 1 contained in analysis portion of staff's memorandum dated November 14, 2011, which allows PEF to collect, subject to refund, the full amount, \$140,157,891, of net 2011-2012 replacement power costs due to the CR3 extended outage. These costs should be incorporated into the calculation of the 2012 fuel factor.

Issue 3B: Is FPUC's proposed method to allocate demand costs to the rate classes appropriate?

Recommendation: FPUC should continue to use the 12 Coincident Peak (CP) and 1/13 methodology that incorporates load research data provided by Florida Power & Light Company (FPL) for the Northeast Division and Gulf Power Company (Gulf) for the Northwest Division to allocate demand costs to the rate classes. FPUC has not adequately demonstrated that its proposed method is more accurate or that the FPL and Gulf load research data are not appropriate for FPUC.

Issue 8: What are the appropriate fuel adjustment true-up amounts for the period January 2010 through December 2010?

Recommendation: The appropriate fuel cost recovery true-up amount for the period January 2010 through December 2010 for PEF is a \$158,825,721 under-recovery. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision.

Issue 9: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2011 through December 2011?

Recommendation: The appropriate fuel cost recovery true-up amount for the period January 2011 through December 2011 for PEF is a \$35,666,520 over-recovery. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision.

ITEM NO.

CASE

4

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

(Continued from previous page)

Issue 10: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2012 to December 2012?

Recommendation: The appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2012 to December 2012 is a \$123,159,202 under-recovery. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision.

Issue 11: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2012 through December 2012?

Recommendation: The appropriate projected total fuel and purchased power cost recovery amounts for the period January 2012 through December 2012 for PEF is \$1,786,078,923. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision.

Issue 18: What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2012 through December 2012?

Recommendation: The projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2012 through December 2012 is \$1,907,632,686.

Issue 20: What are the appropriate levelized fuel cost recovery factors for the period January 2012 through December 2012?

Recommendation: The appropriate levelized fuel cost recovery factors for the period January 2012 through December 2012 is 5.168 cents per kWh for PEF. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision.

Issue 22: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

Recommendation (PEF): The appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses are set forth in Attachment B of staff's memorandum dated November 14, 2011. If the Commission modifies the staff recommendation in Issue 1C, PEF should be ordered to file revised Schedules E within three business days of the Commission vote showing all calculations of the fuel factors implementing the vote for administrative approval by staff.

Recommendation (FPUC): The appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses are set forth in Attachment D of staff's memorandum dated November 14, 2011.

ITEM NO.

CASE

4

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

(Continued from previous page)

Issue 23A: Has PEF included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 110009-EI?

Recommendation: Yes. Based on the Commission's vote at the October 24, 2011 special agenda conference in Docket No. 110009-EI, PEF has included the appropriate nuclear cost recovery amount of \$85,951,036 in its 2012 capacity cost recovery factors.

Issue 27: What are the appropriate capacity cost recovery true-up amounts for the period January 2010 through December 2010?

Recommendation: The appropriate capacity cost recovery true-up amounts for the period January 2010 through December 2010 is a \$14,684,019 over-recovery.

Issue 28: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2011 through December 2011?

Recommendation: The appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2011 through December 2011 is a \$5,983,484 over-recovery.

Issue 29: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2012 through December 2012?

Recommendation: The appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2012 through December 2012 is a \$20,667,503 over-recovery.

Issue 30: What are the appropriate projected total capacity cost recovery amounts for the period January 2012 through December 2012?

Recommendation: The appropriate projected total capacity cost recovery amounts for the period January 2012 through December 2012 is \$373,845,099.

Issue 31: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2012 through December 2012?

Recommendation: The appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2012 through December 2012 is \$439,444,805, which includes the amount for nuclear cost recovery of \$85,951,036 before revenue taxes.

Issue 33: What are the appropriate capacity cost recovery factors for the period January 2012 through December 2012?

Recommendation: The appropriate capacity cost recovery factors for the period January 2012 through December 2012 are set forth in Attachment C of staff's memorandum dated November 14, 2011.

ITEM NO.

CASE

4

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

(Continued from previous page)

Issue 35: Should this docket be closed?

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

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

5

Docket No. 110007-EI – Environmental cost recovery clause.

Critical Date(s): Decision must be rendered before 12/01/2011 in order to implement factors for 01/01/2012.

Commissioners Assigned: All Commissioners

Prehearing Officer: Brisé

Staff: ECR: Wu, A. Roberts, Dowds, Draper

GCL: Brown, Murphy

(Participation is Limited to Commissioners and Staff.)

Issue 1 (10G): Should PEF be permitted to recover any environmental costs related to its purchases of replacement power due to the Crystal River Unit 3 extended outage?

Recommendation: The evidence in the record shows that PEF did not incur any environmental costs - specifically allowance purchases - associated with purchases of replacement power due to the CR3 extended outage; therefore, there are no costs to recover. Although ancillary to the issue as framed, if the Commission wishes to address PEF's emission allowances associated with self-generated replacement power, staff recommends that the amounts shown on Table 1 should be included in PEF's 2012 ECRC factors.

Issue 2: What are the appropriate recovery amounts for PEF in the 2011 ECRC proceeding?

Recommendation: This is a fall-out issue. Staff shows below the amounts associated with staff's recommendation in Issue 1.

Issue 3: What are the appropriate environmental cost recovery factors for the period January 2012 through December 2012 for each rate group for PEF?

Recommendation: This is a fall-out issue, which was identified as Issue 7 in the hearing. Staff shows below the factors associated with staff's recommendation in Issue 1.

Issue 4: Should this docket be closed?

Recommendation: No. The Environmental Cost Recovery Clause docket is an on-going docket and should remain open.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

6**PAA

Docket No. 110270-EI – Petition for approval of base rate increase for extended power uprate systems placed in commercial service, pursuant to Section 366.93(4), F.S., and Rules 25-6.0423(7) and 28-106.201, F.A.C., by Florida Power & Light Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Brown

Staff: ECR: Slemkewicz, Breman, Laux, A. Roberts

GCL: Young

Issue 1: Should FPL's request to increase its base rates by \$20,068,628 for the EPU systems placed in commercial service during 2011 be approved?

Recommendation: Yes. FPL's request to increase its base rates by \$20,068,628 for the 2011 EPU project modifications at the St. Lucie and Turkey Point nuclear units should be approved. This approval should be subject to true-up and revision based on the final review of the 2011 modification expenditures in the Nuclear Cost Recovery Clause (NCRC).

Issue 2: Should FPL's request to increase its base rates by \$699,466 for the 5-year amortization of existing assets that are being retired during 2011 as a result of the EPU project be approved?

Recommendation: No. The appropriate base rate increase is \$226,479 for the 5-year amortization of the existing assets that are being retired during 2011. At the end of the recovery period, base rates should be reduced by an amount equal to the increase associated with the recovery of the retired generating plant.

Issue 3: Should FPL's request to increase its base rates by \$88,016 for the true-up of the 2010 base rate adjustment be approved?

Recommendation: No. The appropriate base rate increase is \$88,000 for the true-up of the 2010 base rate adjustment.

Issue 4: What is the appropriate effective date of FPL's revised base rates?

Recommendation: If the Commission approves the staff recommendation in Issues 1, 2, and 3, the revised base rates should be implemented with the first billing cycle for 2012, which falls on January 3, 2012. Furthermore, FPL should file revised tariff sheets to implement the Commission vote in Issues 1, 2, and 3 for administrative approval by staff prior to their effective date.

ITEM NO.

CASE

6**PAA

Docket No. 110270-EI – Petition for approval of base rate increase for extended power uprate systems placed in commercial service, pursuant to Section 366.93(4), F.S., and Rules 25-6.0423(7) and 28-106.201, F.A.C., by Florida Power & Light Company.

(Continued from previous page)

Issue 5: 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, 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

7**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.

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

7**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.

(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

7**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.

(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: This item was deferred to the December 6, 2011 Commission Conference.

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

ITEM NO.

CASE

8**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.

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 recommendation dated November 9, 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 acquisition adjustment should not be approved. 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.

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.

ITEM NO.

CASE

8**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.

(Continued from previous page)

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: This item was deferred to the December 6, 2011 Commission Conference.

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

ITEM NO.

CASE

9**PAA

Docket No. 110153-SU – Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge.

Critical Date(s): 5-Month Effective Date Waived through 12/06/11.

Commissioners Assigned: All Commissioners

Prehearing Officer: Brown

Staff: ECR: T. Brown, Daniel, Fletcher, Maurey, Stallcup, Thompson, Walden

GCL: Barrera, Crawford

(Proposed Agency Action - Except for Issue Nos. 19 and 20.)

Issue 1: Is the quality of service provided by Eagle Ridge considered satisfactory?

Recommendation: Yes, the overall quality of service provided by the Utility is satisfactory.

DECISION: The recommendation was approved.

Issue 2: Should the audit adjustments to rate base and operating expense to which the Utility and staff agree be made?

Recommendation: Yes. Based on the audit adjustments agreed to by the Utility and staff, the following adjustments should be made to rate base and net operating income as set forth in the analysis portion of staff's memorandum dated November 9, 2011.

DECISION: The recommendation was approved.

Issue 3: Should any adjustment be made to the Utility's Project Phoenix Financial/Customer Care Billing System (Phoenix Project)?

Recommendation: Yes. Plant should be reduced by \$22,139. In addition, accumulated depreciation should be reduced by \$13,720. Depreciation expense should be decreased by \$7,524.

DECISION: The recommendation was approved.

Issue 4: Should adjustments be made to the Utility's pro forma plant additions and associated expenses?

Recommendation: Yes. The Utility's pro forma plant additions should be reduced by \$23,877. Accordingly, corresponding adjustments should also be made to reduce accumulated depreciation by \$4,614 and to increase depreciation expense by \$456.

DECISION: The recommendation was approved.

ITEM NO.

CASE

9**PAA

Docket No. 110153-SU – Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge.

(Continued from previous page)

Issue 5: What are the used and useful percentages of the Utility's wastewater treatment plant, wastewater collection system, and reuse water system?

Recommendation: The wastewater treatment plants are 87.37 percent used and useful (U&U). The collection systems are 100 percent U&U. The portions of the plant designated as providing reuse are 100 percent U&U. Accordingly, rate base, depreciation expense, and property taxes should be reduced by \$269,122, \$19,304, and \$491, respectively.

DECISION: The recommendation was denied. The wastewater treatment plants are 100 percent used and useful (U&U). The collection systems are 100 percent U&U. The portions of the plan designated as providing reuse are 100 percent U&U. Staff was given administrative authority to deal with all fallout issues as a result of the vote on Issue 5.

Issue 6: Should any adjustment be made to deferred rate case expense?

Recommendation: Yes. Consistent with the annual amortization amount approved in the Utility's last rate case and Commission practice, deferred rate case expense (DRCE) included in the working capital allowance should be decreased by \$123,098.

DECISION: The recommendation was approved.

Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$164,565.

Issue 8: What is the appropriate rate base for the test year period ended December 31, 2010?

Recommendation: Consistent with other recommended adjustments, the appropriate rate base for the test year ended December 31, 2010, is \$2,482,848.

DECISION: The recommendation was approved.

Issue 9: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 10.60 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

DECISION: The recommendation was approved.

ITEM NO.

CASE

9**PAA

Docket No. 110153-SU – Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge.

(Continued from previous page)

Issue 10: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

Recommendation: Based on the resolution of the previous issues, the appropriate weighted average cost of capital, including the proper components, amounts, and cost rates associated with the capital structure, is 7.54 percent.

DECISION: The recommendation was approved.

Issue 11: Should any adjustments be made to the Utility's bad debt expense?

Recommendation: Yes. Eagle Ridge's bad debt expense should be based on a 3-year average. Accordingly, bad debt expense should be reduced by \$141.

DECISION: The recommendation was approved.

Issue 12: Should any adjustments be made to the Utility's purchased power expense?

Recommendation: Yes, purchased power expense should be reduced by \$3,486.

DECISION: The recommendation was approved.

Issue 13: Should any adjustments be made to the Utility's contractual services - testing expense?

Recommendation: Yes, contractual services - testing expense should be reduced by \$3,532.

DECISION: The recommendation was approved.

Issue 14: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$66,554. This expense should be recovered over four years for an annual expense of \$16,639. Therefore, annual rate case expense should be reduced by \$41,406.

DECISION: The recommendation was approved.

Issue 15: What is the test year wastewater operating income or loss before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, the test year operating income is \$129,966 for wastewater before any revenue increase.

DECISION: The recommendation was approved.

ITEM NO.

CASE

9**PAA

Docket No. 110153-SU – Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge.

(Continued from previous page)

Issue 16: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	Test Year		Revenue	
	Revenues	\$ Increase	Requirement	% Increase
Wastewater	\$996,249	\$96,213	\$1,092,462	9.66%

DECISION: The recommendation was approved.

Issue 17: What are the appropriate wastewater rates for the Utility?

Recommendation: The appropriate monthly rates are shown on Schedule No. 4 of staff's recommendation dated November 9, 2011. Staff's recommended rates are designed to produce revenues of \$1,091,512, excluding miscellaneous service charge revenues. 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 of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given within ten days of the date of the notice.

DECISION: The recommendation was approved.

Issue 18: 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 proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised wastewater revenue requirement for the interim collection period should be compared to the amount of interim wastewater revenue requirement granted. This results in a refund of 4.23 percent. The refunds should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. Further, the corporate undertaking should be released upon staff's verification that the required refunds have been made.

DECISION: The recommendation was approved, noting that staff was given administrative authority to deal with all fallout issues as a result of the vote on Issue 5. Fallout as a result of vote on Issue 5 may be credited to the CIC.

ITEM NO.

CASE

9**PAA

Docket No. 110153-SU – Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge.

(Continued from previous page)

Issue 19: 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, Florida Statutes?

Recommendation: The rates should be reduced as shown on Schedule No. 4 of staff's recommendation dated November 9, 2011, to remove \$20,050 for wastewater related annual rate case expense, grossed up for regulatory assessment fees (RAFs), which is being 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. The Utility should be required to 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 of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. Eagle Ridge should provide proof of the date notice was given within 10 days of the date of the notice. 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 for the reduction in the rates due to the amortized rate case expense.

DECISION: The recommendation was approved.

Issue 20: 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 National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (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, Eagle Ridge should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

DECISION: The recommendation was approved.

ITEM NO.

CASE

9**PAA

Docket No. 110153-SU – Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge.

(Continued from previous page)

Issue 21: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will 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, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the corporate undertaking should be released.

DECISION: The recommendation was approved, noting that staff was given administrative authority to staff to deal with all fallout issues, as a result of the vote on Issue No. 5.

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

ITEM NO.

CASE

10**

Docket No. 110255-WU – Application for approval of transfer of Brendenwood Water System, Inc., and application for certificate to operate water utility in Lake County, by Brendenwood Utilities, LLC.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: ECR: Jones-Alexis, Mouring, Simpson

GCL: Barrera

Issue 1: Should the Commission approve the transfer of Brendenwood Water System, Inc.'s water Certificate No. 339-W and facilities to Brendenwood Utilities, LLC?

Recommendation: Yes. The transfer of Brendenwood's water Certificate No. 339-W and facilities to the applicant is in the public interest and should be approved, effective the date of the Commission's vote. The territory being transferred is described in Attachment A of staff's recommendation dated November 9, 2011. The resultant order should serve as the buyer's water certificate and should be retained by the buyer as such. Within 30 days after the date of the order approving the transfer, the buyer should submit an executed and recorded copy of the warranty deed for the land on which the water treatment facilities are located, pursuant to Rule 25-30.033(1)(j), Florida Administrative Code (F.A.C.). No acquisition adjustment should be approved, pursuant to Rule 25-30.0371, F.A.C. Pursuant to Rule 25-9.044(1), F.A.C., the rates and charges approved for the Utility should be continued 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, F.A.C.

Issue 2: Should this docket be closed?

Recommendation: No. If the Commission approves staff's recommendation in Issue 1, the buyer should file an executed and recorded copy of the warranty deed for the land on which the water treatment facilities are located within 30 days after the date of the order approving the transfer in this docket. Following receipt of the warranty deed, this docket should be closed administratively.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

11

Docket No. 110264-WS – Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

Critical Date(s): 11/26/11 (60-Day Suspension Date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Brisé

Staff: ECR: Fletcher, Maurey, Daniel, Rieger

GCL: Brown

(Participation is at the Discretion of the Commission)

Issue 1: Should the Utility’s proposed final water and wastewater rates be suspended?

Recommendation: Yes. Labrador’s proposed final water and wastewater rates should be suspended.

Issue 2: Should any interim revenue increases be approved?

Recommendation: Yes, Labrador should be authorized to collect annual water and wastewater revenues as indicated below:

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Water	\$246,613	\$39,180	\$285,793	15.89%
Wastewater	\$442,466	\$53,416	\$495,882	12.07%

Issue 3: What are the appropriate interim water and wastewater rates?

Recommendation: The water and wastewater service rates for Labrador in effect as of December 31, 2010, should be increased by 15.95 percent and 12.09 percent, respectively, to generate the recommended revenue increase for the interim period. The approved rates should be effective for service rendered as of the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1)(a), F.A.C. The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission’s decision, the proposed customer notice is adequate, and the required security has been filed. The Utility should provide proof of the date notice was given within 10 days after the date of notice.

ITEM NO.

CASE

11

Docket No. 110264-WS – Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

(Continued from previous page)

Issue 4: What is the appropriate security to guarantee the interim increase?

Recommendation: A cumulative corporate undertaking of \$909,602 is acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc. (UI or Company) and written confirmation that the cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed \$1.2 million (inclusive of all Florida utilities). UI should be required to file a corporate undertaking on behalf of its subsidiaries to guarantee any potential refunds of revenues collected under interim conditions. UI's total guarantee should be a cumulative amount of \$909,602, which includes an amount of \$54,040 subject to refund in this docket. Pursuant to Rule 25-30.360(6), F.A.C., the Utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and in accordance with Rule 25-30.360, F.A.C.

Issue 5: Should the docket be closed?

Recommendation: No. The docket should remain open pending the Commission's PAA decision on the Utility's requested rate increase.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

12

Docket No. 100337-WS – Application for increase in water and wastewater rates in Pasco County by Mad Hatter Utility, Inc.

Critical Date(s): 12/25/11 (60-Day Suspension Date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Graham

Staff: ECR: Fletcher, Maurey

GCL: Jaeger

(Participation is at the Commission's discretion)

Issue 1: Should the Utility's proposed final water and wastewater rates be suspended?

Recommendation: Yes. Mad Hatter's proposed final water and wastewater rates should be suspended.

Issue 2: Should the docket be closed?

Recommendation: No. The docket should remain open pending the Commission's PAA decision on the Utility's requested rate increase.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

13**

Docket No. 080562-WU – Request for approval of amendment to connection/transfer sheets, increase in returned check charge, amendment to miscellaneous service charges, increase in meter installation charges, and imposition of new tap-in fee, in Marion County, by East Marion Sanitary Systems Inc.

Critical Date(s): None

Commissioners Assigned: Edgar, Brown

Prehearing Officer: Edgar

Staff: ECR: Fletcher, Daniel, Hudson, Jones-Alexis, Maurey, Walden

GCL: Bennett

Issue 1: Should the Commission approve the Joint Motion Seeking Approval of Settlement Agreement?

Recommendation: Yes. The Joint Motion Seeking Approval of Settlement Agreement should be approved.

Issue 2: Should this docket be closed?

Recommendation: No. If the Commission approves staff's recommendation in Issue 1, the prehearing and hearing should be set to address the outstanding disputes between the Utility and Intervenors Terry Will and Millicent Mallon.

DECISION: The recommendations were approved. Statement to be filed with Commission staff within 21 days of the order.

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