



FLORIDA
PUBLIC
SERVICE
COMMISSION

2016

Annual Report

CHAIRMAN'S MESSAGE

Consumers are central to the work that we do at the Florida Public Service Commission, which is why it is so important to consistently ensure that we are keeping the public interest at heart in our communications, responsiveness, and planning efforts.

In furtherance of this tenet, I have focused on improving the Commission's online accessibility, providing timely responses to requests and delivering fair and prompt resolutions to consumer concerns. Our website has been updated so that consumers have quick access to Commission information—from meetings and hearings to dockets and decisions. We also "live stream" our meetings and hearings so that consumers can view them in real time. The overall goal is to make the interaction with the Commission a more seamless experience for consumers no matter where they are.

This past year, the Commission worked diligently to improve communications, transparency, and accountability, while also keeping costs down for consumers and preserving Florida's energy future. Below are some of our 2016 accomplishments:

- ◆ The Commission authorized the issuance of \$1.294 billion in nuclear asset-recovery bonds, saving customers \$684 million on Duke Energy Florida's Crystal River III nuclear power plant retirement.
- ◆ The Commission approved the need for Florida Power & Light Company's (FPL) proposed Okeechobee Clean Energy Center Unit 1, a natural gas, combined cycle power plant projected to save customers at least \$72 million.
- ◆ The Commission also approved a \$3 million settlement agreement to resolve violations of natural gas safety rules and regulations by Peoples Gas System.
- ◆ The Commission hosted a roundtable discussion with all of the CEOs of the 5 electric utilities to discuss the various hurricane preparedness initiatives that have been implemented and will be deployed over the next hurricane season(s).
- ◆ In late November, the Commission approved a settlement agreement on FPL's rate request, which was a decrease from its original filing by more than a third and includes the addition of 1,200 MW of cost-effective solar deployment and discontinues FPL's natural gas hedging program for four years.

An integral part of our process is allowing consumers an opportunity to share their views so that we are better informed. Enjoy reading about our past year in this annual report!

Happy New Year,



Julie I. Brown,
Chairman

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CONTACT INFORMATION

The Florida Public Service Commission's (FPSC or Commission) responsibilities in utility regulation directly affect the public. The FPSC welcomes requests for information about utility regulation or utility-related matters. Inquiries may be made in writing to the address below or by telephone, e-mail, or fax.

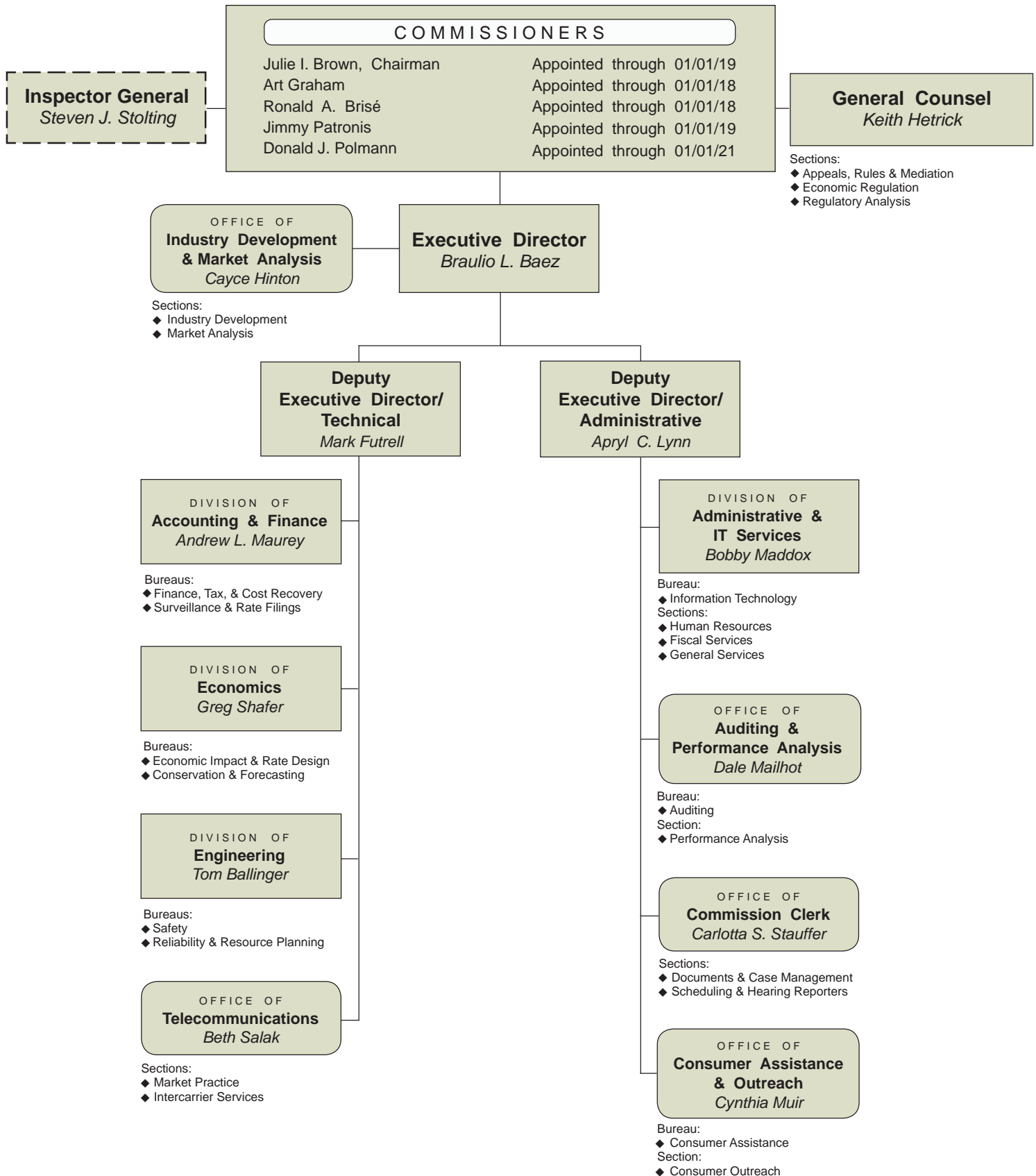
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E-mail address: contact@psc.state.fl.us
Internet home page: www.FloridaPSC.com
Twitter: @FloridaPSC

(Detailed telephone contact information is available at <http://www.floridapsc.com/AboutPSC/PhoneDirectory>)

FPSC ORGANIZATIONAL CHART

As of January 2, 2017



FPSC COMMISSIONERS

As of January 2, 2017



Julie Imanuel Brown was reappointed to the Florida Public Service Commission by Governor Rick Scott for a four-year term beginning January 2, 2015 and ending January 1, 2019. Elected to Chair the Commission, effective January 2, 2016, she will serve as Commission Chairman until January 2018. Chairman Brown was first appointed to the Commission by Governor Charlie Crist and was reappointed by Governor Rick Scott for a four-year term beginning January 2, 2011. Prior to her appointment, she was Associate Legal Counsel of First American Corporation, a Fortune 500 company, where she handled a variety of legal issues in the Eastern, Midwest and Mid-Atlantic Regions, including corporate compliance with regulatory authorities. ♦ Previously an Assistant City Attorney for the City of Tampa, Chairman Brown specialized in contract, regulatory and administrative law while acting as legal advisor to the City of Tampa for wastewater, stormwater, land development coordination, and other matters. She also worked as a corporate attorney at Shumaker, Loop and Kendrick, LLP in Tampa, Florida, specializing in mergers and acquisitions and securities law. ♦ Chairman Brown is a member of the National Association of Regulatory Utility Commissioners (NARUC) and serves on NARUC's Committee on Gas, Subcommittee on Nuclear Issues–Waste Disposal, and was elected as Vice Chairman of the Gas Technology Institute's Public Interest Advisory Committee in October 2016. She previously served on NARUC's Committee on Energy Resources and the Environment. A member of the Nuclear Waste Strategy Coalition since 2011, she was recently elected to serve on its Executive Committee to lead the group's efforts to expand membership. ♦ Chairman Brown chaired the Florida Legislature's Study Committee on Investor-Owned Water and Wastewater Utility Systems and previously served on the New Mexico State University's Center for Public Utilities Advisory Council. Her civic affiliations have included the City of Tampa's Architectural Review Commission, the Board of Directors for the Tampa Firefighters Museum, and the Florida Bar's 13th Judicial Circuit Bar Grievance Committee. ♦ Chairman Brown graduated magna cum laude with a Bachelor of Science from the University of Florida, where she was the recipient of the Outstanding Female Leader award, President of Florida Blue Key, inducted into the Hall of Fame, and received the Dean's Cup for the College of Journalism and Communications. She earned a Juris Doctorate from the University of Florida Levin College of Law, is a member of the Florida Bar, and a member of Leadership Florida, Class XXXIII. Her graduate education included study abroad at the University of Montpellier College of Law in France. ♦ Chairman Brown and her husband have two children.

Art Graham was appointed to the Florida Public Service Commission by Governor Charlie Crist in July 2010 and was reappointed by Governor Rick Scott for a term through January 2018. He has served two terms as Commission Chairman: January 2014 through January 2016 and October 2010 through January 2012. During both terms, he worked with his colleagues and industry representatives to find ways to hold down rates for Florida's consumers and businesses. ♦ Commissioner Graham is a member of the National Association of Regulatory Utility Commissioners (NARUC). In January 2015, he was appointed Co-Vice Chair of the NARUC Committee on Water, which he has served on since 2010. Prior to his appointment as Commissioner, he served on the Jacksonville City Council. Among his duties as Council Member, Commissioner Graham helped oversee the budget of JEA, a publicly owned electric, water, and wastewater utility, and chaired the Transportation, Energy, and Utilities Committee. He also served on the Jacksonville Beach City Council from 1998 to 2002. ♦ He is a past chair of the North Florida Transportation Planning Organization and vice president of the Northeast Florida Regional Council. He was President of ART Environmental Consulting Services from 2005 to 2009, and worked on electric power generating boilers and wastewater reduction as a recovery engineer with Georgia Pulp and Paper from 1995 to 2002. A sales engineer with Betz PaperChem from 1991 to 1995, Commissioner Graham was a regional sales manager from 1989 to 1991 for Goodyear Tire and Rubber, where he also held an application engineer position from 1988 to 1989. ♦ He received a bachelor's degree in chemical engineering from the Georgia Institute of Technology in Atlanta. He is also a 2001 graduate of Leadership Jacksonville and a 2008 graduate of Leadership Florida.

Ronald A. Brisé was appointed to the Florida Public Service Commission by Governor Charlie Crist in July 2010 and was reappointed by Governor Rick Scott for a term through January 2018. He served as Commission Chairman in 2012-2013. ♦ Commissioner Brisé is a member of the National Association of Regulatory Utility Commissioners (NARUC) and serves in the following capacities:

Continued

FPSC COMMISSIONERS *continued*

- ◆ Chair, Telecommunications Act Modernization (TEAM) Task Force
- ◆ Board of Directors
- ◆ Committee on Telecommunications
- ◆ Committee on International Relations
- ◆ Subcommittee on Utility Market Access
- ◆ Immediate Past President, Southeastern Association of Regulatory Utility Commissioners (SEARUC)
- ◆ Board of Directors, Universal Service Administrative Company
- ◆ Intergovernmental Advisory Committee, Federal Communications Commission
- ◆ Federal-State Joint Board on Universal Service, Federal Communications Commission

He previously served on the NARUC Task Force on Federalism and Telecommunications. In addition, he is Co-Chair of the Board of Directors of the National Utilities Diversity Council. ◆ Before being appointed to the Commission, he represented District 108 in the Florida House of Representatives for four years. During his tenure, Commissioner Brisé was named Democratic Whip and served as Vice Chairman of the Florida Conference of Black State Legislators. He gained membership on several committees which produced significant legislation that tackled many of Florida's most relevant issues including energy, telecommunications, redistricting, appropriations and Medicaid reform. Commissioner Brisé also sponsored successful legislation expanding broadband deployment in Florida to address digital divide as well as legislation improving consumer protection for Floridian families. ◆ Upon graduation from college, Commissioner Brisé taught science at his alma mater, Miami Union Academy. He eventually became responsible for the school's development and fundraising operations. In 2005, he became the Chief Operating Officer at a VoIP telecommunications carrier. ◆ Commissioner Brisé began his career in public service in North Miami as a member of the North Miami Planning Commission. His civic engagements include Board Member of the North Shore Hospital and past president of the Albert C. Pierre Community Center. He is a member of the NAACP, Leadership Florida and serves on the Board of Directors of the Haitian-American Chamber of Commerce of Florida. ◆ Commissioner Brisé received a bachelor's degree in biology education from Oakwood University in Huntsville, Alabama and received MBA degrees in management and marketing from American Intercontinental University in Illinois. He and his wife have two children, Ronald Brisé II and Elizabeth Christiane Brisé, and together are faithful members of the Seventh-day Adventist Church.

Jimmy Patronis was appointed to the Florida Public Service Commission (PSC) by Governor Rick Scott for a four-year term beginning January 2015. Prior to his appointment, Commissioner Patronis represented District 6 (Bay County) in the Florida House of Representatives. A member of the National Association of Regulatory Utility Commissioners (NARUC), Commissioner Patronis serves on NARUC's Committee on Consumer Affairs and Committee on Energy Resources and the Environment. He also serves on the Advisory Council for New Mexico State University's Center for Public Utilities. ◆ Commissioner Patronis is recognized for his outstanding leadership in his hometown of Panama City and throughout Florida. He was appointed by Governors Jeb Bush and Lawton Chiles to the Florida Elections Commission. Commissioner Patronis is also a past Chairman and Board Member of the Bay County-Panama City International Airport and Industrial District. Former positions include a bank director, hospital trustee, as well as a board member for many charitable and non-profit organizations. ◆ Commissioner Patronis received his Bachelor of Science degree in Political Science from Florida State University. He is a member of the Florida Chamber of Commerce and Bay County Chamber of Commerce Leadership Programs and has been involved in many other state and community organizations. For his outstanding service, he has also received numerous awards and recognitions. ◆ A lifelong resident of Bay County, Commissioner Patronis is a partner in Captain Anderson's Restaurant and Market, where he works with his father, uncle, and brothers in the well-known family business. He and his wife are dedicated to civic and business development for Northwest Florida and are the proud parents of two sons.

Donald J. Polmann, Ph.D., P.E., was appointed to the Florida Public Service Commission (PSC) by Governor Rick Scott for a term beginning January 2, 2017. ◆ Prior to his appointment to the PSC, Commissioner Polmann served as Director of Science and Engineering for Tampa Bay Water, the largest wholesale drinking water supplier in the Southeastern United States. Commissioner Polmann was responsible for strategic planning, engineering and permitting; future needs analysis incorporating risk and reliability; capital, energy, and conservation plans; water-use and environmental permits and compliance; resource management and supply development; and regulatory agency relations. He also served as a primary negotiator on complex permits, rules, settlements, and contracts. Commissioner Polmann had a major role supporting the agency's public-private partnership engagements for alternative supplies and regional infrastructure. The regional water supply authority meets Tampa Bay's drinking water needs with a diverse, flexible supply network, and state-of-the-art water quality monitoring; the region's water is blended from three different sources: groundwater, surface water, and desalinated seawater. ◆ Commissioner Polmann also served as a consulting engineer in private practice for a decade, most recently at ATKINS as Senior Project Director for public sector clients concerning water and environment. Before this, at AMEC in environmental and water resource engineering for a broad set of public and private clients. ◆ His undergraduate degree in Environmental Engineering, with a Minor in Economics, is from Rensselaer Polytechnic Institute. Commissioner Polmann holds a Master's degree in Environmental Engineering Sciences from the University of Florida and a Ph.D. in Civil Engineering from the Massachusetts Institute of Technology. He is a member of the External Advisory Board for the University of Florida Engineering School of Sustainable Infrastructure and Environment. He was named Florida Government Engineer of the Year and is a current member of the Florida Engineering Society, the American Society of Civil Engineers, the National Society of Professional Engineers, and the American Geophysical Union. Commissioner Polmann is a past member, Board of Directors, WaterReuse Research Foundation. He is a graduate, Class of 2004, of the Florida Engineering Leadership Institute. Dr. Polmann's special interests include volunteer work in public schools. ◆ Commissioner Polmann has lived in Florida since 1969. He is married with two children.



EXECUTIVE
DIRECTOR

**BRAULIO L.
BAEZ**

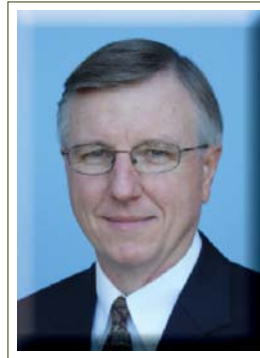
The Executive Director is responsible for directing, planning, and administering the overall activities of the Commission staff, except the Office of General Counsel. He consults with and advises the Commissioners on regulatory, internal management, and budgetary matters, and acts as an interagency liaison. Reporting directly to him are the Deputy Executive Director-Administrative, the Deputy Executive Director-Technical, and the Director of the Office of Industry Development & Market Analysis.



DEPUTY
EXECUTIVE
DIRECTOR-
ADMINISTRATIVE

**APRYL C.
LYNN**

The Deputy Executive Director-Administrative supervises and directs the Commission's administrative staff and counsels the Executive Director on Commission personnel, media relations, consumer assistance, and auditing matters. The Division of Administrative & Information Technology Services, and the Offices of Commission Clerk, Auditing & Performance Analysis, and Consumer Assistance & Outreach are under her direction.



DEPUTY
EXECUTIVE
DIRECTOR-
TECHNICAL

**MARK
FUTRELL**

The Deputy Executive Director-Technical provides direction and leadership for the technical staff and advises the Executive Director in all technical issues pending or presently before the Commission. He has direct authority over the Divisions of Accounting & Finance, Engineering, Economics, and the Office of Telecommunications.



GENERAL
COUNSEL

**KEITH
HETRICK**

The General Counsel is the Commission's chief legal counsel. He supervises the Commission's legal personnel and is charged with the administration and delegation of responsibilities to the lead attorneys in his office. The General Counsel advises the Commission on the legal aspects of its regulatory responsibilities, providing legal representation in court and before federal agencies, offering legal counsel to the Office of Executive Director, and assisting in interagency liaison activities.



THE ROLE OF FLORIDA'S PUBLIC SERVICE COMMISSION

MISSION STATEMENT:

*To facilitate the efficient provision of
safe and reliable utility services at fair prices.*

The Commission's work is a balancing act, weighing the needs of consumers with the needs of a utility and its shareholders. For electric, natural gas, and water and wastewater utility companies, the Commission oversees service territories, regulates rates and earnings, and requires utilities to provide service to all who request it. For telecommunications companies, the Commission is responsible for encouraging and promoting fair and reasonable growth within the industry.

The Florida Public Service Commission's (FPSC) mission is to balance the customers' need for reasonable, safe, and reliable utility services with the utility companies' need to provide effective and efficient services. Florida's utilities play a major role in the economic development of cities, regions, and communities working to improve their local business climate. As utilities grapple with industry challenges, FPSC Commissioners are also challenged with difficult decision-making in the public's best interest. Residential and commercial consumers now want more interactive choices from their utility companies and need more information to make smart energy decisions.

Regulation of carbon emissions is a key policy issue confronting utilities nationwide. Recent developments in carbon litigation and regulation also suggest that the national policy landscape, related to carbon emissions, is continuing to evolve. In the midst of industry and technological change, the FPSC's focus remains constant: how do we best ensure safety, reliability, and affordability for all customers. In doing so, the FPSC exercises regulatory authority over utilities in three key areas: rate base/economic regulation; competitive market oversight; and the monitoring of safety, reliability, and service.

- ◆ Rate base/economic regulation involves analyzing requested rate changes and conducting earnings surveillance to ensure that regulated utilities are not exceeding their authorized rates of return.
- ◆ Competitive market oversight entails facilitating the development of competitive markets and managing issues associated with them.
- ◆ Safety, reliability, and service monitoring contributes to an uninterrupted supply of utility services to the general public and confirms that such services are provided in a reasonable and timely manner with minimal risks.

In each of these areas, the Commission provides consumer assistance, protection, and education services, including responding to consumer questions and complaints and distributing information about using utility services.

A more detailed description of the FPSC's role in these key areas follows.

RATE BASE / ECONOMIC REGULATION



Earnings levels for regulated electric, natural gas, and water and wastewater companies are established and regularly monitored by the FPSC.

Companies file annual reports which are reviewed to determine their earnings for the prior year. If it appears that a company will experience excessive earnings in the coming year, the FPSC fully analyzes the company's books and records and reduces its rates. The FPSC may determine earnings are subject to refund if the review indicates possible overearnings.

When a company believes its earnings are below a reasonable level, the company can petition the FPSC for a change in rates. After an extensive review of the company's earnings, the Commission determines the company's fair rates and earnings to decide a reasonable rate of return. The Commission also analyzes the actual rates charged by the company, allocates revenue requirements between classes of customers, and develops appropriate rate structures within rate classes.

ENERGY

In addition to annual reports, the investor-owned electric and natural gas companies also file earnings information monthly, quarterly, or semi-annually, depending upon each company's size. These more frequent company filings allow the FPSC to monitor earnings levels on an ongoing basis. Customer rates can be quickly adjusted if a company appears to be overearning.

Annually, the FPSC thoroughly reviews each regulated utility's fuel, capacity, conservation, and environmental costs and authorizes recovery of

prudently incurred expenses. Other areas of economic regulation for the energy industry include special contracts, new tariff offerings, conservation programs, depreciation, amortization, nuclear decommissioning studies, and fossil fuel dismantlement studies.

WATER & WASTEWATER

In the water and wastewater industries, the FPSC processes a significant number of cases each year. The majority of these cases involve requests for rate increases or limited proceeding increases resulting from the increased cost of providing service. Other cases involve overearnings investigations to determine if a rate reduction is necessary.

The Commission processes water and/or wastewater certification requests, with the majority involving the transfer or amendment of authorization certificates to provide service. Other cases can involve certifying a new utility and setting its initial rates and charges. The Commission also acknowledges abandonments and cancels certificates for systems transferred to exempt entities.



Reuse (using effluent water for a beneficial purpose, such as irrigation) impacts rate base/economic regulation.

The Legislature has recognized the benefit of reuse to Florida and has enacted provisions in the statutes for the Florida Department of Environmental Protection (DEP), the five water management districts (WMD), and wastewater utilities to employ reuse as a means of effluent disposal and as a method of water conservation. The FPSC's charge is to identify reuse issues related to its jurisdiction and to establish policies that are consistent with statewide goals. In meeting this charge, Commission staff participates on a Reuse Coordinating Committee along with staff from DEP, the WMDs, and the Florida Departments of Agriculture and Consumer Services, Health, and Transportation.

Water conservation is vital to Florida's economy. As an economic regulator, the FPSC is actively in-

volved in demand-side water conservation through rates and rate structure review. Rates and rate structure have a direct bearing on water usage and water resource allocation. The FPSC has a Memorandum of Understanding (MOU) with DEP and another MOU with four of the five WMDs to coordinate efforts to improve statewide water quality and meet statewide conservation goals. Both agencies provide expert testimony, as necessary, on water quality and conservation issues in rate cases before the FPSC. When feasible, the FPSC allows utilities to recover expenses related to conservation programs and establishes conservation rates to reduce water consumption.

COMPETITIVE MARKET OVERSIGHT

The FPSC addresses competitive market structure and regulatory issues in the telecommunications industry, which has transitioned from a monopoly to a competitive market. Two catalysts for the change to a competitive market were innovative technologies that add new markets to established regulated companies and increased service options that provide customer choices.



The FPSC must ensure that regulatory barriers are removed and that telecommunications companies are competitive.

A key FPSC focus is facilitating competition in the local telephone market, which includes arbitrating agreements between incumbent local exchange companies (ILECs) and competitive local exchange companies (CLECs) when negotiations fail. After interconnection agreements are executed, the FPSC is then charged with interpreting and enforcing the agreements, if requested, by one of the affected carriers. The FPSC is responsible for resolving other intercarrier disputes including, but not limited to, federal law addressing resale of services, local interconnection, unbundling, number portability, dialing parity, access to rights-of-way, access to poles and conduits, and reciprocal compensation. The FPSC is also active in monitoring and assessing the status of local competition, processing negotiated agreements, and providing

input on legislative and Federal Communications Commission (FCC) initiatives.

Another critical aspect of competitive market oversight in the telecommunications industry is the certification process. Most landline telecommunications companies (excluding interexchange companies) conducting business in Florida are required by state law to be certificated by the FPSC.

By conducting regular reviews of industry practices, the FPSC determines whether entities are engaging in actions that could impede the development of competition. Other major responsibilities involve oversight of numbering resources, the Lifeline Assistance program which helps low-income residents have access to telephone service, and the Relay Program which facilitates telephone use for the deaf, hard of hearing, or speech impaired.

RELIABILITY, SAFETY, & SERVICE ISSUES

Through performance and operations investigations, the FPSC obtains information on reliability, service quality, and service availability for review and enforcement.

ENERGY

Electric Reliability

In the electric industry, the FPSC reviews regulated utilities' Ten-Year Site Plans to assess how utilities will meet Florida's energy needs over a ten-year planning horizon. The FPSC considers petitions for the determination of need for electric power plants, transmission lines, and intrastate natural gas pipelines so that adequate generation and transmission facilities will be available to meet the state's power needs.



The FPSC also participates in formal and informal proceedings relating to long-range electric utility bulk power supply operations and planning; electric and natural gas safety, and service quality, including complaints; electric utility conservation goals and programs; and emergencies due to operational events or weather.

Electric Distribution Reliability and Infrastructure Hardening

The FPSC also monitors investor-owned utilities' (IOUs) performance by reviewing each company's Electric Distribution Reliability Report, filed annually on or before March 1. In this filing, each IOU reports the latest available data on its various reliability indices, such as System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI). The reliability indices are based on statistical data that measure each IOU's service quality and reliability. The reports also describe the status of each IOU's storm hardening efforts related to ten ongoing initiatives established by the FPSC, including vegetation management, hardening of existing structures, joint-use agreements, auditing pole attachments, and natural disaster preparedness. The Commission reviews these reports to verify the utilities' compliance with Commission requirements and ensure that Florida's utilities are maintaining quality service that is safe and reliable.



Electric Safety

By statute, the FPSC is responsible for electric safety. The Commission has adopted the National Electrical Safety Code (NESC) as the applicable safety standard for transmission and distribution facilities subject to the FPSC's safety jurisdiction. In addition, Commission rules set requirements for accident reports, quarterly utility compliance reports, and FPSC facility inspections. Electric safety engineers inspect utility electric transmission and distribution construction sites that are selected from utility work orders. Any variances from the NESC are corrected through its quality control program.

Natural Gas Pipeline Safety

Safety compliance evaluations are conducted annually on all natural gas systems. These evalu-

ations focus on corrosion control, leak surveys, leak repairs, emergency response, drug testing, employee training and qualification, maintenance, operation, and new construction.



The Commission's pipeline safety staff evaluates natural gas systems covering thousands of miles of pipeline and customer service lines.

These evaluations generally result in written notifications of gas safety violations such as failure to repair gas leaks, failure to odorize natural gas, or failure to use qualified welders. All violations must be corrected or scheduled for corrective action pursuant to the Commission's enforcement procedures.

In April 2011, the U.S. Department of Transportation and the Pipeline and Hazardous Materials Safety Administration urged states to replace all bare unprotected steel and cast iron pipelines due to accidents in other parts of the U.S. involving aging infrastructure. The FPSC's Bureau of Safety requested all companies in Florida with aged infrastructure to provide a replacement plan. In September 2012, the Commission approved replacement programs for Tampa Electric Company's Peoples Gas System, the Florida Division of Chesapeake Utilities, and Florida Public Utilities Company (FPUC). These three utilities began with a total of 157 miles of cast iron and 760 miles of unprotected steel pipe needing replacement. As of December 2015, approximately 59 miles of cast iron and 427 miles of bare steel remain to be replaced. FPUC-Fort Meade also has a Commission approved replacement program for approximately 250 steel service customer connections.

Emergency Operations Center

The Commission is designated as the Lead Response Agency for power and natural gas emergencies for the Office of the Governor. Through the Division of Emergency Management at the state's Emergency Operations Center (EOC), the FPSC provides 24 hours/7 days a week staffing for Emergency Support Function-12 Energy (ESF-

12) during state emergencies. ESF-12 coordinates responses to electric and natural gas emergencies and provides information and assistance to a variety of federal and state agencies at the EOC.

The Commission also maintains contact with electric and natural gas utilities serving the affected areas to assess damage and service restoration efforts. Data collected and maintained from these coordination efforts include areas affected, number of customers without electrical power or natural gas, status of generation fuel supply, and estimated restoration time for normal service. This information is used by the EOC to determine the most efficient allocation of resources in response to regional recovery efforts.



(l to r) State Representative Alan Williams, Florida Governor Rick Scott, FPSC Commissioner Jimmy Patronis, and State Representative Brad Drake helped clear debris and facilitate power restoration to Tallahassee residents impacted by Hurricane Hermine.

In 2016, the FPSC provided around-the-clock ESF-12 support during Hurricane Hermine, which hit the Big Bend area in September, and Hurricane Matthew, which skirted along Florida’s East Coast in October.

— WATER & WASTEWATER —

In the water and wastewater industries, the FPSC monitors quality-of-service issues such as water pressure and capacity. When a consumer complaint regarding water and/or wastewater quality of service is received, if justified, a staff engineer is assigned to work with the consumer and utility personnel to determine the cause of the concern.

Service quality issues are also addressed when a utility files an application for a rate change. The

Commission conducts customer meetings or service hearings as a part of the rate case process. Consumer comments at these meetings typically include service quality issues. The FPSC reviews consumer concerns and works with the utility to resolve service issues. When a complaint results from possible violations of DEP public health rules, FPSC staff works with the DEP to resolve the issue.

In 2014, the Florida Legislature enacted Senate Bill 272 creating two new Florida Statute Sections—367.072 and 367.0812—to revoke a certificate of authorization and to use quality of water service as a criterion in evaluating a utility’s FPSC rate increase request. To implement the new Statute Sections, the Commission filed proposed Rule 25-30.091, Florida Administrative Code (F.A.C.) and amended Rule 25-30.440, F.A.C., with the Department of State; they became effective in February 2015.

Rule 25-30.091, F.A.C., allows the FPSC to consider revoking a water utility’s certificate of authorization if at least 65 percent of the utility’s customers file a petition for revocation, including specific issues of concern, each reported incident, and how long each issue has existed. The rule amendments require the utility to include its customer complaints for secondary water quality standards, established by DEP, over the past five years when it files a FPSC rate case.

**CONSUMER ASSISTANCE,
PROTECTION & EDUCATION**

By providing effective consumer assistance, protection, and education, the FPSC accomplishes its mission of assisting consumers and educating the public about the changing regulatory environment.

The FPSC participates in a variety of outreach events such as consumer forums, community meetings, and customer meetings and hearings, by presenting pertinent information and distributing a variety of consumer publications. Making sure consumers have easy access to agency information ensures that they can make informed decisions about utility services.

With Florida’s unpredictable weather and fluctuating fuel costs, consumers have concerns about

storm damage and energy expenses, which impact the natural gas and electric industries. The FPSC website and publications explain the rules that keep utilities prepared for storms and fuel costs reasonable and highlight the Commission's statutory obligation to protect consumers by ensuring public safety.



Another aspect of consumer assistance relates to customer issues such as billing.

The FPSC assists consumers with analyzing their utility bills and verifying the accuracy of charges to help resolve disputes between regulated companies and their customers in a fair and efficient manner.

The Commission's Transfer Connect system offers consumers a quick, efficient option to resolve complaints. When a consumer calls the FPSC's toll-free consumer assistance line (1-800-342-3552) with a question or a complaint regarding utility services, an FPSC staff member, with the customer's approval, will transfer the call directly to the utility for handling. Once the consumer's call is transferred, the utility pays for the call until completion. Each company subscribing to Transfer Connect must provide "live" customer service personnel to

handle the transferred calls. Consumers benefit when they can have all of their needs met with a single toll-free call. The Transfer Connect option also allows FPSC staff to consult with a utility representative and pass on caller information, so the caller doesn't have to repeat it.

The chart below identifies those complaints received by industry.

Resolving Consumer Complaints

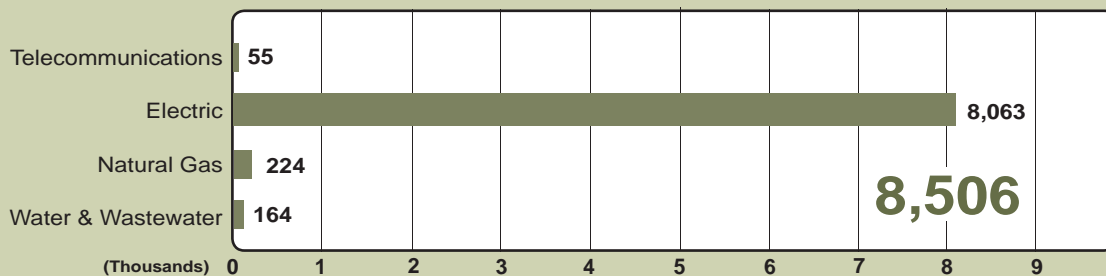
Assisting consumers is a FPSC priority. Consumers can find a variety of fact sheets, brochures, and consumer tips on the Commission's website. Residential and business customers needing additional assistance to resolve complaints with Florida's regulated utilities can receive help from the FPSC's experienced analysts, who can also provide information on utility payment plans, statutes and rules governing utility companies, and the status of pending cases before the Commission.

There are five ways to contact the FPSC:

- ◆ Complete an online complaint form
- ◆ E-mail correspondence to contact@psc.state.fl.us
- ◆ Call the toll-free number at 1-800-342-3552
- ◆ Fax information toll-free at 1-800-511-0809
- ◆ Send mail to:

Florida Public Service Commission
Office of Consumer Assistance & Outreach
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

During 2016, 8,506 complaints were logged with the FPSC against utility companies. The following chart identifies those complaints received by industry.



Note: Includes non-certificated complaints logged, complaints transferred via the telephone transfer-connect or e-transfer process, and complaints logged and resolved under the three-day rule. Effective July 1, 2012, FPSC jurisdiction over telecommunications companies changed. Telecommunications complaints include, Lifeline Assistance program, Florida Relay, and payphone service.

For more information, visit the FPSC's website at:
www.FloridaPSC.com

Since consumer service and protection are integral to the FPSC's mission, the Commission encourages early, continuous, and meaningful public participation throughout its regulatory process. As part of the FPSC's education program, information is compiled and relayed to consumers who are offered many opportunities to express comments and ideas to the Commissioners before final decisions occur.

The FPSC closely monitors informal consumer inquiries and complaints to identify trends affecting consumers and then produces related outreach materials to address those needs. The FPSC provides consumers with the information needed to know their rights as utility customers.

Consumers receive information in a variety of ways, including the FPSC website, news releases, consumer newsletters, Twitter, toll-free phone and fax numbers, consumer publications, brochures, scheduled FPSC meetings open to the public, and community events. The FPSC's home page, www.FloridaPSC.com, is continuously updated to keep information current and make the site user-friendly. The website contains information about the regulated industries, press releases, and agency publications. In addition to obtaining information, consumers may file online complaints and inquiries about their utility services. Commission events and meetings are usually accessible online as live or archived video and/or audio broadcasts.



Find energy savings in your home by viewing the FPSC Conservation House at
<http://www.floridapsc.com/Files/PDF/Publications/Consumer/Brochure/ConservationHouse.pdf>

Consumer Outreach

Each year the FPSC provides educational packets, including FPSC publications and Lifeline brochures and applications in English, Spanish, and Creole, to Florida public libraries across the state for consumer distribution. The FPSC's Library Outreach Campaign reached 583 state public libraries and branches in 2016. The FPSC sends materials via a CD that includes a print-ready copy of FPSC brochures for easy reproduction.

Following the Campaign, many libraries request additional publications. Their continuing support helps the FPSC reach consumers throughout the state.

National Consumer Protection Week (NCPW), highlighting consumer protection and education efforts, was important to the FPSC's 2016 conservation education efforts. FPSC Chairman Julie Brown kicked off the 18th Annual NCPW (March 6-12, 2016) by hosting a press conference in Tallahassee to remind consumers of ways to avoid energy related fraud schemes and to curb high energy usage. Also during the week, the Commission made presentations in Jacksonville, Tampa, St. Petersburg, and Panama City, showing consumers how to save money through energy and water conservation and how to avoid scams.

Events to promote energy efficiency and conservation education are annually observed during October's Energy Awareness Month and the PSC reminded consumers how our energy habits can make a difference to reduce our energy usage and our utility bills. Consumer-related articles about the FPSC's regulatory work are also regularly featured in the *Elder Update*, a bimonthly publication of the Florida Department of Elder Affairs. The popular publication is free of charge and reaches a large number of Florida's seniors by mail and online.

With its interactive design, the Commission's quarterly *Consumer Connection E-Newsletter* features current energy and water conservation topics, consumer tips, and general Commission information. Consumer tips highlighted through video and text in 2016 include *Prepare Your Air Conditioner for Summer, It's Hurricane Season, So Be Prepared!*, *Save Money During Spring Break* and *Energy Efficient Holidays*. The *Consumer Connection E-Newsletter* is available under Consumer Corner on the Commission's homepage and distributed to

consumers via Twitter and by subscribing to the free newsletter online.

Chairman Julie Brown's monthly *Commission Update* often features conservation topics and is distributed electronically to legislators, local government officials, and Florida Cabinet members. The *Update* is tweeted and also featured under Hot Topics and archived on the Commission's homepage.

Again this year, the FPSC recognized small businesses for implementing Commission-approved, cost-effective conservation programs. Covering the state's five major geographic areas, each month the FPSC gave its *Triple E Award—for Energy Efficiency*—to a local business that accomplished superior energy efficiency by working with its local utility to help reduce its energy footprint. FPSC *Triple E Award* recipients are highlighted through a press release, issued statewide, and are featured under Hot Topics on the FPSC's homepage, www.FloridaPSC.com.

To help consumers who might need assistance paying their utility bills, the FPSC compiled *A Guide to Utility Assistance in Florida* that includes contact information for all electric utilities in the state. The booklet gives consumers a way to call their utility to tap into the large network of social service organizations located throughout their area. Many of Florida's electric utilities also have company programs designed to provide emergency assistance funds to customers unable to pay their electric bill, so consumers in need can benefit by contacting their utilities.

To assist Florida legislators and other government officials whose constituents might be affected by a specific case before the FPSC, the Commission produces an informational report, the *Florida Public Service Commission Bulletin*. The *Bulletin* provides a background for cases where customer input is considered and helps answer constituent inquiries.

Throughout the year, FPSC Commissioners and/or staff attend customer hearings and meetings around the state. Public meetings provide an inclusive process that allows Florida consumers to participate and share their views with Commissioners. For each hearing or meeting, customers receive a *Rate Case Overview* that explains the case be-

ing reviewed and encourages their participation. In 2016, FPSC staff organized and attended 22 customer hearings and meetings, where they addressed citizen questions and concerns and distributed relevant brochures. In addition, this year the legislature requires the FPSC to live stream all off-site meetings attended by two or more commissioners. This provides greater customer access and participation in FPSC proceedings.

The Commission features many brochures online and in print to help consumers save energy, conserve water, avoid utility-related scams, or learn about the Lifeline Assistance Program and other relevant topics. Brochures may be viewed and printed directly from the website, <http://www.FloridaPSC.com/publications/>, ordered free via an online order system, or requested by mail or phone. With its interactive design, the FPSC's quarterly *Consumer Connection E-Newsletter* is also helpful, featuring current energy and water conservation topics, consumer tips, and general Commission information.



The FPSC continuously seeks existing and new community events, venues, and opportunities where conservation and other materials can be distributed and discussed with citizens.

This year, the FPSC participated in consumer programs and distributed energy and water conservation materials through partnerships with governmental entities, consumer groups, and many other service organizations.

Examples of events where conservation and other information was shared during 2016 include:

- | | |
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| <ul style="list-style-type: none"> ◆ Senior Day at the Capitol ◆ Active Living Expo ◆ Jacksonville Senior Expo ◆ Second Harvest of the Big Bend ◆ Evergreen Missionary Baptist Church ◆ Trinity Café ◆ St. Petersburg Free Clinic ◆ Senior Awareness Day – Pensacola ◆ Lunch and Learn – Lake Jacksonville Senior Center ◆ Leon County Senior Outreach Appreciation Meeting ◆ Fraud Prevention Seminar – Florida Department of Elder Affairs ◆ World Elder Abuse Awareness Day – Tallahassee ◆ World Elder Abuse Awareness Day – Melbourne ◆ Springfield Center ◆ Daniel D. Cantor Senior Center ◆ Sunrise Senior Center ◆ Southcentral/Southeast Focal Point Senior Center | <ul style="list-style-type: none"> ◆ LifeStyle Enrichment Center of Ft. White ◆ Woodville Community Center ◆ 33rd Annual Children’s Day – Florida Museum of History ◆ Feeding Northeast Florida ◆ Feeding Northeast Florida – Lunch with Luke ◆ LifeStyle Enrichment Center of Lake City ◆ Trinity Rescue Mission ◆ The Oaks at Riverview Senior Center ◆ Columbia County Public Library ◆ Bennie Furlong Senior Center ◆ Feeding Northeast Florida Christian Fellowship Ministries ◆ 7th Annual Southside Community Health & Fitness Fair – Maranatha Seventh Day Adventist Church ◆ Suwanee County Health and Wellness Fair ◆ Panama City Beach Senior Center ◆ Bay County Area Council on Aging ◆ Lunch and Learn Bradfordville Senior Center ◆ Lynn Haven Senior Center ◆ El Beth-El Development Center ◆ Light In the World Community Day |
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II

HIGHLIGHTS OF THE FPSC'S REGULATORY ACTIONS FOR CALENDAR YEAR 2016

In 2016, the FPSC regulated 5 investor-owned electric companies, 8 investor-owned natural gas utilities, and 151 investor-owned water and/or wastewater utilities and had competitive market oversight for 336 telecommunications companies in Florida.

The number of certificated telecommunications companies as of December 2016 was as follows:

- ◆ 10 incumbent local exchange companies (ILECs)
- ◆ 237 competitive local exchange companies (CLECs)
- ◆ 49 pay telephone companies (PATs)
- ◆ 21 alternative access vendors (AAVs)
- ◆ 14 shared tenant service providers (STS)

The FPSC does not regulate the rates and service quality of publicly owned municipal or cooperative electric utilities; however, the Commission does have jurisdiction regarding rate structure, territorial boundaries, bulk power supply operations, and power supply planning over 35 municipally owned electric systems and 18 rural electric cooperatives. The FPSC has jurisdiction regarding territorial boundaries and safety, over 27 municipally owned natural gas utilities and 4 gas districts. In addition, the Commission exercises safety authority over all electric and natural gas systems operating in the state.

During 2016, the Commission handled a number of significant regulatory issues that are summarized in the following sections.

ENERGY

Electric Rate Cases

Florida Power & Light Company

On March 15, 2016, Florida Power & Light Company (FPL) filed a petition requesting a revenue increase of \$866 million effective January 1, 2017, a subsequent year adjustment of \$262 million effective January 1, 2018, and a \$209 million limited-scope adjustment effective upon the commercial in-service date of the Okeechobee Clean Energy Center. FPL requested a return on equity (ROE) of 11.50 percent, which included a 50-basis point performance adder to reflect its prior efforts to deliver superior value to its customers and to provide an incentive to promote further improvements in customer value.

The Office of Public Counsel (OPC), the American Association of Retired Persons (AARP), the Federal Executive Agencies (FEA), the Florida Industrial Power Users Group (FIPUG), the Florida Retail Federation (FRF), the Larsons (Larsons), the South Florida Hospital and Healthcare Association (SFHHA), the Sierra Club, and Walmart intervened in the proceeding.



In June, nine customer service hearings were held to solicit customer input regarding the quality of FPL's service and its proposed rate increase.

Service hearings were conducted in Daytona Beach, Ft. Lauderdale, Ft. Myers, Melbourne, Miami, Miami Gardens, Pembroke Pines, Sarasota,

and West Palm Beach. A technical hearing was held August 22-26 and August 29-September 1, 2016.

On October 6, 2016, a Joint Motion for Approval of Settlement Agreement (agreement) was filed by FPL, OPC, SFHHA, and FRF. FIPUG took no position on the agreement, FEA and Walmart did not oppose the agreement, and AARP, the Larsons, and the Sierra Club, objected to the agreement. The minimum term of the agreement covers January 1, 2017, through December 31, 2020. Under the terms of the agreement, FPL would be permitted to increase its base rates by \$400 million effective January 1, 2017, and a subsequent increase of \$211 million effective January 1, 2018. FPL would also be permitted an increase in base rates of \$200 million, effective upon the commercial operation date for the Okeechobee Clean Energy Center, projected for June 2019. The agreement provided that FPL's return on equity would be set at 10.55 percent with an authorized range of 9.60 percent to 11.60 percent. The agreement also allows FPL the flexibility to amortize up to \$1 billion of the theoretical reserve surplus, and any remaining surplus from its 2012 Settlement Agreement to maintain FPL's earned ROE within its authorized range. FPL may seek approval to recover the cost of solar generation projects undertaken during the agreement term subject to a yearly threshold of 300 MW per year. FPL would also implement a 50 MW Battery Storage Project and would pursue cost recovery for the project in its next general base rate case. FPL would also terminate its natural gas financial hedging for the agreement term.

On October 27, 2016, a technical hearing was held to take testimony regarding the proposed agreement. Post hearing briefs were filed by FPL, AARP, Larsons, Sierra Club, and a Joint brief by OPC, SFHHA, and FRF on November 10, 2016. The Commission approved the agreement on November 29, 2016.

Duke Energy Florida

In accordance with the Commission-approved 2013 Revised Stipulation and Settlement Agreement, Duke Energy Florida, LLC (DEF) refunded \$40 million in 2015 to its retail customers through the fuel cost recovery clause. DEF also refunded \$60 million in 2016 to its customers. DEF cannot petition the Commission for an increase in base

rates to be effective prior to its last billing cycle in 2017, unless its ROE falls below 9.50 percent. DEF may petition the Commission for a base rate increase to be implemented concurrent with the in-service date of new combustion turbine units and associated transmission, power uprates to existing units, or newly acquired or purchased combustion or combined cycle units and associated transmission.

On November 17, 2015, the Commission approved DEF's petition for a financing order, allowing DEF to issue a special type of bond—known as a “securitization”—to recover the costs associated with the closing of the Crystal River 3 (CR3) nuclear power plant. In June 2016, the nuclear asset recovery bonds were issued at a record low rate for securitized rate-reduction bonds of 2.72 percent. The original Settlement Agreement provided for a 6 percent after-tax carrying charge on the CR3 asset. By replacing the carrying charge of 6 percent with the securitized bond rate of 2.72 percent, DEF customers will save \$808 million over the 20-year recovery period. The combination of a \$295 million reduction to CR3's asset, and the savings of \$808 million (\$684 million on a present value basis) on the financing of the CR3 costs, will save DEF's customers over \$1 billion.

Gulf Power Company

On October 12, 2016, Gulf Power Company filed a petition seeking approval to increase its base rates by \$106.8 million to be effective July 1, 2017. The requested increase is based on a return on equity of 11.0 percent. Customer hearings have been scheduled for January 26 and 27, 2017, and a technical hearing is scheduled for March 20-24, 2017. A decision on Gulf's petition is expected in the second quarter of 2017.

Tampa Electric Company

On April 5, 2013, Tampa Electric Company (TECO) filed a petition for a \$134.8 million base rate increase effective January 1, 2014. On September 9, 2013, a Joint Motion of TECO, OPC, FIPUG, Florida Retail Federation, Federal Executive Agencies, and WCR Hospital Utility Alliance was filed seeking approval of a Stipulation and Settlement Agreement. The Parties agreed that TECO's base rate would increase \$57.5 million annually, effective November 2013, increase \$7.5 million annually in

November 2014, and increase \$5.0 million annually in November 2015. The Parties further agreed to a generation base rate adjustment of \$110 million in January 2017, or the in-service date of TECO's Polk Units 2-5 conversions, whichever is later. The agreement terms continue through 2017.

Florida Public Utilities Company

On April 28, 2014, Florida Public Utilities Company (FPUC) filed a petition seeking an annual base rate increase of \$5.85 million, effective October 1, 2014. FPUC's request was based on an 11.25 percent ROE. On August 29, 2014, a Joint Motion for Approval of Stipulation and Settlement (Agreement) was filed by FPUC and OPC. After reviewing the Agreement and pleadings, and hearing argument of counsel, the Commission found the Agreement to be in the best interest of FPUC's ratepayers and approved it on September 15, 2014. Under the Agreement terms, FPUC cannot petition the Commission for an increase in base rates to be effective before January 1, 2017, unless its ROE falls below 9.25 percent.

Natural Gas Rate Cases

On February 12, 2016, St. Joe Natural Gas Company, Inc. (St. Joe) filed for a limited proceeding to restructure its rates to address a shortfall in revenues due to the permanent loss of its largest and only industrial customer, the Arizona Chemical Company. A customer meeting was held on April 11, 2016, in Port St. Joe. The approved revenue neutral restructured rates are intended to recover no more revenues than were approved in St. Joe's 2008 rate case proceeding. The revised rates became effective on August 7, 2016.

Depreciation, Dismantlement, & Nuclear Decommissioning Studies

Depreciation rates for regulated utilities are set by the Commission to ensure that cost recovery is provided for categories of assets while they are in service. Depreciation studies are required to be filed every four years by electric companies and every five years by gas distribution companies.

Dismantlement studies for electric utilities that own and operate fossil fuel generating units are required to be filed with the Commission every four years. These studies provide updated cost estimates to dismantle a fossil fuel generating unit at the end

of its useful life; the information in these studies is also used to determine whether a company needs to recover funds, in current customer rates, that will be necessary to pay for dismantlement.

Decommissioning studies for electric utilities that own and operate nuclear generating units are required to be filed with the Commission every five years. These studies provide updated estimates of the cost to decommission a nuclear unit at the end of its useful life; the information in these studies is also used to determine whether a company needs to recover funds, in current customer rates, that will be necessary to pay for decommissioning.



Depreciation

With its petition for a rate case, FPL also filed its 2016 Depreciation Study on March 15, 2016, based on investments as of December 31, 2017. On June 16, 2016, FPL filed a supplement to its study to reflect 2016 year-end balances as an option available to the Commission for setting depreciation rates and base rates in the rate case. On October 6, 2016, FPL filed a Joint Motion for Approval of Settlement Agreement with OPC, the South Florida Hospital and Healthcare Association (SFHHA), and the Florida Retail Federation (FRF) which contains depreciation rates posed by intervenors in the case. The settlement motion also seeks a waiver of Rule 25-6.0436(4)(a), F.A.C., which requires depreciation studies to be filed at least once every 4 years. Instead, FPL would be required to file its next depreciation study at the time it files its next general rate case proceeding. The Commission approved the settlement on November 29, 2016.

Dismantlement

With its petition for a rate case, FPL also filed its 2016 Dismantlement Study on March 15, 2016,

and submitted its corrected study on May 3, 2016. As stated in the Depreciation section above, on October 6, 2016, FPL filed a Joint Motion for Approval of Settlement Agreement with OPC, FSH-HA, and FRF in the rate case. The proposed settlement includes a dismantlement accrual of \$26.2 million per year, effective January 1, 2017, an increase of \$7.7 million above the current accrual. The settlement was approved by the Commission on November 29, 2016.

Decommissioning

FPL filed its 2015 Decommissioning Study on December 14, 2015, including studies of both the St. Lucie and Turkey Point nuclear plant sites. Decommissioning plans for both FPL plant sites call for the units to be dismantled soon after shutdown. FPL's study requests no change in the current annual accrual of \$0 to satisfy its retail share of the total future nuclear decommissioning cost. FPL updated its estimates for the last core of nuclear fuel and the end of life materials and supplies inventories as part of the study. The results of these updated estimates will be addressed in FPL's next general base rate proceeding. The Commission approved FPL's decommissioning study in June 2016, continuing the zero annual accrual.

Power Plant, Transmission Line, and Natural Gas Pipeline Need Determinations



On September 3, 2015, FPL filed a petition to determine the need for construction of a natural gas-fired combined cycle power plant in Okeechobee County. The proposed power plant, the Okeechobee Clean Energy Center Unit 1, is projected to begin service in June 2019 with an expected summer capacity rating of 1,622 MW. On January 19, 2016, the Commission approved a determination of need for the Okeechobee Clean Energy Center Unit 1, which is anticipated to cost approximately \$1.2 billion.

Fuel Diversity

Florida's electric utilities are required by law to furnish adequate, reliable electric service at a reason-

able cost to customers. Meeting customer demand in uncertain economic conditions represents a significant challenge. Since the late 1990's, utilities across the nation, including those in Florida, have selected natural gas-fired generation as the predominant source of new capacity. The use of natural gas for electricity production in Florida increased from 19.3 percent in 1995 to 63 percent in 2016. Natural gas usage is expected to remain at approximately 60 percent over the next ten years.

Given the potential volatility of natural gas prices, the Florida Legislature, since 2005, established policies addressing the importance of diversifying fuels used for electricity generation. These initiatives include enhancing contract provisions for the purchase of renewable energy by investor-owned utilities, encouraging customer-owned renewable energy resources, placing emphasis on energy efficiency and conservation, and establishing regulatory treatment for costs associated with nuclear construction.

Fuel diversity will continue to be a critical issue for the FPSC as it monitors pending federal emissions legislation, fuel price variability, the changing capital cost of generating units, and the expansion and integration of renewable energy resources.

Nuclear Cost Recovery

In 2006, the Florida Legislature enacted Section 366.93, Florida Statutes (F.S.), to encourage utility investment in nuclear electric generation by creating an alternative cost recovery mechanism. The statute directed the Commission to allow IOUs to recover certain construction costs in a manner that reduces the overall financial risk associated with building a nuclear power plant. In 2007, the statute was amended to include integrated coal-gasification combined cycle plants, and in 2008, it was again amended to include new, expanded, or relocated transmission lines associated with the plants. The statute required the Commission to adopt rules that provide for annual reviews and cost recovery for nuclear plant construction through the existing capacity cost recovery clause (CCRC). By Order No. PSC-07-0240-FOF-EI, the Commission adopted Rule 25-6.0423, F.A.C., fulfilling the requirements of, and implementing, Section 366.93, F.S.

Pursuant to the rule, all prudently incurred pre-construction costs and carrying charges will be recovered directly through the CCRC. Once a utility obtains an affirmative need determination for a power plant covered by the statute, the affected utility may petition for cost recovery using this alternative mechanism. The Commission approved the uprate for FPL's existing four nuclear units, St. Lucie 1 & 2 and Turkey Point 3 & 4, as well as for two new nuclear units, Turkey Point 6 & 7. DEF obtained approval for the uprate of the Crystal River 3 nuclear unit, as well as two new nuclear units proposed to be built in Levy County. The annual nuclear cost recovery clause (NCRC) proceeding was established to address utility petitions for cost recovery, pursuant to the statute and rule, to review utility activities, and to consider whether to approve costs associated with those activities for recovery from customers.

In 2013, the Florida Legislature enacted amendments to Section 366.93, F.S., which required: (1) that affected utilities seek FPSC approval prior to commencing certain project activities; (2) a revision to the rate used to calculate carrying costs and (3) deadlines for construction work to begin once the utility receives its Combined Operating License from the Nuclear Regulatory Commission. The Commission subsequently adopted revisions to Rule 25-6.0423, F.A.C., to incorporate these amendments to the statute, effective in January 2014.

In February 2013, DEF announced it would retire and decommission Crystal River 3. In August 2013, DEF announced it would not construct the Levy project in the current timeframe, and that it would cancel the Levy project Engineering, Procurement, and Construction contract. DEF filed a Petition for Limited Proceeding to Approve a Revised and Restated Stipulation and Settlement Agreement (2013 Settlement Agreement) that was signed by the OPC and other parties representing consumers. The Commission approved the 2013 Settlement Agreement, which addressed issues from multiple dockets. Terms that affected the NCRC included:

DEF's recovery amount for the Levy Project will reflect the use of a prescribed fixed factor set by rate class until recovery of remaining unrecovered investment is complete.

DEF is allowed to recover its Crystal River 3 Uprate Project costs through the NCRC consistent with Section 366.93(6), F.S.

FPL completed the uprate of its existing nuclear units in 2013, adding 522 megawatts of new nuclear capacity. FPL also received site certification in May 2014 for new nuclear units Turkey Point 6 & 7 from the Governor and Cabinet, sitting as the Power Plant Siting Board.

In June 2014, the Turkey Point 6 & 7 Site Certification was appealed by Miami-Dade County, City of South Miami, Village of Pinecrest, and City of Miami. On April 20, 2016, the Third District Court of Appeals reversed and remanded the Site Certification noting deficiencies in three areas: the application of local land development regulations, the Siting Board's conclusion that it could not require underground installation of transmission lines, and the Siting Board's interpretation of the nature and applicability of a County regulation. On June 6, 2016, FPL filed a motion for rehearing En Banc. The appeal process of the Site Certification is ongoing. FPL is continuing to pursue a Combined Operating License for these units from the Nuclear Regulatory Commission.

In May 2015, the Commission approved a DEF petition to end recovery of Levy project costs using the fixed factors set in 2013. Any remaining uncollected project costs will be subject to a final true-up proceeding in 2017. At an evidentiary hearing on August 9, 2016, the Commission approved recovery of \$52 million in 2017 related to the DEF Crystal River 3 Uprate Project. FPL withdrew its petition for recovery in 2017 of approximately \$22 million, so the Commission did not hear testimony regarding FPL's Turkey Point 6 & 7 project during the 2016 hearing.



Fuel Cost Recovery

In late January 2016, the Citizens of Florida through the Office of Public Counsel (OPC) filed a Notice of Administrative Appeal to the Supreme Court of Florida (Court) regarding a portion of Order No. PSC-15-0586-FOF-EI¹, the Final Order approving fuel cost recovery amounts and setting the 2016 fuel cost recovery factors for Florida Public Utilities Company. The OPC sought review of the Commission's approval of \$107,000 in depreciation expense, taxes, and return on investment related to a transmission-related investment. Briefs were filed, and in early November, the Court heard argument on this appeal. Final decisions from the Court are pending.

In February 2016, FPL and DEF filed for mid-course corrections, which lowered fuel factors for both utilities beginning April 2016 through the remainder of 2016. In November, the FPSC held its annual cost recovery clause hearing to address the true-up of 2016 fuel costs and to establish 2017 fuel cost recovery factors for the five IOUs. For 2016 FPL, DEF, and FPUC experienced net fuel cost under-recoveries as a result of higher than forecasted fuel prices. Gulf and TECO experienced fuel cost over-recoveries for this period.

For 2016, FPL's fuel costs were reduced by approximately \$46.3 million associated with its Commission-approved Incentive Mechanism. Under the plan, customers receive all gains from the program up to the sharing threshold of \$46 million and 40 percent of the gains over \$46 million and up to \$100 million. FPL's total 2016 gains under this program were \$46.9 million, and customers received the entire \$46 million benefit through reduced fuel costs, plus an incremental benefit for the gains exceeding the threshold.

As part of the comprehensive settlement agreement to resolve FPL's rate case, the Incentive Mechanism will be continued through the agreement's term, with similar sharing percentages, but with slight modifications to the sharing thresholds. The first tier sharing percentage for customers remains at 100 percent, although the threshold is modified to \$40 million (previously \$46 million).

¹ Order No. PSC-15-0586-FOF-EI, issued December 23, 2015, in Docket No: 150001-EI, *In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor*.

The sharing percentage for the second tier remains at 40 percent for customers, and captures gains above \$40 million up to \$100 million (previously \$46 to \$100 million). The 50 percent sharing percentage for gains in excess of \$100 million remains unchanged. The agreement also prohibits FPL from entering into any new financial hedges throughout the term of the agreement.

For DEF, fuel cost recovery amounts and factors will be higher in 2017 for two main reasons. First, certain refunds of fuel costs in prior years pursuant to a multi-year settlement agreement were no longer reflected in the projected fuel costs for 2017. Second, higher forecasted prices for natural gas, and the impact of a \$26.2 million under-recovery of fuel costs are incorporated in DEF's 2017 fuel cost recovery amounts and factors.

For Gulf, fuel cost recovery amounts and factors will be lower in 2017, due to more favorable coal supply contracts, and the impact of over-recovering \$26 million in fuel costs during 2016.

The fuel cost recovery amounts and factors for TECO will also be lower in 2017, because the company over-recovered \$122.6 million in fuel costs in 2016.

Even though FPUC under-recovered \$1.3 million of its 2016 fuel costs, its 2017 fuel factors will be slightly lower, based on a lower fuel cost projection.

Storm Hardening Initiatives

An FPSC Hurricane Preparedness meeting was conducted on March 30, 2016, with Florida's five IOUs and a representative of Florida's electric mu-



nicipals making presentations on their ongoing storm hardening activities and preparations. Electric cooperatives also submitted written storm preparation plans to the Commission. At the April 5, 2016 Internal Affairs meeting, the CEOs of Florida's five IOUs presented their companies' hurricane preparedness activities, enhanced customer communication plans, and coordination with the Emergency Operations Center during extreme weather events.



FPSC engineers observe a technician conducting a utility pole inspection.

On December 6, 2016, the Commission approved the updated Electric Infrastructure Storm Hardening Plans for DEF, TECO, Gulf, and FPUC. FPL's plan was approved on November 29 as part of its rate case settlement agreement. Every three years, as required by Rule 25-6.0342, Florida Administrative Code, the IOUs file updated plans for Commission approval, detailing construction standards, policies, practices, and procedures to enhance the reliability of overhead and underground electric transmission and distribution facilities.

Renewable Energy Initiatives

Renewable Energy Standard Offer Contracts

Section 366.91, F.S., requires the utilities subject to the Florida Energy Efficiency and Conservation Act to continuously provide a standard contract for purchasing capacity and energy from renewable energy resources. Contracts are filed annually on April 1 and are based on each generating technology type in a utility's Ten-Year Site Plan. In 2016, the Commission approved standard contracts for each IOU for the purchase of renewable energy.

Currently, renewable energy facilities provide approximately 1,860 MW of firm and non-firm generation capacity, which represented 3.2 percent of Florida's overall generation capacity of 58,421 MW in 2015. Approximately 598 MW are considered firm, based on either operational characteristics or contractual agreement. Firm renewable generation is relied on to serve customers and contributes toward the deferral of new fossil fueled power plant construction.

The remaining renewable generation produces energy on an as-available basis or for internal use (self-service). As-available energy is considered non-firm and is not counted on for reliability purposes; however, it contributes to the avoidance of burning fossil fuels in existing generators. Self-service generation reduces demand on Florida's utilities.

Customer-Owned Renewables

In 2008, the Florida Legislature enacted legislation emphasizing customer-owned renewable energy resources. The Commission then amended Rule 25-6.065, F.A.C., on interconnection and net metering to facilitate customer-owned renewable generation. The rule requires the IOUs to offer a standard interconnection agreement with an expedited interconnection process and net metering for all types of renewable generation up to 2 MW in capacity. Customers benefit from renewable systems by reducing their energy purchases from the utility. Under the Commission's rule, net metering provides an additional benefit for IOU customers by allowing excess renewable energy production to be credited to monthly bills, thereby reducing future energy purchases from the utility.

Reports submitted in April 2016 by the IOUs and municipal and rural electric utilities show that the number of customers owning renewable generation systems in Florida is growing. In 2008, when the rule became effective, customer owned renewable generation accounted for 3 MW of renewable capacity. As of 2015, approximately 108 MW of renewable capacity from nearly 11,600 systems have been installed statewide. The FPSC will continue to enforce existing renewable policies and explore additional policies to benefit Florida's consumers.



Most small customer-owned renewable systems are solar photovoltaic (PV) installations.

Conservation Activities for Electric Utilities

The Florida Energy Efficiency and Conservation Act (FEECA), enacted in 1980, emphasizes reducing the growth rates of weather-sensitive peak demand, reducing and controlling the growth rates of electricity consumption, and reducing the consumption of scarce resources, such as petroleum fuels. During the 2008 legislative session, the Legislature amended FEECA to place greater emphasis on the pursuit, through utility sponsored incentives, of all cost-effective customer conservation and energy efficiency measures including demand-side renewable energy systems. Under FEECA, the FPSC must establish numeric conservation goals for each FEECA utility, at least every five years. FEECA goals were most recently set by the FPSC in 2014, taking into account the provisions of the revised FEECA statutes, changes in market conditions, improved energy efficiency standards for customer appliances, and updated building codes for residential and commercial construction.

To implement the goals, each FEECA utility filed Demand-Side Management plans in 2015, outlining a set of programs for residential and commercial/industrial customers designed to meet the FEECA goals. The Commission approved the plans for all seven FEECA Utilities on July 21, 2015. The FEECA utilities began implementing the new and modified programs in late 2015 and early 2016.

The Commission evaluated each FEECA utility's achievements in meeting its established conservation goals. This evaluation was incorporated into the Commission's *Annual Report on Activities Pursuant to the Florida Energy Efficiency and Conservation Act*, which was submitted to the Governor and Legislature in March 2016.

Investor-owned utilities are allowed to recover prudent and reasonable expenses for conservation programs approved by the Commission through the Energy Conservation Cost Recovery clause. Each year, the Commission audits these expenses and holds a full evidentiary hearing to determine the conservation cost recovery factor for customers' bills. In November 2016, the Commission set conservation cost recovery factors that range from \$1.00 to \$ 3.17 a month for a residential customer using 1,000 kilowatt-hours.

Territorial Agreements & Disputes for Electric & Gas Utilities

Section 366.04, F.S., gives the Commission authority to approve territorial agreements and resolve service territory disputes between utilities. In 2016, the Commission approved territorial agreements between Duke Energy Florida and the City of Bartow, Duke Energy Florida and Suwannee Valley Electric Cooperative, Duke Energy Florida and the Orlando Utilities Commission, the City of Mount Dora and Sumter Electric Cooperative, and Peoples Gas System and the City of Clearwater.

TELECOMMUNICATIONS

ILEC Wholesale Performance Measures

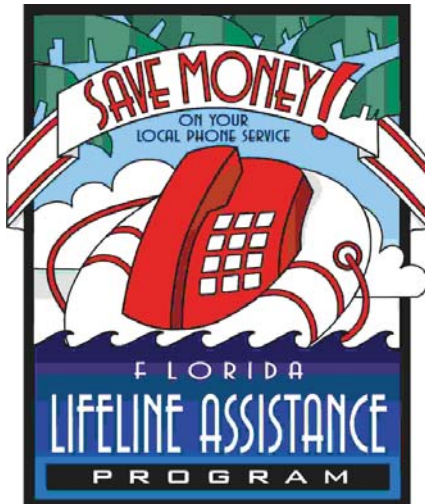
The Commission is responsible for ensuring that incumbent local exchange carriers (ILECs) are meeting their obligation to provide unbundled access, interconnection, and resale to competitive local exchange companies (CLECs) in a nondiscriminatory manner. To ensure that ILECs are meeting their obligations, the Commission adopted wholesale performance measurement plans for the three largest ILECs operating in Florida: AT&T, CenturyLink, and Verizon (now Frontier). The plans establish a minimum level of acceptable wholesale service quality that the three ILECs must provide to the CLECs. Wholesale service quality is measured in such areas as ordering, provisioning, and repair timeliness.

Each ILEC furnishes monthly performance reports to the Commission for review and assessment. Commission staff applies trending analysis to detect and correct any degradation in the quality of wholesale service provided to CLECs. Additionally, each ILEC's performance measurement plan is reviewed by staff at recurring intervals to address necessary revisions.

Intercarrier Relations and Rulemakings

The FPSC is authorized by state and federal law to arbitrate and enforce interconnection agreements (ICAs). When carriers cannot agree to the terms or an interpretation of their ICA, they file a complaint with the FPSC for dispute resolution. Often during this process, the FPSC will facilitate an agreement among the parties, and their complaint will be withdrawn.

In 2016, the FPSC analyzed disputes between CLECs and ILECs involving trunking, billing, and outages.



**Lifeline Assistance
for Low-Income Consumers**

The Tele-Competition Innovation and Infrastructure Enhancement Act of 2003 requires that a statewide cooperative effort support the Lifeline Assistance (Lifeline) program in Florida, which is part of the federal Universal Service Program designed for low-income households to obtain at least a \$9.25 discount on their monthly phone bills or receive a free Lifeline cell phone and monthly minutes.

Eighty-eight local, state, and federal agencies, organizations and businesses, and 22 telecommunications companies were involved in the collaborative effort to increase awareness and participation in the Lifeline program in 2016. Promotional activities in 2016 featured National Consumer Protection Week (NCPW), Older Americans Month, and ongoing “grass roots” efforts to increase awareness and enrollment in the Lifeline program. Each month, the FPSC sends a cover letter and informational packet to two organizations to introduce and encourage Lifeline outreach to their eligible clientele. In addition, the FPSC attends or coordinates at least two community events each month to promote Lifeline.

In August 2016, the National Association of Regulatory Utility Commissioners (NARUC) announced the postponement of Lifeline Awareness Week 2016. The annual event, normally recognized each September, will be delayed because of new Fed-

eral Communications Commission (FCC) guidelines, effective on December 2, 2016. NARUC reported it will take time for carriers and states, especially those with matching programs, to adjust to the Lifeline changes instituted by the FCC. To avoid increasing consumer confusion by providing outdated information, NARUC has chosen to postpone the LAW 2016 until sometime in early 2017. The FPSC updated its website to reflect the FCC’s comprehensive reform and modernization of the Lifeline program, which now includes broadband as a support service in the Lifeline program. Lifeline outreach materials will also reflect the FCC’s new rules.

**Lifeline Participation Rate in
Eligible Florida Households for 2013-2016**

Year	Lifeline Enrollment	Eligible Households	% Participation Rate
June 2013	917,467	1,952,890	47.0%
June 2014	957,533	1,930,106	49.6%
June 2015	833,426	2,011,166	41.4%
June 2016	852,255	1,712,005	49.8%

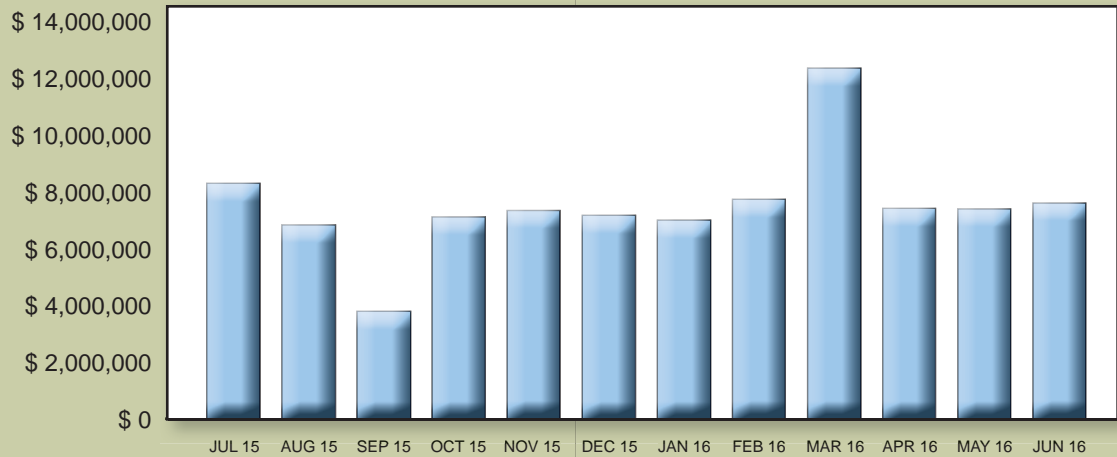
Source: U.S. Department of Agriculture

As of June 2016, 852,255 eligible households participated in the Florida Lifeline Program. The six companies with the highest Lifeline enrollment in Florida were SafeLink Wireless, Assurance Wireless, i-wireless, CenturyLink, AT&T and Verizon (now Frontier), collectively representing 99 percent of the Florida Lifeline customers. The table shows the number of Lifeline subscribers from June 2013 through June 2016.

The table on page 23 shows Universal Service Administrative Company’s (USAC) Florida Lifeline disbursements for the 12-month period ending June 2016. The amount disbursed totaled \$91,499,102, an average of \$7,624,925 per month. These dollars enabled Florida citizens qualifying for Lifeline benefits to receive discounted monthly bills with at least a \$9.25 credit or a free Lifeline wireless phone with free monthly minutes.

Additional information about the FPSC’s 2016 Lifeline activities and a complete list of the Lifeline Partners assisting with promotional efforts are

USAC LOW INCOME ETC DISBURSEMENTS TO FLORIDA PROVIDERS



Source: USAC Disbursements Florida July 2015-June 2016

available in the FPSC's report, *Number of Customers Subscribing to Lifeline Service and the Effectiveness of Procedures to Promote Participation*. A printed copy of the report may be requested from the FPSC or accessed on the website at <http://www.floridapsc.com/Files/PDF/Publications/Reports/Telecommunication/LifelineReport/2016.pdf>.

To prevent a Lifeline subscriber from receiving duplicate Lifeline benefits, USAC established a National Lifeline Accountability Database to determine if a prospective subscriber is already receiving Lifeline support from another eligible telecommunications carrier (ETC). By FCC mandate, USAC will subsequently establish an automated means to determine Lifeline eligibility through a national database.

Actions Taken by the FPSC

The FCC made significant changes to its Lifeline rules in 2016, including changes to eligibility criteria and the inclusion of Lifeline support for broadband services. This necessitated the FPSC to reach out to Florida Lifeline stakeholders to discuss and plan for the changes.

The FPSC conducted a meeting of the Lifeline Working Group—established under Section 364.10(2)(g)3, F.S.—including the FPSC, Department of Children and Families (DCF), OPC and Florida ETC's offering Lifeline service. The topics included the new FCC Order (FCC 16-38) and revised Lifeline rules, an FPSC rulemaking related

to the Lifeline Program, the readiness of Florida ETCs to implement the new rules by the December 2, 2016, effective date, concerns with the new FCC rules, Florida ETC Outreach plans to inform consumers of the new rules, and standards to advertise the availability of Lifeline services using media of general distribution pursuant to federal rules.



FCC Commissioner Mignon Clyburn visited the FPSC to speak at an Internal Affairs meeting. Rules to modernize the Lifeline Assistance telephone discount program, the Connection Communities initiative, the Solutions 2020 conference, and other priorities were discussed.

The FPSC granted ETC designation to Phone Club Corporation (Phone Club) on September 23, 2016. Phone Club was approved as an ETC for the limited purpose of receiving federal universal service low income support for providing Lifeline

service to qualified households in non-rural AT&T Florida's service areas. Prior to its ETC designation, Phone Club had resold Lifeline Service from AT&T Florida.

The FPSC continues to enforce safeguards to prevent waste, fraud and abuse of the federal Universal Service Fund (USF) and takes appropriate action when necessary. The FPSC monitors Lifeline disbursements from the USF monthly to determine if reported and reimbursed funds are consistent with the number of actual Lifeline customers. By participating in the National ETC State Coordinating Group to monitor prospective and existing ETCs, Florida is a front runner in enforcing safeguards. This information sharing has enabled other states in the Group to monitor new ETC petitioners and existing ETCs to prevent waste, fraud, and abuse on a national basis that results in less upward pressure on the fund's fees.

Florida Relay Service

Section 427.704, F.S., charges the Commission with overseeing the administration of a statewide telecommunications access system to provide access to Telecommunications Relay Services for the nearly 2.5 million Floridians who are deaf, hard-of-hearing, or speech impaired, and others who communicate with them.



Florida Telecommunications Relay, Inc., a non-profit corporation, administers the statewide Florida Relay Service (FRS)—available 24 hours a day, 365 days a year.

FRS facilitates telephone calls between people with hearing loss or speech disabilities and other individuals by using special equipment and a communications assistance operator to relay information. A monthly surcharge of up to \$.25 per landline funds the distribution of specialized telecommunications devices and interstate relay service.

FEDERAL ACTIVITY

Energy

The FPSC actively monitors federal energy-related issues, including Congressional legislation and activities at the Federal Energy Regulatory Commission (FERC) and the U.S. Environmental Protection Agency (EPA). Section 366.015, F.S., directs the Commission to maintain a liaison with federal agencies whose policy decisions and authority affect electric and gas utilities under the Commission's jurisdiction. Active participation in federal agency processes is encouraged to convey the Commission's policy positions in order to provide more efficient regulation. During 2016, the Commission monitored actions by the FERC on electric utility transmission planning compliance filings and other rulemaking activities. Also, the Commission continued its review of the EPA's final rules on carbon emissions from existing and new electric generating units and related EPA proposed regulations.

Telecommunications

The FPSC actively monitors federal telecommunications issues. Section 364.012, F.S., encourages participation in federal agencies' cases that might affect Florida consumers to convey the FPSC's policy positions. The Commission files comments with the FCC in response to actions that can affect Florida citizens, as well as periodically informing the Florida Congressional delegation and other affected state agencies on federal issues. Areas of particular emphasis include proceedings relating to the federal USF, intercarrier compensation, and telephone relay. Each of these areas can and do have substantial financial impacts on Florida carriers and telecommunications consumers. For example, Florida is the second largest net contributor state to the USF, and the FPSC has consistently taken positions before the FCC to reduce and/or limit growth of the fund's size.

In addition to federal Lifeline issues, in 2016 the FPSC monitored several FCC proceedings, including a trial in Delray Beach to convert all existing traditional wireline customers to Internet Protocol-based services. The trial is expected to last through 2017. Additionally, FPSC Commissioner Ronald A. Brisé served on the Federal/State Joint Board on Universal Service during its deliberations to update

the contribution mechanism for the federal fund. A date for the Joint Board recommendation has not been set.

WATER & WASTEWATER

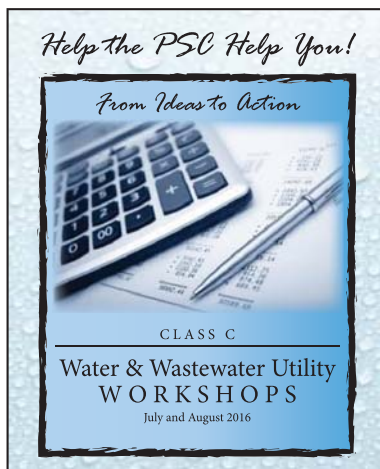
Water & Wastewater Rate Cases

Similar to prior years, the Commission processed a large number of water and wastewater rate cases in 2016. Of these cases, nine were processed as staff assisted rate cases pursuant to Section 367.0814, F.S. Of the nine, the Commission has completed six and has three cases in process.

The Commission also completed an application for a limited proceeding and an additional case is in process.

In addition to the staff assisted rate cases, the Commission processed three file and suspend rate cases requested by larger water and wastewater companies. Of these, the Commission has completed one rate case and has two in process.

In 2016, staff continued to perform its normal surveillance of the earnings levels of water and wastewater companies regulated by the FPSC. No utilities were identified as potentially overearning. This review is still pending. Also during 2016, the Commission received 35 index applications and 12 pass-through applications for water and wastewater companies. Of these, the Commission processed 32 index applications and 12 pass-through applications.



To assist, small Class C Water and Wastewater Utilities with long-term planning to meet their regulatory obligations, the FPSC offered 10 workshops around the state in 2016. The workshops offered training and strategies,

such as understanding the relationship between the FPSC and the utility, comprehending Florida Statutes and FPSC rules, and reviewing recent legislative changes. More than 60 utilities were represented at the workshops, which were held in Tallahassee, St. Augustine, Eutaw, Ocala, New Port Richey, Fort Myers, Lakeland, Melbourne, Boca Raton, and Sebring.

The FPSC recently renovated its website to offer water and wastewater consumers and utilities an improved information resource. The updated site includes frequently asked questions and provides tips and ideas on how to improve utility/customer communications.



Water & Wastewater Certification Cases

In 2016, the Commission received two applications for an original/grandfather certificate to provide water and wastewater service from Sunny Shores Water Company in Manatee County and South Sumter Utility Company, LLC in Sumter County. The Commission received one application for an amendment to expand service territory from Commercial Utilities/A Division of Grace & Company, Inc. in Duval County.

Transfers of water and wastewater certificates in 2016 included Jack E. Mason to Jack E. Mason, II and Debbie A. Mason; Sun River Utilities, Inc. to North Charlotte Waterworks, Inc.; Oak Springs, LLC to Oak Springs MHC, LLC.; Orangeland Water Supply to Orange Land Utilities, LLC.; Pine Harbour Water Utilities, LLC to Pine Harbour Waterworks, Inc.; and McLeod Gardens Water Company to McLeod Gardens Water Utilities, LLC. In addition, applications for transfer authority, as a matter of right, included Continental Utility, Inc to the City of Wildwood and TLP Water, Inc. to the City of Tavares.

**Water & Wastewater
Legislation Implementation**

The 2016 Florida Legislature enacted House Bill 491, effective July 1, 2016, amending Sections 367.022, 367.081, 367.0814, 367.111, and 367.165, Florida Statutes, and repealing Section 367.0816, Florida Statutes. These amendments, among other things, disallowed certain rate case expenses during staff assisted rate cases; expanded pass-through expenses for which a utility may automatically increase or decrease rates; and enabled the Commission to authorize utility reserve funds for infrastructure repair and

replacement. The Commission initiated rulemaking proceedings to incorporate these amendments in the applicable Florida Administrative Code.

Legislative changes also require the FPSC to live stream all off-site FPSC meetings attended by two or more commissioners. Customer Service Hearings for several water/wastewater rate cases were live-streamed in 2016. Providing live video recordings of Commission proceedings gives consumers immediate access to the Commission without having to leave the comfort of their living room or office. It also encourages more customer participation.



AGENCY ORGANIZATION

The Commission consists of five members appointed by the Governor and confirmed by the Senate. Commissioners serve four-year terms, as provided in Chapter 350, F.S.

Commissioners are selected for their knowledge and experience in one or more fields substantially related to the duties and functions of the Commission. These fields include economics, accounting, engineering, finance, natural resource conservation, energy, public affairs, and law.

Created by the Florida Legislature in 1887, the FPSC was originally called the Florida Railroad Commission and primarily regulated railroad passenger and freight rates and operations. As Florida grew, the Commission's purpose expanded.

- ◆ In 1911, the Legislature added regulation of telephone and telegraph companies.
- ◆ In 1929, jurisdiction was granted over motor carrier transportation.
- ◆ In 1951, the Commission began regulating investor-owned electric companies.
- ◆ In 1952, jurisdiction was extended to the regulation of natural gas utilities.
- ◆ In 1959, the Commission began regulating privately owned water and wastewater systems.

The Commission's divisions and offices are described in the next section, concluding with a list of all past and present Florida Public Service Commissioners.

**Office of
General Counsel**



Keith Hetrick
General Counsel

The **Office of General Counsel** provides legal counsel to the Commission on all matters under the Commission’s jurisdiction. This office also supervises the procedural and legal aspects of all cases before the Commission.

The office is responsible for defending Commission orders on appeal, for defending Commission rules challenged before the Division of Administrative Hearings, and for representing the Commission before state and federal courts. To assist FPSC offices and divisions, this office offers support in making filings with, or presentations to, other federal, state, or local agencies. The office advises in the promulgation of rules and attends or conducts rulemaking hearings at the Commission’s direction. It also reviews procurement contracts; counsels the Commission on ethics, personnel, contractual, public records, and other administrative legal matters; and offers mediation services to parties in Commission proceedings.

In cases involving evidentiary hearings before the Commission or an Administrative Law Judge, the office is responsible for conducting discovery, presenting staff positions and testimony, and cross-examining other parties’ witnesses. In conjunction with the appropriate technical staff, this office prepares recommendations to the Commission and prepares written Commission orders.

**Office of
Inspector General**



Steve Stolting
Inspector General

The **Office of Inspector General** is established by law to provide a central point for coordinating activities that promote accountability, integrity, and efficiency in government. The office reports directly to the Chairman, and its responsibilities include conducting internal audits and investigations, assessing the validity and reliability of data and information produced by the Commission, and coordinating external audits and reviews of the Commission by the Auditor General and others.

The office also monitors corrective actions to address identified deficiencies. These activities help management ensure that Commission programs perform as intended and that fraud or abuse is detected and eliminated.

ADMINISTRATIVE DIVISIONS & OFFICES

**Division of
Administrative
& Information
Technology Services**



Bobby Maddox
Director

The **Division of Administrative & Information Technology Services** assists in preparing the Commission’s Legislative Budget Requests, monitors the operating and non-operating budgets, and assists in preparing budget amendments as necessary. The *Fiscal Services Section* primarily handles all financial transactions and accounting records maintenance. Human Resources administers the agency’s human resources program, including recruitment, selection, classification and pay, attendance and leave, performance evaluations, training and staff development, variable work week schedules, employee relations, payroll, insurance, and other employee benefit programs.

Support Services and Facilities Management and Purchasing are under the *General Services Section*. Support Services supports imaging, duplicating, mail distribution, audiovisual, hearing and conference room operations, and fax systems. Facilities Management and Purchasing processes all agency purchasing, security and safety issues, leasing, surplus property, and fleet management.

**Office of
Commission Clerk**



Carlotta S. Stauffer
Director

The *Bureau of Information Technology Services* monitors and evaluates the information processing and telephony needs of the FPSC, proposing enhancements to information processing resources to management and providing technical support services. Additionally, the bureau manages the agency-wide administrative procedures manual and forms inventory/tracking programs.

The **Office of Commission Clerk**, the official keeper of the Commission's public records, is responsible for coordinating public record requests. It records, prepares, and maintains transcripts of Commission Conferences, Internal Affairs meetings, hearings, and workshops. The office is authorized to issue subpoenas in proceedings before the Commission and is responsible for preparing, certifying, and transmitting records on appeal to the upper tribunal. The Commission Clerk, designated as the Agency Clerk and the Records Management Liaison Officer, coordinates the FPSC's records management program, is responsible for issuing non-Commissioner signed orders and notices, and, as the custodian of records, certifies copies of official filings.

The *Documents and Case Management Section* accepts and processes filings and maintains the official docket by ensuring the integrity, timeliness, and availability of filings in the Case Management System (CMS) and on the FPSC website. It is responsible for managing and coordinating the establishment of new dockets, issuance of orders and notices to parties and interested persons, case closure, and preparation of statistical and management reports. This section responds to information requests, invoices for services and, upon applicable payment, provides the responsive documents. It maintains the Master Commission Directory (MCD) of utilities and provides notification to Commission employees regarding the adoption of new or amended rules. This section also administers the records management program and activities.

The *Events and Hearing Reporters Section* prepares and notices events such as Commission Conferences, Internal Affairs meetings, hearings, prehearings, workshops, and rulemaking in the *Florida Administrative Register*. This section prepares the FPSC's Schedule of Live Events from the established Commission calendar and provides support staff to record these events. It also maintains the calendar of Commission activity and issues various reports. The hearing reporter records and prepares discovery deposition transcripts, attends scheduled events, and is responsible for preparing and filing the official record transcripts and exhibits in the appropriate dockets.

The **Office of Auditing & Performance Analysis** conducts audits and reviews in all industries.

The *Performance Analysis Section* conducts utility management and operational audits and identifies areas for improvement. These audits may be limited to one company or conducted on a comparative basis between several companies. Areas for investigation may include internal controls, process or procedure analysis, construction project management, quality assurance, service quality, and rule compliance. Special investigations are also conducted relating to allegations of utility fraud, mismanagement, and other whistleblower complaints.

**Office of
Auditing &
Performance Analysis**



Dale Mailhot
Director

**Office of
Consumer Assistance
& Outreach**



Cynthia Muir
Director

The *Bureau of Auditing* is responsible for audits and reviews in all industries. The types of audits and reviews performed include financial, compliance, billing, and verification. The auditors conduct examinations of utility-related financial and operating records and provide an independent verification of the supporting documentation for any statements or filings made by regulated companies. Financial audits are conducted in conjunction with utilities' requests for rate increases through rate cases or the annual cost recovery clauses to ensure ratepayers only pay for prudently incurred expenses. This bureau conducts financial audits from three district offices in Tallahassee, Miami, and Tampa.

The **Office of Consumer Assistance & Outreach** is the Commission's liaison with the public and the media. Providing effective consumer assistance and education, the *Bureau of Consumer Assistance* receives, processes, and resolves consumer complaints and informal disputes between customers and utilities. Consumers may file complaints via a toll-free telephone number or online and by mail, fax, or e-mail. In addition to helping resolve complaints, the bureau provides consumer information about utility payment plans, statutes and rules governing utility companies, and the status of pending cases before the FPSC.

By producing and distributing the agency's news releases and maintaining familiarity on a broad array of dockets, issues, and related activities affecting consumers or having media interest, the Outreach Section ensures that timely, accurate information is disseminated to the public. This section also participates in community meetings, consumer forums, and customer meetings and hearings by presenting agency information and distributing a variety of consumer publications, including information on the Lifeline Assistance Program.

Other office responsibilities include selecting locations and coordinating logistics for customer service hearings, handling consumer outreach and media at customer meetings and service hearings, updating information and processing submissions to the agency's website, and, when needed, managing incoming calls to the Commission Suite.

The office also coordinates and produces several FPSC reports and publications, including the *FPSC Annual Report*, *Comparative Rate Statistics*, *Facts & Figures of the Florida Utility Industry*, *The Statement of Agency Operation & Organization*, *Inside the PSC*, and the quarterly *Consumer Connection E-Newsletter*.

**Division of
Accounting & Finance**



Andrew Maurey
Director

TECHNICAL DIVISIONS & OFFICES

The **Division of Accounting & Finance** reviews the revenue requirements of rate base regulated electric, natural gas, and water and wastewater utilities and monitors earnings for these industries through reviews of surveillance filings and utility annual reports. The division manages the utilities' annual report process including all mailings, extensions, filings, delinquency notices, penalty letters, and show cause recommendations.

Division of Engineering



Tom Ballinger
Director

Division of Economics



Greg Shafer
Director

The division is also responsible for processing requests for base rate changes requested by electric, natural gas, and water and wastewater utilities, as well as Commission-initiated overearnings investigations. Processing base rate change requests includes analyzing filings, expert testimony, and exhibits; developing interrogatories and production of documents requests; preparing cross-examination questions; presenting staff testimony; holding customer meetings; and presenting recommendations to the Commission, including a recommended return on equity. Water and wastewater utilities' requests for index and pass through rate adjustments and staff assisted rate cases are also processed by the division.

In addition, the division makes recommendations to the Commission on annual fuel cost recovery clause petitions filed by electric utilities. Recommendations are provided on fuel costs, purchased power costs, and capacity costs. The division also monitors monthly electric utilities' fuel costs.

Other responsibilities include processing security applications for investor-owned natural gas and electric utilities, evaluating requests for corporate undertakings, analyzing income tax issues, and calculating the interest on refunds.

The **Division of Engineering** is responsible for providing recommendations pertaining to technical issues coming before the Commission. Issues may include evaluation of engineering capital cost estimates and actual utility plant expenditures, determination of annual revenue requirements and life cycle costs, establishment of adequate margins of reserve, and analysis of operating and maintenance costs. Additionally, the division is responsible for cost-effectiveness determinations, taking into consideration the impacts on Florida's consumers, regulated industries, and the regulatory environment.

All docketed and undocketed matters involving the engineering and safety aspects of Florida's electric, natural gas, and water and wastewater utilities within the Commission's jurisdiction are the division's responsibility. The division has primary responsibility for programs such as the Ten-Year Site Plans, conservation goals and programs, cogeneration and renewable generation contract approvals, modifications and buyouts, and bulk power interconnection standards. The division also coordinates issue resolutions pertaining to storm hardening, construction standards, meter accuracy and testing, electric and gas pipeline safety, emergency planning and operations, water and wastewater margin of reserve, and used and useful determinations.

The division annually prepares the *Review of Ten-Year Site Plans and the Review of Florida's Investor-Owned Electric Utilities Service Reliability Reports*. The division is also responsible for staffing the Emergency Support Function 12 in the Emergency Operations Center to provide outage and restoration information regarding electric and natural gas service during a state of emergency.

The **Division of Economics** provides recommendations to the Commissioners on the design and application of retail rates and tariffs for all electric, gas, and water and wastewater utilities subject to the Commission's jurisdiction. In addition, the division provides primary technical support for all cases involving territorial agreements or disputes for electric and gas utilities.

**Office of
Telecommunications**



Beth Salak
Director

Reviewing the development and application of depreciation rates and practices for inclusion in base rate revenue requirements is another division function. On a rotating basis, the division is also responsible for processing requests for base rate changes requested by electric, natural gas, and water and wastewater utilities.

In addition to rate and tariff matters, the division provides econometric and statistical analyses, including forecasts and other statistical projections, for all investor-owned regulated industries. The division also prepares a Statement of Estimated Regulatory Cost (SERC), required by statute for all proposed and revised administrative rules. SERC's evaluate the costs and benefits of the proposed rule change, including analyses on the public and business sectors. In addition, the division reviews investor-owned electric utilities' Load Research Sampling Plans.

The division has primary responsibility for preparing the annual Florida Energy Efficiency and Conservation Report and that portion of the Ten-Year Site Plan Review that addresses the adequacy of electric utilities' load and energy forecasts. In addition, the division has primary responsibility for three annual cost recovery clause proceedings. In these proceedings, investor-owned utilities are allowed to recover dollar-for-dollar reasonable and prudent costs related to: (1) electric utility conservation programs, (2) natural gas utility efficiency programs, and (3) natural gas utility gas commodity and transportation.

The **Office of Telecommunications** handles issues that involve the wholesale oversight of the wireline telecommunications industry. The office is responsible for facilitating dispute resolutions between carriers about local interconnection agreements and other wholesale issues. Companies entering an agreement can either negotiate between the parties or have the FPSC arbitrate unresolved operational issues. Once an interconnection agreement is executed, the parties may come to the FPSC to resolve a dispute of interpretation of the contract language. The office also processes cases involving area code relief, number conservation plans, number resource reclamation, local number portability, and other numbering issues.

Florida's Lifeline Assistance Program, which provides discounted telecommunications services to low-income consumers, is monitored and the office addresses issues related to Lifeline and provides recommendations on eligible telecommunications carrier designations. The office also oversees the Florida Relay Program, providing telecommunications services for the deaf and hard of hearing, and facilitates the resolution of consumer complaints relating to Lifeline, Telephone Relay, and payphones.

The office prepares the *Annual Report on the Status of the Telecommunications Access System Act of 1991*, the *Annual Report on Lifeline Assistance*, and the *Report on the Efforts of the Florida Public Service Commission to Reduce the Regulatory Assessment Fee for Telecommunications Companies*. In addition, based upon competitive market data analysis, the office compiles and prepares a report on its findings in the *Annual Local Competition Report*.

**Office of
Industry
Development &
Market Analysis**



Cayce Hinton
Director

All certification filings are processed, along with the related administrative functions, for all telecommunication companies and pay telephone providers. The office processes local telephone service providers' schedules of rates and terms, if filed with the FPSC, and negotiated agreements. Monitoring company compliance with various FPSC rules, the office initiates action if warranted. The office also acts as the FPSC's technical liaison with the Federal Communications Commission and provides Commissioner support for National Association of Regulatory Utility Commissioners' (NARUC) telecommunications activities.

The **Office of Industry Development & Market Analysis** is responsible for the critical assessment of the evolving utility industry and development of strategies that most benefit Florida's citizens. The office analyzes developing policies and prepares recommendations for implementing state and federal laws, including strategy alternatives for consideration by the Commission. The office serves as a technical liaison with the Florida Legislature and state agencies, including the Florida Department of Agriculture and Consumer Services' Office of Energy. Also, the office monitors and advises the Commission on Congressional activities and federal agency actions which may impact Florida consumers and utilities.

The office participates in special studies concerning energy policy, develops discussion papers, and analyzes alternative regulatory approaches for energy policy. Additionally, the office analyzes policy relating to the adequacy, quality, and affordability of Florida's water resources and analyzes issues affecting the water and wastewater industry. The office also prepares technical analyses of special projects for all industries (i.e., electric, telecommunications, and water and wastewater). Finally, the office provides support to Commissioners for NARUC activities pertaining to energy, spent nuclear fuel, environmental regulations, energy efficiency, and renewables, as well as technical support to other staff in docketed and undocketed matters.

FPSC COMMISSIONER HISTORY

Commissioner	Years Served	Replaced By	Appointed By
George G. McWhorter	08/17/1887 - 06/13/1891		
E.J. Vann	08/17/1887 - 06/13/1891		
William Himes	08/17/1887 - 06/13/1891		
The Commission was abolished by the Legislature in 1891, and recreated in 1897			
R. H. M Davidson	07/01/1897 - 01/03/1899	John L. Morgan	
John M. Bryan	07/01/1897 - 01/06/1903	Jefferson B. Brown	
Henry E. Day	07/01/1897 - 10/01/1902	R. Hudson Burr	
John L. Morgan	01/03/1899 - 01/08/1907	Royal C. Dunn	
R. Hudson Burr	10/01/1902 - 01/04/1927	R. L. Eaton	
Jefferson B. Brown	01/06/1903 - 01/08/1907	Newton A. Blitch	
Newton A. Blitch	01/08/1907 - 10/30/1921	A. D. Campbell	
Royal C. Dunn	01/04/1909 - 01/04/1921	A. S. Wells	
A. S. Wells	01/04/1921 - 12/16/1930	L. D. Reagin	
A. D. Campbell	11/12/1922 - 02/10/1924	E. S. Mathews	
E. S. Mathews	02/25/1924 - 01/16/1946	Wilbur C. King	
R. L. Eaton	01/04/1927 - 02/27/1927	Mamie Eaton-Greene	
Mamie Eaton-Greene	02/27/1927 - 01/08/1935	Jerry W. Carter	
L. D. Reagin	12/16/1930 - 07/06/1931	Tucker Savage	
Tucker Savage	07/06/1931 - 01/03/1933	W. B. Douglass	
W. B. Douglass	01/03/1933 - 08/04/1947	Richard A. Mack	
Jerry W. Carter	01/08/1935 - 01/05/1971	William H. Bevis	
Wilbur C. King	01/08/1947 - 07/18/1964	William T. Mayo	
Richard A. Mack	09/15/1947 - 01/05/1955	Alan S. Boyd	
Alan S. Boyd	01/05/1955 - 12/01/1959	Edwin L. Mason	
Edwin L. Mason	12/01/1959 - 01/06/1969	Jess Yarborough	
William T. Mayo	09/01/1964 - 12/31/1980	Katie Nichols	Graham*
Jess Yarborough	01/06/1969 - 01/02/1973	Paula F. Hawkins	
William H. Bevis	01/05/1971 - 01/03/1978	Robert T. Mann	
Paula F. Hawkins	01/02/1973 - 03/21/1979	John R. Marks, III	
Robert T. Mann***	01/04/1978 - 01/03/1981	Susan Leisner	Graham**
The Commission became appointive January 1, 1979			
Joseph P. Cresse***	01/02/1979 - 12/31/1985	John T. Herndon	Askew/Graham
Gerald L. Gunter***	01/02/1979 - 06/12/1991	Susan F. Clark	Askew/Graham/PSC Nominating Council
John R. Marks, III***	03/22/1979 - 03/02/1987	Thomas M. Beard	Graham**
Katie Nichols***	01/02/1981 - 01/03/1989	Betty Easley	Graham
Susan Leisner	02/16/1981 - 04/02/1985	Michael McK. Wilson	Graham
Michael McK. Wilson***	07/12/1985 - 11/22/1991	Luis J. Lauredo	Graham/Martinez
John T. Herndon	01/07/1986 - 04/17/1990	Frank S. Messersmith	Graham
Thomas M. Beard***	03/03/1987 - 08/13/1993	Diane K. Kiesling	Martinez
Betty Easley	01/03/1989 - 01/05/1993	Julia L. Johnson	Martinez
Frank S. Messersmith	06/19/1990 - 02/05/1991	J. Terry Deason	Martinez
J. Terry Deason***	02/06/1991 - 01/01/2007	Ken Littlefield	PSC Nominating Council/Chiles/Bush
Susan F. Clark***	08/15/1991 - 07/31/2000	Michael A. Palecki	Chiles/Bush
Luis J. Lauredo	01/23/1992 - 05/16/1994	Jose "Joe" Garcia	Chiles
Julia L. Johnson***	01/05/1993 - 11/15/1999	Lila A. Jaber	Chiles
Diane K. Kiesling	12/07/1993 - 01/05/1998	E. Leon Jacobs, Jr.	Chiles
Jose "Joe" Garcia***	08/19/1994 - 06/30/2000	Braulio L. Baez	Chiles
E. Leon Jacobs, Jr.***	01/06/1998 - 01/07/2002	Rudolph K. "Rudy" Bradley	Chiles
Lila A. Jaber***	02/29/2000 - 12/02/2004	Lisa Polak Edgar	Bush
Braulio L. Baez***	09/01/2000 - 01/01/2006	Katrina J. Tew	Bush
Michael A. Palecki	12/19/2000 - 01/06/2003	Charles Davidson	Bush
Rudolph K. "Rudy" Bradley***	01/02/2002 - 01/01/2006	Matthew M. Carter II	Bush
Charles M. Davidson	01/07/2003 - 06/01/2005	Isilio Arriaga	Bush
Lisa Polak Edgar***	01/02/2005 - 12/16/2016	Donald J. Polmann	Bush/Crist/Scott
Isilio Arriaga	10/06/2005 - 01/31/2007	Nathan A. Skop	Bush
Matthew M. Carter II***	01/02/2006 - 01/01/2010	Ben A. "Steve" Stevens III	Bush
Katrina J. McMurrin	01/02/2006 - 10/05/2009	David E. Klement	Bush
Ken Littlefield	01/02/2007 - 01/31/2007	Nancy Argenziano	Bush
Nancy Argenziano***	05/02/2007 - 10/12/2010	Eduardo E. Balbis	Crist
Nathan A. Skop	05/02/2007 - 01/01/2011	Julie I. Brown	Crist
David E. Klement	10/22/2009 - 05/30/2010	Art Graham	Crist
Ben A. "Steve" Stevens III	01/02/2010 - 05/30/2010	Ronald A. Brisé	Crist
Art Graham***	07/16/2010 - 01/01/2018		Crist/Scott
Ronald A. Brisé***	07/23/2010 - 01/01/2018		Crist/Scott
Eduardo E. Balbis	11/24/2010 - 01/01/2015	Jimmy Patronis	Crist/Scott
Julie I. Brown***	01/02/2011 - 01/01/2019		Crist/Scott
Jimmy Patronis	01/02/2015 - 01/01/2019		Scott
Donald J. Polmann	01/02/2017 - 01/01/2021		Scott

* 2 year initial term

** 3 year initial term

*** Served/serving as Chairman