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STATE OF FLORIDA



GENERAL COUNSEL
S. CURTIS KISER
(850) 413-6199

Public Service Commission

May 30, 2012

Florida Department of Economic Opportunity
107 East Madison Street
Caldwell Building
Tallahassee, FL 32399-4120

RECEIVED-FPSC
12 MAY 30 AM 11:09
COMMISSION
CLERK

RE: Docket No.120125-PU; Rules 25-6.097, F.A.C., relating to customer deposits for electric utilities, 25-7.083, F.A.C., relating to customer deposits for gas utilities, and 25-30.311, F.A.C., relating to customer deposits, for water/wastewater utilities.

The Commission has determined that the above rules will affect small businesses. Accordingly, pursuant to Section 120.54(3)(b), Florida Statutes, enclosed is a copy of the Florida Administrative Weekly (FAW) notice of the proposed rules, which will be published in the June 1, 2012, edition of the FAW. Also enclosed is a copy of the statement of estimated regulatory costs (SERC). The SERC concluded that the proposed rule amendment will not have an adverse affect on small business.

If there are any questions with respect to these rules, please contact me at (850) 413-6082 or cmiller@psc.state.fl.us

Sincerely,

A handwritten signature in cursive script, appearing to read "Cindy Miller".

Cindy Miller
Senior Attorney

Enclosures
cc: Office of the Commission Clerk

RECEIVED-FPSC
12 MAY 30 AM 11:09
COMMISSION
CLERK

Notice of Proposed Rule

PUBLIC SERVICE COMMISSION

RULE NO.: RULE TITLE:

25-6.097: Customer Deposits

PURPOSE AND EFFECT: The interest rate applied to customer deposits of electric utilities would be changed to a minimum interest rate of 2 percent per annum, and 3 percent per annum for non-residential customers when the utility elects not to refund such a deposit after 23 months.

Docket No. 120125-PU

SUMMARY: The current interest rates required on customer deposits are higher than justified by current credit and capital markets. The minimum interest rate is changed to 2 percent per annum, and to 3 percent per annum for non-residential customers when the utility elects not to refund such a deposit after 23 months. Currently, the minimum interest rates are set at 6 percent and 7 percent per annum, respectively. The utilities must apply the revised interest rates within 45 days of the effective date of the rule.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION:

The Agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has been prepared by the agency.

The Agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: based upon the information contained in the SERC.

Any person who wishes to provide information regarding a statement of estimated regulatory costs, or provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

RULEMAKING AUTHORITY: 350.127(2), 366.05(1), F.S.

LAW IMPLEMENTED: 366.03, 366.041(1), 366.05(1), 366.06(1), F.S.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE SCHEDULED AND ANNOUNCED IN THE FAW.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Cindy Miller, Office of General Counsel, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, (850) 413-6082, cmiller@psc.state.fl.us.

THE FULL TEXT OF THE PROPOSED RULE IS:

25-6.097 Customer Deposits.

(1)-(3) No change

(4) Interest on deposits.

(a) Each electric utility which requires deposits to be made by its customers shall pay a minimum interest on such deposits of 2.6 percent per annum. The utility shall pay an interest rate of 3.7 percent per annum on deposits of nonresidential customers qualifying under subsection (2) when the utility elects not to refund such deposit after 23 months. Such interest rates shall be applied within 45 days of the effective date of the rule.

(4)(b)-(7) No change

DOCUMENT NUMBER DATE

03280 MAY 23 2012

FPSC-COMMISSION CLERK

*Specific Authority 366.05(1), 350.127(2) FS. Law Implemented 366.03, 366.041(1), 366.05(1), 366.06(1)
FS. History—New 7-29-69, Amended 5-9-76, 7-8-79, 6-10-80, 10-17-83, 1-31-84, Formerly 25-6.97,
Amended 10-13-88, 4-25-94, 3-14-99.*

NAME OF PERSON ORIGINATING PROPOSED RULE: Mark Cicchetti

NAME OF AGENCY HEAD WHO APPROVED THE PROPOSED RULE: Florida Public Service
Commission

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: May 22, 2012

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAW: Volume 38, Number
05, Date of FAW, February 3, 2012

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Notice of Proposed Rule

PUBLIC SERVICE COMMISSION

RULE NO.: RULE TITLE:

25-7.083: Customer Deposits

PURPOSE AND EFFECT: The interest rate applied to customer deposits of gas utilities would be changed to a minimum interest rate of 2 percent per annum, and 3 percent per annum for non-residential customers when the utility elects not to refund such a deposit after 23 months.

Docket No. 120125-PU

SUMMARY: The current interest rates required on customer deposits are higher than justified by current credit and capital markets. The minimum interest rate is changed to 2 percent per annum, and to 3 percent per annum for non-residential customers when the utility elects not to refund such a deposit after 23 months. Currently, the minimum interest rates are set at 6 percent and 7 percent per annum, respectively. The utilities must apply the revised interest rates within 45 days of the effective date of the rule.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION:

The Agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has been prepared by the agency.

The Agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: based upon information contained in the SERC.

Any person who wishes to provide information regarding a statement of estimated regulatory costs, or provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

RULEMAKING AUTHORITY: 350.127(2), 366.05(1), F.S.

LAW IMPLEMENTED: 366.03, 366.04(1), 366.05(1), F.S.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE SCHEDULED AND ANNOUNCED IN THE FAW.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Cindy Miller, Office of General Counsel, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, (850) 413-6082, cmiller@psc.state.fl.us.

THE FULL TEXT OF THE PROPOSED RULE IS:

25-7.083 Customer Deposits.

(1)-(4) No change

(5) Interest on deposits.

(a) Each gas utility which requests deposits to be made by its customers shall pay a minimum interest on such deposits of 2.6 percent per annum. The utility shall pay a minimum interest rate of 3.7 percent per annum on deposits of nonresidential customers qualifying under subsection (6) below when the utility elects not to refund such a deposit after 23 months. Such interest rates shall be applied within 45 days of the effective date of the rule.

(5)(b)-(7) No Change

RECEIVED AT TALLAHASSEE, FLA.

03281 MAY 23 2012

FPSC-COMMISSION CLERK

*Specific Authority 366.05(1), 350.127(2) FS. Law Implemented 366.03, 366.05(1) FS. History—
Repromulgated 1-8-75, Amended 6-15-76, 6-10-80, 1-31-84, Formerly 25-7.83, Amended 10-13-88, 4-25-
94, 3-14-99.*

NAME OF PERSON ORIGINATING PROPOSED RULE: Mark Cicchetti

NAME OF AGENCY HEAD WHO APPROVED THE PROPOSED RULE: Florida Public Service
Commission

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: May 22, 2012

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAW: Volume 38, Number
05, Date of FAW, February 3, 2012.

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Notice of Proposed Rule

PUBLIC SERVICE COMMISSION

RULE NO.: RULE TITLE:

25-30.311: Customer Deposits

PURPOSE AND EFFECT: The interest rate applied to customer deposits of water/wastewater utilities would be changed to a minimum interest rate of 2 percent per annum, and 3 percent per annum for non-residential customers when the utility elects not to refund such a deposit after 23 months.

Docket No. 120125-PU

SUMMARY: The current interest rates required on customer deposits are higher than justified by current credit and capital markets. The minimum interest rate is changed to 2 percent per annum, and to 3 percent per annum for non-residential customers when the utility elects not to refund such a deposit after 23 months. Currently, the minimum interest rates are set at 6 percent and 7 percent per annum, respectively. The utilities must apply the revised interest rates within 45 days of the effective date of the rule.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION:

The Agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has been prepared by the agency.

The Agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: based upon the information contained in the SERC.

Any person who wishes to provide information regarding a statement of estimated regulatory costs, or provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

RULEMAKING AUTHORITY: 350.127(2), 367.121, F.S.

LAW IMPLEMENTED: 367.081, 367.111, 367.121, F.S.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE SCHEDULED AND ANNOUNCED IN THE FAW.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Cindy Miller, Office of General Counsel, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, (850) 413-6082, cmiller@psc.state.fl.us.

THE FULL TEXT OF THE PROPOSED RULE IS:

25-30.311 Customer Deposits.

(1)-(3) No change

(4) Interest on deposit.

(a) Each public utility which requires deposits to be made by its customers shall pay a minimum interest on such deposits of 2.6 percent per annum. The utility shall pay an interest rate of 3.7 percent per annum on deposits of nonresidential customers qualifying under subsection (5) below when the utility elects not to refund such a deposit after 23 months. Such interest rates shall be applied within 45 days of the effective date of the rule.

(4)(b)-(7) No change

DOCUMENT NUMBER: 120125-PU
03282 MAY 23 2012
FPSC-COMMISSION CLERK

*Specific Authority 367.121, 350.127(2) FS. Law Implemented 367.081, 367.111, 367.121 FS. History—
Amended 6-1-63, 4-1-69, 9-12-74, 6-10-80, 1-31-84, Formerly 25-10.72, 25-10.072, Amended 10-13-88, 4-
25-94.*

NAME OF PERSON ORIGINATING PROPOSED RULE: Mark Cicchetti

NAME OF AGENCY HEAD WHO APPROVED THE PROPOSED RULE: Florida Public Service
Commission

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: May 22, 2012

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAW: Volume 38, Number
05, Date of FAW, February 3, 2012

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State of Florida



Public Service Commission

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

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

DATE: May 4, 2012
TO: Cindy Miller, Senior Attorney, Office of the General Counsel
FROM: William B. McNulty, Economic Analyst, Division of Economic Regulation *WBM*
RE: Statement of Estimated Regulatory Costs for Proposed Rule Amendment to Rule 25-6.097, F.A.C., Customer Deposits; Rule 25-7.083, F.A.C., Customer Deposits; and Rule 25-30.311, F.A.C., Customer Deposits

Summary of Rule

Rule 25-6.097, Florida Administrative Code (F.A.C.), Customer Deposits; Rule 25-7.083, F.A.C., Customer Deposits; and Rule 25-30.311, F.A.C., Customer Deposits establish the requirements for collecting, recording, and refunding customer deposits for electric, gas, and water/wastewater utilities. They also establish the minimum annual interest rate paid on deposits and other terms applied to interest on deposits.

Each of the draft rule amendments would reduce the minimum annual interest paid on deposits from 6 percent per year to 2 percent per year. The rule amendments would also reduce the minimum annual interest paid on nonresidential deposits from 7 percent per year to 3 percent per year for all accounts held after 23 months of continuous service. For simplicity, the rule amendments are herein referred to as the electric rule amendment (Rule 25-6.097, F.A.C.), the gas rule amendment (Rule 25-7.083, F.A.C.), and the water/wastewater rule amendment (Rule 25-30.311, F.A.C.)

Economic Analysis Showing Whether the Rule Is Likely to Have an Adverse Impact on Either Economic Growth or Business Competitiveness In Excess of \$1 Million Within 5 Years.

Subparagraph 120.541(2)(a)1, F.S., requires an economic analysis showing whether the draft rule directly or indirectly is likely to have an adverse impact on economic growth, private sector job creation or employment, or private sector investment in excess of \$1 million in the aggregate within 5 years after the implementation of the rule. Similarly, Section 120.541(2)(a)2 requires an economic analysis showing whether the draft rule directly or indirectly is likely to have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within 5 years after the implementation of the rule.

Staff issued data requests to the utilities to determine the impact of the rule amendments. Each of the four large investor-owned electric utilities (electric IOUs), including Florida Power and Light Company (FPL); Progress Energy Florida, Inc. (PEF), Tampa Electric Company (TECO), and Gulf Power Company (Gulf), reported an expected reduction in the cost of capital based on the electric rule amendment. Each of these utilities reported expected significant reductions in interest expense and relatively minor or no increase in administrative expense. The two investor-owned gas companies (gas IOUs) which responded to staff's data request (Peoples Gas Systems and Sebring Gas System, Inc) reported expected reductions in the cost of capital. One water and wastewater company reported that it expected a reduction in the cost of capital (Peoples Water Service of Florida, Inc), and fourteen other water and wastewater companies reported either minimal impact, no impact, or "not applicable" to our question about the expected impacts of the water/wastewater rule amendment.

According to FPL and Gulf, small businesses operating in these utilities' service territories for the five year period after the implementation of the electric rule amendment are expected to experience a combined reduction in bill credits in the amount of \$24,796,002 due to the rule amendment. TECO indicated that a reduction in interest to small businesses would be expected, but did not quantify the amount, and PEF stated there would be no meaningful impact. The gas IOUs indicated a smaller bill credit would be provided to their customers with the implementation of the gas rule amendment compared to the existing rule. For instance, Peoples Gas indicated that its bill credit associated with deposit interest would be reduced by \$8.5 million over the five year period. Only one water/wastewater company indicated a specific impact of the implementation of the rule on bill credits provided to customers. Peoples Water Service Company of Florida, Inc. reported reduced bill credits of \$3,750 for the five year period after implementation of the water/wastewater rule amendment.

The expected reduction in bill credits to customers associated with draft rule changes does not constitute an adverse impact on economic growth, private sector job creation or employment, or private sector investment. The rule amendments adjust the applied interest rates to comport more closely with current market-based interest rates, to improve equity to customers, and to promote efficient pricing of utility services.

Based on this analysis, the rule amendments are not likely to have an adverse impact on economic growth, private sector job creation or employment, or private sector investment in excess of \$1 million in the aggregate within 5 years after the implementation of the rule. Likewise, the rule amendments are not likely to have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within 5 years after the implementation of the rule amendments.

Economic Analysis Showing Whether the Rule Is Likely to Increase Regulatory Costs In Excess of \$1 Million Within 5 Years

Subparagraph 120.541.(2)(a)3, F.S., requires an economic analysis showing whether the draft rule directly or indirectly is likely to increase regulatory cost, including any transactional costs, in excess of \$1 million in the aggregate within 5 years after the implementation of the rule.

Based on the responses to staff's data requests, the proposed reductions in interest rates are expected to yield a slightly lower cost of capital, so regulatory costs, including transactional costs, are expected to be slightly lower for electric IOUs and gas IOUs under each of the draft rule amendments. There may be some level of reduced capital costs for some water/wastewater companies, but the impacts for most companies will be a minimal reduction or no impact to costs. Thus, for each rule amendment, it is unlikely that the amendment, if approved, will increase regulatory costs, including any transactional costs, in excess of \$1 million in the aggregate within 5 years after the implementation of the rule amendment.

Estimated Number of Entities Required to Comply and General Description of Individuals Affected

Subparagraph 120.541(2)(b), F.S., requires a good faith estimate of the number of individuals and entities likely to be required to comply with the rule, together with a general description of the types of individuals anticipated to be affected by the rule. The number of companies affected by the rule amendments include 5 electric IOUs, 7 gas IOUs, and 147 water/wastewater companies.

Rule Implementation and Enforcement Costs and Impact on Revenues For The Agency and Other State and Local Government Entities

Subparagraph 120.541(2)(c), F.S., requires a good faith estimate of the cost to the agency, and to any other state and local government entities, of implementing and enforcing the proposed rule, and any anticipated effect on state or local revenues. The FPSC is the agency with the jurisdiction to implement and enforce amendment to the rules, and the draft changes to the rules are not expected to impose any additional costs on the FPSC. The rule amendments, if approved, would not impact the costs of other state or local government entities. The rule amendments would have no impact on FPSC revenues or revenues of other state and local government entities.

Estimated Transactional Costs to Individual and Entities

Subparagraph 120.541(2)(d), F.S., requires a good faith estimate of the transactional costs likely to be incurred by individuals and entities, including local government entities, required to comply with the requirements of the rule. The transactional costs for electric and gas utilities are expected to decrease slightly under the rule amendments, based upon expected reductions in the cost of capital. For most water and wastewater utilities, the transactional costs associated with the rule amendment are expected to be unchanged compared to the current level of compliance costs, but some utilities may see a slight reduction in the cost of capital.

Impact On Small Businesses, Small Cities, Or Small Counties

Subparagraph 120.541(2)(e), F.S., requires an analysis of the impact of the proposed changes on small businesses as defined by Section 288.703, F.S., and an analysis of the impact on small counties and small cities as defined in Section 120.52, F.S. The most direct impact of

Cindy Miller
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the rule amendments on small businesses will be a reduction in bill credits associated with the reduction in the deposit interest rates. Most electric IOUs expect their small business customers will experience a reduction in bill credits. The first year impact for the industry is at least \$3.18 million for FPL and Gulf customers combined, and an unquantified impact for TECO customers. Over the longer term, reductions in the cost of capital may be reflected in customers' base rates. The rule amendments are expected to result in reductions in the amount of bill credits issued to customers of gas IOUs and some water/wastewater companies, occurring with a concomitant reduction in base rates over the longer term associated with reductions in the cost of capital. The electric IOUs, the gas IOUs, and the water/wastewater companies indicated that the rule amendments would result in no impact to small cities or small counties.

Additional Information Deemed Useful By The Agency

None.

cc: Braulio Baez
Marshall Willis
Cheryl Bulecza-Banks
Andrew Maurey