

FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION CONFERENCE AGENDA

CONFERENCE DATE AND TIME: Thursday, November 14, 2013, 9:30 a.m.

LOCATION: Betty Easley Conference Center, Joseph P. Cresse Hearing Room 148

DATE ISSUED: November 4, 2013

NOTICE

Persons affected by Commission action on certain items on this agenda may be allowed to address the Commission, either informally or by oral argument, when those items are taken up for discussion at this conference. These items are designated by double asterisks (***) next to the agenda item number.

To participate informally, affected persons need only appear at the agenda conference and request the opportunity to address the Commission on an item listed on agenda. Informal participation is not permitted: (1) on dispositive motions and motions for reconsideration; (2) when a recommended order is taken up by the Commission; (3) in a rulemaking proceeding after the record has been closed; or (4) when the Commission considers a post-hearing recommendation on the merits of a case after the close of the record. The Commission allows informal participation at its discretion in certain types of cases (such as declaratory statements and interim rate orders) in which an order is issued based on a given set of facts without hearing.

See Rule 25-22.0021, F.A.C., concerning Agenda Conference participation and Rule 25-22.0022, F.A.C., concerning oral argument.

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In accordance with the American with Disabilities Act, persons needing a special accommodation to participate at this proceeding should contact the Office of Commission Clerk no later than five days prior to the conference at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, via 1-800-955-8770 (Voice) or 1-800-955-8771 (TDD), Florida Relay Service. Assistive Listening Devices are available at the Office of Commission Clerk, Gerald L. Gunter Building, Room 152.

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ITEM NO.

CASE

1**

Consent Agenda

A) Docket No. 130244-EI – Application by Gulf Power Company (Company) for authority to receive equity funds from and/or to issue common equity securities to its parent company, Southern Company (Southern); issue and sell long-term debt and equity securities; and issue and sell short-term debt securities during 2014. The amount of common equity contributions received from and issued to Southern, the amount of other equity securities issued, and the maximum principal amount of long-term debt securities issued will total not more than 700million. The maximum principal amount of short-term debt at any one time will total not more than \$75 million.

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

B) Docket No. 130254-EI – Application of Duke Energy Florida, Inc. (Company) for authority to issue, sell or otherwise incur during 2014 up to \$1.5 billion of any combination of equity securities, long-term debt securities and other long-term obligations.

The Company requests authority to issue, sell, or otherwise incur during 2014 and 2015 up to \$1.5 billion outstanding at any time of short-term debt securities and other obligations. In connection with this application, DEF confirms that the capital raised pursuant to this application will be used in connection with the activities of DEF and not the unregulated activities of its unregulated subsidiaries or affiliates.

Recommendation: The Commission should approve the action requested in the dockets referenced above and close these dockets. For monitoring purposes, these dockets should remain open until April 30, 2015, to allow the Companies time to file the required Consummation Reports.

ITEM NO.

CASE

2**

Docket No. 130158-TP – 2014 State certification Section 54.313 and Section 54.314, annual reporting requirements for high-cost recipients, and certification of support for eligible telecommunications carriers.

Critical Date(s): December 16, 2013, filing deadline with the Federal Communications Commission and Universal Service Administrative Company.

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: TEL: Polk, Fogleman

GCL: Tan

Issue 1: Should the FPSC certify to the FCC and to the USAC, by letter from the Chairman, that BellSouth Telecommunications, LLC d/b/a AT&T Florida; Embarq Florida, Inc. d/b/a CenturyLink; Frontier Communications of the South, LLC; GTC, Inc. d/b/a FairPoint Communications; ITS Telecommunications Systems, Inc.; Knology of Florida, Inc. d/b/a /WOW! Internet, Cable, and Phone; Northeast Florida Telephone Company d/b/a NEFCOM; Quincy Telephone Company d/b/a TDS Telecom/Quincy Telephone; Smart City Telecommunications, LLC d/b/a Smart City Telecom; Verizon Florida LLC; and Windstream Florida, Inc. have used the federal high-cost support in the preceding calendar year, and will use the federal high-cost support they receive in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended?

Recommendation: Yes. Staff recommends that the FPSC should certify to the FCC and to the USAC, by letter from the Chairman, that BellSouth Telecommunications, LLC d/b/a AT&T Florida; Embarq Florida, Inc. d/b/a CenturyLink; Frontier Communications of the South, LLC; GTC, Inc. d/b/a FairPoint Communications; ITS Telecommunications Systems, Inc.; Knology of Florida, Inc. d/b/a /WOW! Internet, Cable, and Phone; Northeast Florida Telephone Company d/b/a NEFCOM; Quincy Telephone Company d/b/a TDS Telecom/Quincy Telephone; Smart City Telecommunications, LLC d/b/a Smart City Telecom; Verizon Florida LLC; and Windstream Florida, Inc. have used the federal high-cost support in the preceding calendar year, and will use the federal high-cost support they receive in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

Issue 2: Should this docket be closed?

Recommendation: Yes. This docket should be closed and subsequent annual certifications of telephone companies should be addressed in a new docket.

ITEM NO.

CASE

3**PAA

Docket No. 110165-SU – Application for staff-assisted rate case in Highlands County by Utility Corporation of Florida, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Brown

Staff: AFD: Fletcher, Maurey

ECO: Hudson

ENG: Simpson

GCL: Teitzman

Issue 1: Should Utility Corporation be granted an extension of time to complete pro forma items in order to implement the Phase II rates approved by Order No. PSC-12-0410-PAA-SU?

Recommendation: No. The Utility should not be granted an extension of time to complete pro forma items in order to implement the Phase II rates.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, the docket should be closed upon the issuance of a consummating order.

ITEM NO.

CASE

4**PAA

Docket No. 120209-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

Critical Date(s): 5-Month Effective Date Waived Through 11/14/13

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: AFD: T. Brown, Bullard, Fletcher, Maurey

ECO: Bruce, Daniel, Hudson, Roberts, Thompson

ENG: P. Buys, Rieger

GCL: Lawson

(Proposed Agency Action Except for Issue Nos. 23 and 24.)

Issue 1: Is the quality of service provided by UIF satisfactory?

Recommendation: Yes. The Utility is current in meeting water quality standards for all required chemical analyses and the water provided by the Utility is meeting applicable primary and secondary standards as prescribed in the rules of the Department of Environmental Protection (DEP). While some customers state that the water quality at the Summertree and Park Ridge systems have undesirable attributes, including taste, odor, and color, it appears that home treatment systems or point-of-use devices might be the best alternative to help reach customers' expectations for improved water quality. Treatment alternatives can be implemented by the Utility; however, those improvements will result in additional capital costs and ultimately higher rates to customers. Therefore, the overall quality of service for the UIF systems in Pasco, Pinellas, Orange, and Seminole Counties is satisfactory.

Issue 2: Should the audit adjustments to rate base and net operating income to which the Utility agrees be made?

Recommendation: Yes. Based on the audit adjustments agreed to by the Utility and staff, the following adjustments should be made to rate base and net operating income as set forth in the staff analysis portion of staff's memorandum dated November 1, 2013, below.

ITEM NO.

CASE

4**PAA

Docket No. 120209-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

(Continued from previous page)

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

Recommendation: Yes. Plant should be reduced by \$74,020 for water and \$30,119 for wastewater. Corresponding adjustments should be made to reduce accumulated depreciation by \$9,881 for water and \$3,991 for wastewater and reduce depreciation expense by \$7,402 for water and \$3,012 for wastewater. Computer maintenance expense should be reduced by \$11,434 for water and \$4,631 for wastewater. In addition, consistent with the Commission's previous decisions, UIF should be authorized to create a regulatory asset or liability for costs associated with the Phoenix Project, and to accrue interest on the regulatory asset or liability at the 30-day commercial paper rate until the establishment of rates in UIF's next rate proceeding. Finally, when appropriate, the regulatory asset or liability should be amortized over four years.

<u>County</u>	<u>Water Plant In Service</u>	<u>Wastewater Plant In Service</u>	<u>Water Accum. Depr.</u>	<u>Wastewater Accum. Depr.</u>	<u>Water Dep. Expense</u>	<u>Wastewater Dep. Expense</u>	<u>Water Computer Maint. Exp.</u>	<u>Wastewater Computer Maint. Exp.</u>
Orange	(\$3,430)	\$0	\$457	\$0	(\$343)	\$0	(\$550)	\$0
Pasco	(34,371)	(13,646)	4,591	1,805	(3,437)	(1,365)	(5,313)	(2,095)
Pinellas	(5,300)	0	706	0	(530)	0	(793)	0
Seminole	(30,919)	(16,473)	4,127	2,186	(3,092)	(1,647)	(4,778)	(2,535)
Totals	<u>(\$74,020)</u>	<u>(\$30,119)</u>	<u>\$9,881</u>	<u>\$3,991</u>	<u>(\$7,402)</u>	<u>(\$3,012)</u>	<u>(\$11,434)</u>	<u>(\$4,631)</u>

Issue 4: Should any additional test year plant adjustments be made?

Recommendation: Yes. Pasco County's Contractual Services – Engineering expense should be decreased by \$1,367 and plant should be increased by \$1,367. Accordingly, corresponding adjustments should be made to increase accumulated depreciation by \$62, depreciation expense by \$62, and taxes other than income by \$20. Accumulated deferred income taxes should also be increased by \$254.

ITEM NO.

CASE

4**PAA

Docket No. 120209-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

(Continued from previous page)

Issue 5: Should any adjustments be made to the Utility's pro forma plant additions and associated expenses?

Recommendation: Yes. The appropriate amount of pro forma plant additions are \$1,014,737 for water and \$210,001 for wastewater. UIF's pro forma plant, accumulated depreciation, depreciation expense, and property taxes should be adjusted as shown below. In addition, accumulated deferred income taxes (ADITs) should be increased by \$270,409.

County	Plant		Accum. Dep.		Dep. Expense		Prop. Tax	
	Water	W/water	Water	W/water	Water	W/water	Water	W/water
Pasco	(\$56,299)	\$0	(\$15,188)	\$0	(\$780)	\$0	\$4,514	\$0
Pinellas	(3,216)	0	(1,543)	0	(76)	0	4,936	0
Seminole	(128,545)	(2,999)	4,374	(675)	(4,778)	(88)	8,407	3,334
Total	(\$188,060)	(\$2,999)	(\$12,357)	(\$675)	(\$5,634)	(\$88)	\$17,857	\$3,334

Issue 6: What are the used and useful percentages of the Utility's water and wastewater systems?

Recommendation: UIF's water plants, water transmission and distribution systems, and wastewater collection systems should be considered 100 percent used and useful (U&U). Staff recommends that no adjustment be made for excess unaccounted for water for any of the Utility's water systems. Consistent with the last rate case, a 33.02 percent adjustment to purchased wastewater treatment expense for Ravenna Park should be made to reflect the Utility's excessive infiltration and inflow (I&I). Accordingly, purchased wastewater expense should be decreased by \$63,900 for Seminole County – Wastewater.

ITEM NO.

CASE

4**PAA

Docket No. 120209-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

(Continued from previous page)

Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance for each system is shown in the table below.

<u>County</u>	<u>Working Cap. Per ERC</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted</u>
Orange – Water	\$24,180	(\$8,006)	\$16,174
Pasco – Water	\$233,719	(\$77,384)	\$156,335
Pasco – Wastewater	\$92,188	(\$30,523)	\$61,665
Pinellas – Water	\$34,835	(\$11,534)	\$23,301
Seminole – Water	\$210,219	(\$69,603)	\$140,616
Seminole – Wastewater	\$111,532	(\$36,928)	\$74,604

Issue 8: What are the appropriate rate bases for the December 31, 2011, test year?

Recommendation: The appropriate rate bases for the UIF systems for the test year ended December 31, 2011, are as shown below.

<u>County</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Orange	\$227,634	N/A	\$227,634
Pasco	\$3,189,201	\$1,031,676	\$4,220,877
Pinellas	\$598,683	N/A	\$598,683
Seminole	\$3,070,303	\$2,399,860	\$5,470,163

Issue 9: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 10.69 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

ITEM NO.

CASE

4**PAA

Docket No. 120209-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

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Issue 10: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2011?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2011, is 7.41 percent for all UIF systems.

Issue 11: Should adjustments be made to miscellaneous test year revenues?

Recommendation: Yes. Miscellaneous revenues should be increased as shown below to reflect the appropriate test year revenues.

<u>System</u>	<u>Increase</u>
Orange County – Water	\$192
Pasco County – Water	\$1,900
Pasco County – Wastewater	\$101
Pinellas County – Water	\$174
Seminole County – Water	\$2,860
Seminole County – Wastewater	\$455

Issue 12: Should any adjustments contested by the Utility be made to test year O&M expenses?

Recommendation: Yes. UIF's test year Operations & Maintenance (O&M) water expenses should be reduced by \$21 for Orange County, \$212 for Pasco County, \$33 for Pinellas County, and \$190 for Seminole County. Wastewater expenses should be reduced by \$85 for Pasco County, and \$102 for Seminole County.

Issue 13: Should any adjustments be made to the Utility's salaries and wages, pensions and benefits, and payroll taxes?

Recommendation: Yes. Salaries and wages expense should be reduced by \$29,860 for water and \$11,486 for wastewater. Corresponding adjustments should also be made to reduce pensions and benefits by \$1,955 for water and \$752 for wastewater, and to reduce payroll taxes by \$2,284 for water and \$879 for wastewater.

ITEM NO.

CASE

4**PAA

Docket No. 120209-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

(Continued from previous page)

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

Recommendation: The appropriate amount of rate case expense is \$282,990. This expense of should be recovered over four years for an annual expense of \$70,748. Therefore, annual rate case expense should be adjusted as indicated below:

<u>County</u>	<u>Requested RCE 4-Yr. Amortization</u>	<u>Staff Rec. 4-Yr. Amortization</u>	<u>Staff Rec. Adjustment</u>
Orange - Water	\$4,625	\$2,423	(\$2,202)
Pasco - Water	\$44,699	\$23,400	(\$21,299)
Pasco - Wastewater	\$17,631	\$9,228	(\$8,403)
Pinellas - Water	\$6,662	\$3,491	(\$3,171)
Seminole - Water	\$40,205	\$21,042	(\$19,163)
Seminole - Wastewater	\$21,331	\$11,164	(\$10,167)

Issue 15: Should any adjustments be made to bad debt expense?

Recommendation: Yes. Bad debt expense should be based on a 3-year average. Accordingly, UIF's bad debt expense should be adjusted as indicated below:

<u>County</u>	<u>Water</u>	<u>Wastewater</u>
Orange	(\$665)	N/A
Pasco	\$4,971	(\$3,914)
Pinellas	\$13	N/A
Seminole	\$5,210	(\$8,196)

Issue 16: Should additional adjustments be made to test year O&M expenses?

Recommendation: Yes. Based on adjustments set forth above, staff recommends decreasing O&M expense by \$338 for Orange water, \$5,452 for Pasco water, \$534 for Pasco wastewater, \$8,721 for Seminole water, and \$5,370 for Seminole wastewater. Adjustments to O&M expense are shown on Schedule No. 3-C of staff's memorandum dated November 1, 2013, for each system.

Issue 17: Should additional adjustments be made to pro forma O&M expense?

Recommendation: No. Based on the information provided by the Utility, no additional adjustments to pro forma O&M expense are necessary.

ITEM NO.

CASE

4**PAA

Docket No. 120209-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

(Continued from previous page)

Issue 18: What is the appropriate revenue requirement for the December 31, 2011, test year?

Recommendation: The following revenue requirements should be approved.

<u>System</u>	<u>Test Year Revenues</u>	<u>(\$ Decrease)/ \$ Increase</u>	<u>Revenue Requirement</u>	<u>(% Decrease)/ % Increase</u>
Orange Water	\$116,050	\$30,157	\$146,207	25.99%
Pasco Water	\$905,659	\$239,418	\$1,145,077	26.44%
Pasco Wastewater	\$527,690	\$6,246	\$533,935	1.18%
Pinellas Water	\$105,176	\$65,331	\$170,507	62.12%
Seminole Water	\$876,873	\$254,890	\$1,131,763	29.07%
Seminole Wastewater	\$816,716	\$123,081	\$939,797	15.07%

Issue 19: What are the appropriate rate structures for the Utility’s water and wastewater systems?

Recommendation: Staff recommends that 26 percent of the revenues from the Orange County water system should be generated from the BFC. The non-discretionary usage threshold for residential customers should be 5,000 gallons. The appropriate discretionary usage rate blocks are: (1) 5,001-8,000 gallons; (2) 8,001-16,000 gallons; and usage in excess of 16,000 gallons, with discretionary usage block rate factors of 1.00, 1.50, and 1.75, respectively. General service customers should continue to be billed a BFC and gallonage charge.

In Pasco County, the appropriate rate structure should generate 50 percent of the water system revenues from the BFC. Staff recommends that the existing BFC and gallonage charge rate structure, with an additional rate block for the non-discretionary usage below 3,000 gallons be continued for residential customers. General service customers should continue to be billed a BFC and gallonage charge. Residential wastewater customers in Pasco County should continue the existing BFC and gallonage charge rate structure with a 6,000 gallon cap for both the Summertree and Orangewood systems. The multi-residential flat rate for Orangewood wastewater customers should also be continued. The recommended wastewater increase should be applied across-the-board to existing rates.

ITEM NO.

CASE

4**PAA

Docket No. 120209-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

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In Pinellas County, the appropriate rate structure should generate 45 percent of the revenues from the BFC. Staff recommends that the existing BFC and gallonage charge rate structure, with an additional rate block for the non-discretionary usage below 3,000 gallons, be continued for residential customers. General service customers should continue to be billed a BFC and gallonage charge.

Staff recommends that 25 percent of the revenues from the Seminole County water system should be generated from the BFC. The non-discretionary usage threshold should be 4,000 gallons for residential customers. The appropriate discretionary usage rate blocks are: (1) 4,001-8,000 gallons; (2) 8,001-16,000 gallons; and usage in excess of 16,000 gallons, with discretionary usage block rate factors of 1.00, 1.75, and 2.25, respectively. General service customers should continue to be billed a BFC and gallonage charge. Staff recommends that the Seminole County residential wastewater customers' rate structure should consist of a BFC for all meter sizes, based on an allocation of 25 percent of the revenue requirement, with a cap of 8,000 gallons. General service customers should continue to be billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

Issue 20: Are repression adjustments appropriate in this case, and, if so, what are the appropriate reductions in gallons and corresponding expense for the respective water systems?

Recommendation: Yes, repression adjustments are appropriate for the water systems in Orange, Pasco, Pinellas, and Seminole Counties. The appropriate reduction in gallons and corresponding reduction in expenses adjustments are as follows.

<u>Water System</u>	<u>Gallon Reduction</u>	<u>Purchased Power</u>	<u>Chemicals</u>	<u>Purchased Water</u>	<u>RAFs</u>	<u>Total Expense Reduction</u>
Orange	1,098,000	\$0	\$0	\$2,149	\$101	\$2,250
Pasco	3,608,000	\$665	\$345	\$0	\$47	\$1,057
Pinellas	919,000	\$157	\$69	\$21	\$12	\$259
Seminole	11,360,000	\$2,065	\$1,804	\$752	\$218	\$4,839

ITEM NO.

CASE

4**PAA

Docket No. 120209-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

(Continued from previous page)

Issue 21: What are the appropriate rates for monthly service for the water and wastewater systems?

Recommendation: The appropriate monthly water and wastewater rates are shown on Schedule Nos. 4-A through 4-D of staff’s memorandum dated November 1, 2013. The recommended water rates are designed to produce the recommended revenue requirements, excluding repression adjustments and miscellaneous revenues. The recommended wastewater rates are designed to produce the recommended revenue requirements less miscellaneous revenues. The appropriate revenue requirements for ratesetting are as follows.

<u>System</u>	<u>Revenue Requirement for Ratesetting</u>
Orange County -Water	\$140,547
Pasco County - Water	\$1,129,675
Pasco County - Wastewater	\$532,250
Pinellas County - Water	\$169,110
Seminole County - Water	\$1,105,374
Seminole County - Wastewater	\$936,867

The Utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the respective systems. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 22: In determining whether any portion of the water or wastewater interim increases granted should be refunded, how should the refunds be calculated, and what are the amounts of the refunds, if any?

Recommendation: The appropriate refund amounts should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenues granted. The revenue requirements granted in the Interim Order for the test year are less than the revised revenue requirements for the interim collection period, which results in no recommended interim refunds. Upon issuance of the consummating order in this docket, the corporate undertaking should be released.

ITEM NO.

CASE

4**PAA

Docket No. 120209-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

(Continued from previous page)

Issue 23: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A through 4-D of staff’s memorandum dated November 1, 2013, to remove rate case expense grossed up for regulatory assessment fees and amortized over a four-year period.

<u>System</u>	<u>Staff Recommended Reduction</u>	<u>Staff Recommended Rate Reduction</u>
Orange County - Water	\$2,913	2.07%
Pasco County - Water	28,134	2.49%
Pasco County - Wastewater	11,095	2.08%
Pinellas County - Water	4,197	2.48%
Seminole County - Water	25,299	2.29%
Seminole County - Wastewater	<u>13,423</u>	1.43%
Total	<u>\$85,060</u>	

The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. UIF should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 24: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts associated with the Commission-approved adjustments?

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

ITEM NO.

CASE

4**PAA

Docket No. 120209-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

(Continued from previous page)

Issue 25: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively.

ITEM NO.

CASE

5**PAA

Docket No. 130155-WU – Application for limited proceeding increase in rates in Escambia county by Peoples Water Service Company of Florida, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Brown

Staff: AFD: T. Brown, Maurey

ECO: Bruce, Daniel

GCL: Lawson

Issue 1: Should the Commission approve the Utility’s amended request for a limited proceeding rate increase?

Recommendation: The Commission should approve in part and deny in part the Utility’s requested rate increase. The appropriate monthly water rates are shown on Table 1-6. Within 15 days of the Commission vote, the Utility should file a proposed customer notice and revised tariff sheets which are consistent with the Commission's decision. The approved rates should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., after staff has verified that the proposed customer notice is adequate and the notice has been provided to the customers. Peoples should provide proof that the customers have received notice within 10 days after the date of the notice.

Issue 2: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff’s verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. When the tariff and notice actions are complete, this docket may be closed administratively.

ITEM NO.

CASE

6**PAA

Docket No. 130129-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Duke Energy Florida, Inc.
Docket No. 130131-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Florida Public Utilities Company.
Docket No. 130132-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Florida Power & Light Company.
Docket No. 130138-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Tampa Electric Company.
Docket No. 130139-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Gulf Power Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Graham

Staff: ENG: L'Amoreaux, P. Buys

GCL: Gilcher

Issue 1: Should the Commission approve Duke Energy Florida, Inc.'s 2013-2015 storm hardening plan filed in Docket No. 130129-EI?

Recommendation: Yes, DEF's updated plan is largely a continuation of its current Commission-approved plan. Since, Florida has not been affected by any named storms in the past few years, data are not available to evaluate the effects of hardening efforts on DEF's infrastructure. However, staff believes DEF is taking proactive steps to improve its system to withstand severe weather events and thus presents a reasonable approach to storm hardening that has the potential to enhance reliability and reduce restoration costs and outage times.

Issue 2: Should the Commission approve Florida Public Utilities Company 2013-2015 storm hardening plan filed in Docket No. 130131-EI?

Recommendation: Yes. FPUC's updated plan is largely a continuation of its current Commission-approved plan. Since, Florida has not been affected by any named storms in the past few years, data are not available to evaluate the effects of hardening efforts on FPUC's infrastructure. However, staff believes FPUC is taking proactive steps to improve its system to withstand severe weather events and thus presents a reasonable approach to storm hardening that has the potential to enhance reliability and reduce restoration costs and outage times.

ITEM NO.

CASE

6**PAA

Docket No. 130129-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Duke Energy Florida, Inc.

Docket No. 130131-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Florida Public Utilities Company.

Docket No. 130132-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Florida Power & Light Company.

Docket No. 130138-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Tampa Electric Company.

Docket No. 130139-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Gulf Power Company.

(Continued from previous page)

Issue 3: Should the Commission approve Florida Power & Light Company’s 2013–2015 storm hardening plan filed in Docket No. 130132-EI?

Recommendation: Yes. FPL’s updated plan is largely a continuation of its current Commission-approved plan. Since, Florida has not been affected by any named storms in the past few years, data are not available to evaluate the effects of hardening efforts on FPL’s infrastructure. However, staff believes FPL is taking proactive steps to improve its system to withstand severe weather events and thus presents a reasonable approach to storm hardening that has the potential to enhance reliability and reduce restoration costs and outage times.

Issue 4: Should the Commission approve Tampa Electric Company’s 2013–2015 storm hardening plan filed in Docket No. 130138-EI?

Recommendation: Yes. TECO’s updated plan is largely a continuation of its current Commission-approved plan. Since, Florida has not been affected by any named storms in the past few years, data are not available to evaluate the effects of hardening efforts on TECO’s infrastructure. However, staff believes TECO is taking proactive steps to improve its system to withstand severe weather events and thus presents a reasonable approach to storm hardening that has the potential to enhance reliability and reduce restoration costs and outage times.

Issue 5: Should the Commission approve Gulf Power Company’s 2013-2015 storm hardening plan filed in Docket No. 130139-EI?

Recommendation: Yes. Gulf’s updated plan is largely a continuation of its current Commission-approved plan. Since, Florida has not been affected by any named storms in the past few years, data are not available to evaluate the effects of hardening efforts on Gulf’s infrastructure. However, staff believes Gulf is taking proactive steps to improve its system to withstand severe weather events and thus presents a reasonable approach to storm hardening that has the potential to enhance reliability and reduce restoration costs and outage times.

ITEM NO.

CASE

6**PAA

Docket No. 130129-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Duke Energy Florida, Inc.

Docket No. 130131-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Florida Public Utilities Company.

Docket No. 130132-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Florida Power & Light Company.

Docket No. 130138-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Tampa Electric Company.

Docket No. 130139-EI – Petition for approval of 2013-2015 storm hardening plan, pursuant to Rule 25-6.0342, F.A.C., by Gulf Power Company.

(Continued from previous page)

Issue 6: Should these dockets be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the orders, these dockets should be closed upon the issuance of the consummating orders.

ITEM NO.

CASE

7**PAA

Docket No. 130204-EM – Commission review of numeric conservation goals (Orlando Utilities Commission).

Docket No. 130205-EI – Commission review of numeric conservation goals (Florida Public Utilities Company).

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Brisé

Staff: ENG: P. Buys, Ellis, Graves

GCL: Corbari, Murphy

Issue 1: Should the Commission grant FPUC's request for a proxy methodology to establish annual numeric conservation goals?

Recommendation: Staff recommends that FPUC's petition be approved in part and denied in part. FPUC should be approved to use Gulf as a single proxy utility. This will result in savings for FPUC's ratepayers while allowing the Commission to establish reasonable goals. An example of this methodology is included as Attachment A to staff's memorandum dated November 1, 2013. In addition, FPUC should be excused from the filing and participation requirements of Order PSC-13-0386-PCO-EU. FPUC should be required to file annual numeric conservation goals based on the proxy methodology within 10 days of a Final Order establishing goals being issued in Docket No. 130202-EG (Gulf). Any non-numeric goals the Commission may elect to establish for the investor-owned utilities under FEECA should also apply to FPUC. The Commission should provide staff administrative authority to validate the calculation of the conservation goals and require FPUC to file its demand side management plan within 90 days of the Final Order establishing goals for the proxy, Gulf.

ITEM NO.

CASE

7**PAA

Docket No. 130204-EM – Commission review of numeric conservation goals (Orlando Utilities Commission).

Docket No. 130205-EI – Commission review of numeric conservation goals (Florida Public Utilities Company).

(Continued from previous page)

Issue 2: Should the Commission grant OUC’s request for a proxy methodology to establish annual numeric conservation goals?

Recommendation: Staff recommends that OUC’s petition be approved in part and denied in part. OUC should be approved to use TECO as a proxy utility. This will result in savings for OUC’s ratepayers while allowing the Commission to establish reasonable goals. An example of this methodology is included as Attachment B to staff’s memorandum dated November 1, 2013. OUC should be excused from the filing and participation requirements of Order PSC-13-0386-PCO-EU. In addition, OUC should be required to file annual numeric conservation goals based on the proxy methodology within 10 days of a Final Order establishing goals being issued in Docket No. 130201-EI (TECO). The Commission should provide staff administrative authority to validate the calculation of the conservation goals and require OUC to file its demand side management plan within 90 days of the Final Order establishing goals for its proxy, TECO.

Because OUC is not an investor-owned utility, no non-numeric goals were established for them in the 2009 goals proceeding. However, should the Commission elect to establish non-numeric goals for the municipal utilities subject to FEECA in the 2014 goals proceeding, Staff recommends that OUC should also be required to meet those goals.

Issue 3: Should these dockets be closed?

Recommendation: No. These dockets should remain open pending further Commission action establishing numeric goals. If a protest in one docket is filed, the protest should not prevent the action proposed herein from becoming final with regard to the remaining docket.

ITEM NO.

CASE

8**PAA

Docket No. 130025-WU – Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.

Critical Date(s): 5-Month Effective Date Waived Through 11/14/13

Commissioners Assigned: All Commissioners

Prehearing Officer: Brown

Staff: ECO: Hudson, Roberts
AFD: Fletcher, Maurey, Norris
ENG: Ellis, Watts
GCL: Gilcher

(Proposed Agency Action Except for Issue Nos. 17 and 18.)

Issue 1: Is the quality of service provided by Placid Lakes satisfactory?

Recommendation: Yes. Placid Lakes is in compliance with Department of Environmental Protection (DEP) rules and regulations and the water treatment plant (WTP) is operating normally. The Utility appears to be responding adequately to the water quality concerns of its customers. Therefore, staff recommends that the overall quality of service provided by Placid Lakes be considered satisfactory.

Issue 2: Should the audit adjustments to rate base agreed to by the Utility be made?

Recommendation: Yes. Based on the audit adjustments agreed to by the Utility and staff, the following adjustments should be made to rate base as set forth in Table 2-1 of staff's memorandum dated November 1, 2013.

Issue 3: Should adjustments be made to the Utility's pro forma plant additions?

Recommendation: Yes. The appropriate pro forma plant additions are \$46,835. This results in a decrease of \$148,493 from the Utility's requested amount. Corresponding adjustments should also be made to decrease accumulated depreciation by \$5,568 and decrease depreciation expense by \$10,170. Additionally, pro forma property taxes should be increased by \$620.

Issue 4: What are the used and useful percentages of the water treatment plant, storage facilities, and distribution system?

Recommendation: Staff recommends that the WTP and storage facilities be considered 100 percent used and useful (U&U), and the water distribution system be considered 79.09 percent U&U, consistent with the previous rate case. Accordingly, water rate base should be increased by \$8,574. Corresponding adjustments should be made to increase net depreciation expense by \$425 and property tax expense by \$193.

Issue 5: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$65,694. This results in a reduction of \$1,928 to the Utility's requested working capital allowance.

ITEM NO.

CASE

8**PAA

Docket No. 130025-WU – Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.

(Continued from previous page)

Issue 6: What is the appropriate rate base for the test year ended December 31, 2012?

Recommendation: Consistent with other recommended adjustments, the appropriate rate base for the test year ended December 31, 2012, is \$483,908. This results in a reduction of \$181,053 to the Utility’s requested rate base.

Issue 7: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 10.19 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

Issue 8: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2012?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2012 is 6.19 percent.

Issue 9: What is the appropriate amount of test year revenues?

Recommendation: The appropriate test year revenues for Placid Lakes is \$658,924.

Issue 10: Should the audit adjustments to operating expenses agreed to by the Utility be made?

Recommendation: Yes. Based on the audit adjustments agreed to by the Utility and staff, the following adjustments should be made to operating expenses as set forth in Table 10-1 of staff’s memorandum dated November 1, 2013.

Issue 11: Should further adjustments be made to the Utility’s O&M expense?

Recommendation: Yes. O&M expenses should be decreased by \$3,389 to reflect reductions in two O&M expense accounts, Transportation expense and Contractual Services-Engineering expense.

Issue 12: What is the appropriate amount of rate case expense for the current case?

Recommendation: The appropriate amount of rate case expense is \$42,222. This expense should be recovered over four years for an annual expense of \$10,556. Therefore, annual rate case expense should be reduced by \$9,465 from the amount requested in the Utility’s initial filing.

ITEM NO.

CASE

8**PAA

Docket No. 130025-WU – Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.

(Continued from previous page)

Issue 13: Should the Commission approve any pro forma expense items for the Utility?
Primary Recommendation: Yes. Pro forma expenses of \$18,896 should be approved. Accordingly, O&M expense should be decreased by \$4,439. Further, Placid Lakes should be required to file an affidavit with the Commission, no later than March 31, 2014, attesting that it has implemented its 401k program. Should Placid Lakes be unable or unwilling to implement the 401k program by March 31, 2014, staff will file a recommendation addressing the appropriate action to be taken.

Alternative Recommendation: Yes. Pro forma expenses of \$11,553 should be approved. Accordingly, O&M expense should be decreased by \$11,782.

Issue 14: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved.

	Test Year		Revenue	
	<u>Revenue</u>	<u>\$ Increase</u>	<u>Requirement</u>	<u>% Increase</u>
Water	\$658,924	\$42,166	\$701,090	6.40%

Issue 15: What are the appropriate rate structure and rates for the Utility’s water system?
Recommendation: The appropriate rate structure for the water system’s residential customers is a continuation of the base facility charge (BFC) and three tier inclining block rate structure. The usage blocks should be: a) 0-10,000 gallons; b) 10,001-20,000 gallons; and c) usage in excess of 20,000 gallons, and usage block rate factors of 1.0, 1.5, and 2.0. The appropriate rate structure for the water system’s general service customers is a continuation of the BFC and uniform gallonage charge. Staff recommends an across-the-board increase of 6.47 percent to existing rates.

The appropriate monthly water rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

ITEM NO.

CASE

8**PAA

Docket No. 130025-WU – Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.

(Continued from previous page)

Issue 16: Should Placid Lakes’ requested miscellaneous service charges, late fee, and non-sufficient funds (NSF) fees be approved?

Recommendation: Yes. Staff recommends that Placid Lakes’ requested miscellaneous service charges, late fee, and NSF fees should be approved. The miscellaneous service charges should be \$25.00 for the normal hours initial connection, normal reconnection, violation reconnection, and premise visit and \$42.50 for after hours initial connection, normal reconnection, violation reconnection, and premise visit. A late fee of \$5.00 should be approved. The appropriate NSF fees should be in accordance with Sections 832.08(5) and 68.065(2), F.S.

The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved charges and fees. The approved charges and fees should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 17: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense?

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

Issue 18: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC USOA primary accounts associated with the Commission-approved adjustments?

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

ITEM NO.

CASE

8**PAA

Docket No. 130025-WU – Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.

(Continued from previous page)

Issue 19: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the PAA files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively.