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November 5, 2019

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Item 1

ITEM NO.

CASE

1

Election of Commission Chairman for a two-year term beginning January 2, 2020.

Item 2

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: October 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Hightower, D. Buys) *CRB*
Office of the General Counsel (Schrader) *DEB ALM*

RE: Docket No. 20190178-EI - Application for authority to issue and sell securities for 12 months ending December 31, 2020, by Tampa Electric Company.

AGENDA: 11/5/2019 - Consent Agenda - Final Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

Please place the following application for authority to issue and sell securities on the consent agenda for approval.

Docket No. 20190178-EI - Application for authority to issue and sell securities for 12 months ending December 31, 2020, by Tampa Electric Company.

Tampa Electric Company (Tampa Electric or Company) seeks the authority to issue, sell and/or exchange equity securities and issue, sell, exchange and/or assume long-term or short-term debt securities and/or to assume liabilities or obligations as guarantor, endorser, or surety during calendar year 2020. The Company also seeks authority to enter into interest swaps or other derivatives instruments related to debt securities during calendar year 2020.

The amount of all equity and long-term debt securities issued, sold, exchanged, or assumed and liabilities and obligations assumed or guaranteed, as guarantor, endorser, or surety will not exceed in aggregate \$1.635 billion during the year 2020, including any amounts issued to retire existing long-term debt securities. The maximum amount of short-term debt outstanding at any one time will be \$900 million during calendar year 2020. This application is for both Tampa Electric and its local gas distribution division, Peoples Gas System.

In connection with this application, Tampa Electric confirms that the capital raised pursuant to this application will be used in connection with the activities of the Company's regulated electric and gas divisions and not the unregulated activities of the utilities or their affiliates.

Staff has reviewed the Company's projected capital expenditures. The amount requested by the Company (\$2.535 billion) exceeds its expected capital expenditures (\$1.216 billion). The additional amount requested exceeding the projected capital expenditures allows for financial

Docket No. 20190178-EI

Date: October 24, 2019

flexibility with regard to unexpected events such as hurricanes, financial market disruptions, and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends Tampa Electric's petition to issue securities be approved.

For monitoring purposes, this docket should remain open until May 7, 2021, to allow the Company time to file the required Consummation Report.

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: October 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (D. Buys) *DBB* *ALM*
Office of the General Counsel (Schrader) *KS* *JSC*

RE: Docket No. 20190179-EI – Application for authority to issue and sell securities during calendar years 2020 and 2021, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Duke Energy Florida, LLC.

AGENDA: 11/5/2019 - Consent Agenda - Final Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

Please place the following application for authority to issue and sell securities on the consent agenda for approval.

Docket No. 20190179-EI – Application for authority to issue and sell securities during calendar years 2020 and 2021, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Duke Energy Florida, LLC.

Duke Energy Florida, LLC (DEF or Company) seeks authority to issue, sell, or otherwise incur during 2020 up to \$1.5 billion of any combination of equity securities, long-term debt securities, and other long-term obligations. Additionally, the Company requests authority to issue, sell, or otherwise incur during 2020 and 2021, 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 regulated activities of the Company and not the unregulated activities of its unregulated affiliates.

Staff has reviewed the Company's projected capital expenditures. The amount requested by the Company (\$3.0 billion) exceeds its expected capital expenditures (\$1.8 billion). The additional amount requested exceeding the projected capital expenditures allows for financial flexibility with regard to unexpected events such as hurricanes, financial market disruptions, and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends DEF's petition to issue securities be approved.

Docket No. 20190179-EI

Date: October 24, 2019

For monitoring purposes, this docket should remain open until May 7, 2021, to allow the Company time to file the required Consummation Report.

Item 3

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: October 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Office of the General Counsel (King) *OK S.M.L.*
Division of Accounting and Finance (Bulecza-Banks, D. Buys, Cicchetti) *PB*
Division of Economics (Coston, Guffey) *SKG*
Division of Engineering (P. Buys) *POB* *TB* *QYN* *ALM*

RE: Docket No. 20190164-EI – Proposed amendment of Rule 25-6.0141, F.A.C., Allowance for Funds Used During Construction; Rule 25-6.033, F.A.C., Tariffs; Rule 25-6.036, F.A.C., Inspection of Plant; and Rule 25-6.037, F.A.C., Extent of System Which Utility Shall Operate and Maintain.

AGENDA: 11/05/19 – Regular Agenda – Rule Proposal – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

RULE STATUS: Proposal May Be Deferred

SPECIAL INSTRUCTIONS: None

Case Background

In the summer of 2018, the Joint Administrative Procedures Committee (JAPC) conducted a review of a number of the Commission's existing rules in Chapter 25-6 of the Florida Administrative Code (F.A.C.). On August 17, 2018, JAPC sent the Commission a letter outlining the results of that review. That letter is included as Attachment C. Staff considered JAPC's comments and initiated this rulemaking to recommend amendments to Rules 25-6.0141, 25-6.033, 25-6.036, and 25-6.037, F.A.C., to address JAPC's concerns regarding those rules.¹

¹ JAPC's letter contained comments and questions about several other rules in chapter 25-6, F.A.C., as well. As to Rules 25-6.020, 25-6.021, 25-6.038, 25-6.039, and 25-6.040, F.A.C., JAPC asked "whether updates are needed" because the rules have "not been amended since adoption in 1969." Staff reviewed those rules and made technical

The notice of development of rulemaking appeared in the April 30, 2019 edition of the Florida Administrative Register. The notice did not propose a rulemaking workshop but allowed interested parties to request one. No one requested a workshop, but the Commission received comments on the recommended changes from Duke Energy Florida (DEF), Tampa Electric Company (TECO), and the Office of Public Counsel (OPC).

The Commission has jurisdiction pursuant to Sections 120.54 and 350.127(2), Florida Statutes (F.S.).

changes to the Rulemaking Authority and Law Implemented sections of Rules 25-6.038, 25-6.039, and 25-6.040, F.A.C. Doc. No. 07326-2018, at 2. Staff determined that no changes were needed for Rules 25-6.020 and 25-6.021, F.A.C. Doc. No. 07279-2018, at 2–3. Similarly, JAPC asked if the form referenced in Rule 25-6.0151(7), F.A.C., is up to date. Staff believes that it is and does not recommend an amendment to that rule. Doc. No. 07279-2018, at 2. Finally, staff plans to address JAPC’s concerns about Rules 25-6.0440 and 25-6.0441, F.A.C., in a future rulemaking proceeding.

Date: October 24, 2019

Discussion of Issues

Issue 1: Should the Commission propose amendments to Rules 25-6.0141, 25-6.033, and 25-6.037, F.A.C., as well as the repeal of Rule 25-6.036, F.A.C.?

Recommendation: Yes, the Commission should propose amendments to Rules 25-6.0141, 25-6.033, and 25-6.037, F.A.C., as well as the repeal of Rule 25-6.036, F.A.C., as set forth in Attachment A. The Commission should certify Rules 25-6.0141 and 25-6.033, F.A.C., as minor violation rules. (Bulecza-Banks, D. Buys, P. Buys, Cicchetti, Coston, Guffey, King)

Staff Analysis: Staff recommends several amendments to Rules 25-6.0141, 25-6.033, 25-6.036, and 25-6.037, F.A.C., most of which are intended to either enhance the readability of those rules or address JAPC's comments. Staff is also recommending the repeal of Rule 25-6.036, F.A.C., and one amendment to Rule 25-6.0141, F.A.C., that was suggested by DEF during the rule development process.

JAPC Review of Commission Rules

JAPC has the authority and responsibility under Section 120.545(1), F.S., to examine agency rules to determine whether any rules violate certain statutory standards. Among those is whether the rule is an invalid exercise of delegated authority, which is defined in Section 120.52(8), F.S., to include, among other things, any rule that is "vague" or "fails to establish adequate standards for agency decisions." JAPC is also tasked with determining whether "[t]he rule could be made less complex or more easily comprehensible to the general public." § 120.545(1)(i), F.S. Pursuant to this authority, JAPC reviewed several of the Commission's rules in chapter 25-6 of the F.A.C. JAPC's comments served as the impetus for this rulemaking, and its comments are discussed below.

The Plain Language Movement

In addition to addressing JAPC's comments, staff is also recommending certain amendments that are designed to enhance the readability of these rules. The Commission's Style Guide advocates for "the adoption of a more readable writing style." This includes techniques like "[u]sing clear language that is commonly used by the intended audience," presenting the reader with "[o]nly the information needed," and constructing "[s]hort sentences . . . in the active voice that make it clear who is responsible for what." The Style Guide also speaks positively of the "Plain Language Movement" that made its way through state and federal government institutions in the early 2000's. The *Federal Plain Language Guidelines* urges agencies to stop using the word "shall" in their rules because the word is both "outdated" and "imprecise." *See also Gutierrez de Martinez v. Lamagno*, 515 U.S. 417, 432 n.9 (1995) ("Though 'shall' generally means 'must,' legal writers sometimes use, or misuse, 'shall' to mean 'should,' 'will,' or even 'may.'"). In other words, one rarely encounters "shall" in everyday speech, and using it in administrative rules can lead to ambiguities. Several of staff's recommended changes to the rules at issue here are meant to enhance readability by employing more commonly used grammar and syntax, including substituting "must," "will," or "may" for "shall" as the context requires.

Rule 25-6.0141 Allowance for Funds Used During Construction

In its August 17, 2018 letter, JAPC pointed out that subsection (9) of Rule 25-6.0141, F.A.C., which consists of two date triggers controlling the effective date of the rule, is no longer

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necessary because both of those date triggers passed two decades ago. Staff recommends that subsection (9) be removed from the rule. Removing superfluous language makes the rule less complex and more easily comprehensible to the general public. *See* § 120.545(1)(i), F.S. Likewise, it satisfies the Style Guide’s direction to enhance readability by presenting the reader with only necessary information.

To further enhance readability, staff recommends formatting changes to create consistent references to specific accounts from the federal Uniform System of Accounts. *See* 18 C.F.R. pt. 101. In Rule 25-6.0141, F.A.C., some of these account titles are separated from the account number using an en dash, while others are separated by a comma.² Staff is recommending consistent use of the comma, which mirrors the formatting used in the Uniform System of Accounts. *E.g.*, 18 C.F.R. pt. 101. As discussed above, staff also recommends replacing “shall” with “must” or “will” as appropriate.

Lastly, in its comments, DEF suggests changing the threshold for listing projects individually in a utility’s Forecasted Surveillance Report contained in subsection (8).³ DEF would like to change the threshold from a static \$10,000,000 to 0.5 percent of the utility’s combined balances in Account 101, Electric Plant in Service, and Account 106, Completed Construction not Classified. This change would raise the threshold for DEF from \$10,000,000 to \$91,000,000. This new threshold would of course have different effects on different utilities based on the balances each utility carries in accounts 101 and 106.

TECO supports DEF’s suggestion, and OPC does not object. All three note that this change would establish an internal consistency within Rule 25-6.0141, F.A.C., because this same percentage threshold is used in subsection (1) to determine whether a project is eligible for AFUDC. Staff agrees and recommends the Commission propose DEF’s suggested amendment in order to promote internal consistency within the rule.

Rule 25-6.033 Tariffs

Staff is recommending several changes to Rule 25-6.033, F.A.C. Specifically, it is recommending deleting subsections (3) and (5). It is also recommending rewording several of the remaining subsections to enhance the readability of the rule. Finally, staff is recommending changes to subsection (2) that will direct readers to the requirements of chapter 25-9 of the F.A.C., which contains specific requirements for tariff filings.

JAPC points out that subsection (3) refers to a 1961 Commission order that has not been properly incorporated by reference. Material incorporated into a rule by reference must be specifically identified, and the rule must state how an affected person can obtain a copy of the referenced material. Rule 1-1.013(2)(a), (c), F.A.C.; *see, e.g.*, Rule 25-6.0345, F.A.C. (properly incorporating the National Electrical Safety Code by reference). The reference in this rule fails

² For example, in subparagraph (1)(a)1., account 101 is separated from its title with an en dash (Account 101 – Electric Plant in Service), but account 106 is separated from its title with a comma (Account 106, Completed Construction not Classified). But in subparagraph (1)(b)2., account 106 is separated from its title with an en dash (Account 106 – Completed Construction not Classified).

³ As used in this recommendation, “utility” refers to the investor-owned electric utilities. *See* Rule 25-6.002(1) (applying chapter 25-6 to “all public electric utilities” unless the context of the rule clearly indicates otherwise).

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both of these requirements. The incorporated order is identified solely by its title—the reference lacks the order number and the issue date—and there is no language providing guidance on how one might obtain the fifty-eight-year-old order.

More importantly, staff recommends deleting subsection (3) because it is redundant of the requirements in chapter 25-9. Subsection (3) directs utilities to conform their tariff filings to the requirements contained in the 1961 order; however, chapter 25-9, which was adopted six years after Rule 25-6.033, F.A.C., was last amended, contains specific requirements for tariff filings. Because chapter 25-9 contains specific requirements for a utility's tariff filings, the more general requirements of the 1961 order are without effect. In sum, because subsection (3) of the rule does not properly incorporate the order by reference and the reference to the order is no longer needed, staff recommends removing subsection (3) entirely.

Staff also recommends removing subsection (5). Subsection (5) requires each utility to keep a copy of its rate schedules and rules and regulations on file at its offices, and it requires that utilities make these documents available for public inspection. OPC expresses concern about whether customers will have a right to access a utility's tariffs if this rule is repealed. However, Rule 25-9.003, F.A.C., requires utilities to keep copies of their tariffs and make them available to customers. OPC further asks why, "in today's electronic world," utilities are not required to post their tariffs on the Commission's website. However, every investor-owned utility currently posts its tariff on its website. The Commission also maintains links to those websites on its own website. Staff believes that the requirements of Rule 25-9.003, F.A.C., sufficiently protect customers' interests, and there is no need to amend Rule 25-9.003, F.A.C., to require an action that utilities are currently undertaking freely.

Rule 25-6.036 Inspection of Plant

Staff recommends deleting the second sentence in Rule 25-6.036, F.A.C., and moving the remaining two sentences to Rule 25-6.037, F.A.C., effectively repealing this rule.

JAPC asks how the Commission defines the term "accepted good practice" in relation to a utility's required plant and equipment inspection program and points out that Section 120.52(8)(d), F.S., declares any rule that is "vague" or "fails to establish adequate standards for agency decisions" to be an "invalid exercise of delegated legislative authority."

Staff agrees with JAPC that "accepted good practice" is vague and fails to establish an adequate standard for the Commission to enforce. For this reason, staff recommends removing this sentence of the rule. The remainder of the rule—the first and third sentences—which would move to Rule 25-6.037, F.A.C., would still require each utility to adopt a program for inspecting its facilities and keep records establishing compliance with that program. An inspection program properly designed to "determine the necessity for replacement and repair" will necessarily require inspections at intervals that accord with "the utility's experience and accepted good practice."

Rule 25-6.037 Extent of System Which Utility Shall Operate and Maintain

Staff recommends removing vague language requiring utilities to maintain their "facilities and equipment used in connection with the production, transmission, distribution, regulation, and delivery of electricity" in a "safe, efficient, and proper condition." Staff also recommends

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splitting this rule into two subsections to accommodate the remaining portion of Rule 25-6.036, F.A.C. Subsection (1) will be the amended language of the current rule, and subsection (2) will be the amended language of Rule 25-6.036, F.A.C. This amendment makes changes to the title of the rule necessary. Lastly, staff is recommending a few substitutions of “must” for “shall” to enhance readability.

Like its comments on Rule 25-6.036, F.A.C., JAPC pointed out that the term “safe, efficient, and proper condition” was vague and may violate Section 120.52(8)(d), F.S. Staff agrees and recommends clarifying the standard in Rule 25-6.037, F.A.C., by referencing several other rules from chapter 25-6 that contain more specific safety requirements. Rules 25-6.034 and 25-6.0345, F.A.C., mandate that utilities “maintain and operate” their facilities in accordance with the 2017 edition of the National Electric Safety Code. Rule 25-6.0341, F.A.C., sets standards to ensure “safe and efficient access” to a utility’s distribution facilities “for installation and maintenance.” Finally, Rule 25-6.040, F.A.C., proscribes grounding requirements to ensure distribution circuits are reasonably safe to person and property.

Minor Violation Rules Certification

Pursuant to Section 120.695, F.S., the Commission must certify whether any of its rules should be designated as a rule the violation of which would be a minor violation. Under Section 120.695(2)(b), F.S., a violation of a rule is minor if it does not result in economic or physical harm to a person or adversely affect the public health, safety, or welfare or create a significant threat of such harm. Currently, Rules 25-6.0141, 25-6.033, and 25-6.036, F.A.C., are minor violation rules. None of staff’s recommended amendments change the fact that a violation of these rules will not result in economic or physical harm to a person or adversely affect the public health, safety, or welfare or create a significant threat of such harm. On the other hand, Rule 25-6.037, F.A.C., is not a minor violation rule. A utility’s duty to inspect and maintain its plant and other assets is integral to it producing and/or distributing electricity in a safe and reliable manner. A violation of this rule could create a significant threat of economic or physical harm to a person or could adversely affect the public health, safety, or welfare. Staff’s recommended amendments to that rule do not change this; therefore, Rule 25-6.037, F.A.C., should not be certified as a minor violation rule.

Statement of Estimated Regulatory Costs

Pursuant to Section 120.54(3)(b)1., F.S., agencies are encouraged to prepare a statement of estimated regulatory costs (SERC) before the adoption, amendment, or repeal of any rule. A SERC was prepared for this rulemaking and is appended as Attachment B. As required by Section 120.541(2)(a)1., F.S., the SERC analysis includes whether the rule amendments are 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 five years after implementation. Staff notes that none of the impact/cost criteria will be exceeded as a result of the recommended revisions.

The SERC concludes that the amendments and repeal are not likely to directly or indirectly increase regulatory costs in excess of \$200,000 within 1 year after implementation. Further, the SERC concludes that the amendment repeal will not likely increase regulatory costs, including any transactional costs, or have an adverse impact on business competitiveness, productivity, or

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innovation in excess of \$1 million in the aggregate within five years of implementation. Thus the amendments and repeal do not require legislative ratification, pursuant to Section 120.541(3), F.S.

In addition, the SERC states that the amendments and repeal would have no impact on small businesses, would have no implementation or enforcement cost on the Commission or any other state and local government entity and would have no impact on small cities or small counties. The SERC states that no additional transactional costs are likely to be incurred by individuals and entities required to comply with the requirements.

Conclusion

Staff recommends that the Commission should propose staff's recommended repeal of Rule 25-6.036, F.A.C., as well as its recommended amendments to Rules 25-6.0141, 25-6.033, and 25-6.037, F.A.C.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no requests for hearing or comments are filed, the rules should be filed with the Department of State, and the docket should be closed. (King)

Staff Analysis: If no requests for hearing or comments are filed, the rules may be filed with the Department of State and the docket closed.

1 **25-6.0141 Allowance for Funds Used During Construction.**

2 (1) Construction work in progress (CWIP) or nuclear fuel in process (NFIP) not under a
3 lease agreement that is not included in rate base may accrue allowance for funds used during
4 construction (AFUDC), under the following conditions:

5 (a) Eligible projects. The following projects may be included in CWIP or NFIP and accrue
6 AFUDC:

7 1. Projects that involve gross additions to plant in excess of 0.5 percent of the sum of the
8 total balance in Account 101₁ – Electric Plant in Service, and Account 106, Completed
9 Construction not Classified, at the time the project commences and

10 a. Are expected to be completed in excess of one year after commencement of
11 construction, or

12 b. Were originally expected to be completed in one year or less and are suspended for six
13 months or more, or are not ready for service after one year.

14 (b) Ineligible projects. The following projects may be included in CWIP or NFIP, but may
15 not accrue AFUDC:

16 1. Projects, or portions thereof, that do not exceed the level of CWIP or NFIP included in
17 rate base in the utility's last rate case.

18 2. Projects where gross additions to plant are less than 0.5 percent of the sum of the total
19 balance in Account 101₁ – Electric Plant in Service, and Account 106₁ – Completed
20 Construction not Classified, at the time the project commences.

21 3. Projects expected to be completed in less than one year after commencement of
22 construction.

23 4. Property that has been classified as Property Held for Future Use.

24 (c) Unless otherwise authorized by the Commission, the following projects may not be
25 included in CWIP or NFIP, nor accrue AFUDC:

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from
existing law.

- 1 1. Projects that are reimbursable by another party.
- 2 2. Projects that have been cancelled.
- 3 3. Purchases of assets which are ready for service when acquired.
- 4 4. Portions of projects providing service during the construction period.
- 5 (d) Other conditions. Accrual of AFUDC is subject to the following conditions:
- 6 1. Accrual of AFUDC is not to be reversed when a project originally expected to be
- 7 completed in excess of one year is completed in one year or less;
- 8 2. AFUDC may not be accrued retroactively if a project expected to be completed in one
- 9 year or less is subsequently suspended for six months, or is not ready for service after one
- 10 year;
- 11 3. When a project is completed and ready for service, it shall be immediately transferred to
- 12 the appropriate plant account(s) or Account 106, Completed Construction Not Classified, and
- 13 may no longer accrue AFUDC;
- 14 4. Where a work order covers the construction of more than one property unit, the AFUDC
- 15 accrual must ~~shall~~ cease on the costs related to each unit when that unit reaches an in-service
- 16 status;
- 17 5. When the construction activities for an ongoing project are expected to be suspended for
- 18 a period exceeding six ~~(6)~~ months, the utility must ~~shall~~ notify the Commission of the
- 19 suspension and the reason(s) for the suspension, and must ~~shall~~ submit a proposed accounting
- 20 treatment for the suspended project; and
- 21 6. When the construction activities for a suspended project are resumed, the previously
- 22 accumulated costs of the project may not accrue AFUDC if such costs have been included in
- 23 rate base for ratemaking purposes. However, the accrual of AFUDC may be resumed when the
- 24 previously accumulated costs are no longer included in rate base for ratemaking purposes.
- 25 (e) Subaccounts. Account 107, Construction Work in Progress, and Account 120.1,
CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from
existing law.

1 Nuclear Fuel in Process of Refinement, Conversion, Enrichment and Fabrication, ~~shall~~ must
2 be subdivided so as to segregate the cost of construction projects that are eligible for AFUDC
3 from the cost of construction projects that are ineligible for AFUDC.

4 (f) Prior to the commencement of construction on a project, a utility may file a petition to
5 seek approval to include an individual project in rate base that would otherwise qualify for
6 AFUDC treatment per paragraph (1)(a).

7 (g) On a prospective basis, the Commission, upon its own motion, may determine that the
8 potential impact on rates may require the exclusion of an amount of CWIP from a utility's rate
9 base that does not qualify for AFUDC treatment per paragraph (1)(a) and to allow the utility to
10 accrue AFUDC on that excluded amount.

11 (2) The applicable AFUDC rate will ~~shall~~ be determined as follows:

12 (a) The most recent 13-month average embedded cost of capital, except as noted below,
13 must ~~shall~~ be derived using all sources of capital and adjusted using adjustments consistent
14 with those used by the Commission in the utility's last rate case.

15 (b) The cost rates for the components in the capital structure will ~~shall~~ be the midpoint of
16 the last allowed return on common equity, the most recent 13-month average cost of short
17 term debt and customer deposits, and a zero cost rate for deferred taxes and all investment tax
18 credits. The cost of long term debt and preferred stock will ~~shall~~ be based on end of period
19 cost. The annual percentage rate must ~~shall~~ be calculated to two decimal places.

20 (3) Discounted monthly AFUDC rate. A discounted monthly AFUDC rate, calculated to
21 six decimal places, must ~~shall~~ be employed to insure that the annual AFUDC charged does not
22 exceed authorized levels.

23 (a) The formula used to discount the annual AFUDC rate to reflect monthly compounding
24 is as follows:

25
$$M = [(1 + A/100)^{1/12} - 1] \times 100$$

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from
existing law.

1 Where:

2 M = discounted monthly AFUDC rate

3 A = annual AFUDC rate

4 (b) The monthly AFUDC rate, carried out to six decimal places, must ~~shall~~ be applied to
5 the average monthly balance of eligible CWIP and NFIP that is not included in rate base.

6 (4) The following schedules must ~~shall~~ be filed with each petition for a change in AFUDC
7 rate:

8 (a) Schedule A. A schedule showing the capital structure, cost rates and weighted average
9 cost of capital that are the basis for the AFUDC rate in subsection (2).

10 (b) Schedule B. A schedule showing capital structure adjustments including the unadjusted
11 capital structure, reconciling adjustments and adjusted capital structure that are the basis for
12 the AFUDC rate in subsection (2).

13 (c) Schedule C. A schedule showing the calculation of the monthly AFUDC rate using the
14 methodology set out in this rule.

15 (5) No utility may charge or change its AFUDC rate without prior Commission approval.
16 The new AFUDC rate will ~~shall~~ be effective the month following the end of the 12-month
17 period used to establish that rate and may not be retroactively applied to a previous fiscal year
18 unless authorized by the Commission.

19 (6) Each utility charging AFUDC must ~~shall~~ include in its December Earnings
20 Surveillance Reports to the Commission Schedules A and B identified in subsection (4) of this
21 rule, as well as disclosure of the AFUDC rate it is currently charging.

22 (7) The Commission may, on its own motion, initiate a proceeding to revise a utility's
23 AFUDC rate.

24 (8) Each utility must ~~shall~~ include in its Forecasted Surveillance Report a schedule of
25 individual projects that commence during that forecasted period and are estimated to have
CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from
existing law.

1 ~~equal or exceed~~ a gross cost in excess of 0.5 percent of the sum of the total balance in Account
2 101, Electric Plant in Service, and Account 106, Completed Construction not Classified of
3 \$10,000,000. The schedule must ~~shall~~ include the following minimum information:

4 (a) Description of the project.

5 (b) Estimated total cost of the project.

6 (c) Estimated construction commencement date.

7 (d) Estimated in-service date.

8 ~~(9) The provisions of this rule are effective January 1, 1996 and shall be implemented by~~
9 ~~all electric utilities no later than January 1, 1999, or the utility's next rate proceeding,~~
10 ~~whichever occurs first.~~

11 *Rulemaking Authority 350.127(2), 366.05(1) FS. Law Implemented 350.115, 366.04(2)(a), (f)*
12 *366.06(1), (2), 366.08 FS. History—New 8-11-86, Formerly 25-6.141, Amended 11-13-86, 12-*
13 *7-87, 1-7-97, _____.*

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CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

1 **25-6.033 Tariffs.**

2 (1) ~~A each~~ utility may adopt ~~such additional non-discriminatory~~ rules and regulations
3 governing its relations with customers in addition to those required by Commission rules, as
4 ~~are necessary and which are not inconsistent with these rules or orders of the Commission. But~~
5 any sSuch rules or and regulations must be consistent with Commission rules and must be
6 filed with shall constitute an integral part of the utility's tariffs and shall be filed with them.

7 ~~(2) Each utility shall file with the Commission tariffs containing schedules for all rates~~
8 ~~and charges and copies of all rules and regulations governing the relation of customer and~~
9 ~~utility.~~

10 ~~(a) Each utility shall include in its tariffs without limiting them to the following~~
11 ~~provisions:~~

12 (2) All tariff filings must conform to Chapter 25-9, Florida Administrative Code, and must
13 include the following provisions:

14 ~~(a)1.~~ Definitions of ~~classes of~~ customers classes.

15 ~~(b)2.~~ Rules ~~with which~~ prospective customers must comply with as a condition of
16 receiving service, and the terms of any required contracts ~~required~~.

17 ~~(c)3.~~ Rules for establishing governing the establishment of credit by customers for
18 payment of service bills.

19 ~~(d)4.~~ Rules governing deposits and interest on deposits.

20 ~~(e)5.~~ Rules governing the procedure for followed in disconnecting and reconnecting
21 service.

22 ~~(f)6.~~ Rules governing a customer's request to discontinue service. Notice by customer
23 ~~required for having service discontinued.~~

24 ~~(g)7.~~ Rules governing temporary, emergency, auxiliary or stand-by service.

25 ~~(h)8.~~ Rules covering billing periods.

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from
existing law.

- 1 (i)9. Rules covering a customer's construction requirements.
- 2 (j)10. Rules covering a special type of construction commonly requested by customers that
- 3 ~~which the utility allows to be connected and terms upon which such construction will be~~
- 4 ~~permitted~~. This applies, for example, to a case where a customer desires underground service
- 5 in overhead territory.
- 6 (k)11. Rules covering any ~~such~~ portion of service ~~which~~ the utility furnished, owns, and
- 7 maintains.
- 8 (l)12. Rules covering inspection of customer-owned facilities by proper authorities before
- 9 service is rendered.
- 10 ~~(3) All tariff filings shall be in the manner and form as prescribed by the Commission~~
- 11 ~~under separate Order entitled "Rules and Regulations Governing the Construction and Filing~~
- 12 ~~of Tariffs by Public Utilities."~~
- 13 (3) ~~(4)~~ No rules and regulations, ~~or~~ schedules of rates or charges, or modification or
- 14 revisions of the same, will ~~shall~~ be effective until ~~filed with and~~ approved by the Commission
- 15 ~~as provided by Law.~~
- 16 ~~(5) A copy of the rules contained herein, as promulgated and adopted by the Commission,~~
- 17 ~~also a copy of the rate schedules and rules and regulations of the utility as filed with the~~
- 18 ~~Commission, shall be kept on file in the local commercial offices of the utility for inspection~~
- 19 ~~by its customers. A customer shall, upon request, be furnished a copy of the rate schedule~~
- 20 ~~applicable to his service.~~
- 21 *Rulemaking Authority 350.127(2), 366.05(1) FS. Law Implemented 366.03, 366.05(1), 366.06*
- 22 *FS. History—New 7-29-69, Formerly 25-6.33, Amended_____*
- 23
- 24
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CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

1 **25-6.036 Inspection of Plant.**

2 ~~Each utility shall adopt a program of inspection of its electric plant in order to determine the~~
3 ~~necessity for replacement and repair. The frequency of the various inspection shall be based~~
4 ~~on the utility's experience and accepted good practice. Each utility shall keep sufficient~~
5 ~~records to give evidence of compliance with its inspection program.~~

6 *Rulemaking Authority 366.05(1) FS. Law Implemented 366.04(2)(c), (5), 366.05(1), 366.055,*
7 *366.08 FS. History—New 7-29-69, Formerly 25-6.36, Repealed.*

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CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

**25-6.037 Extent of Facilities and Equipment That a System Which Utility Must Shall
Inspect, Operate, and Maintain.**

(1) Each utility must, ~~unless specifically relieved in any case by the Commission from such obligations, shall~~ operate and maintain in safe, efficient, and proper condition, pursuant to Rules 25-6.034, 25-6.0341, 25-6.0345, and 25-6.040, F.A.C. ~~the standards referenced herein,~~ all of the facilities and equipment used in connection with the production, transmission, distribution, regulation, and delivery of electricity to any customer up to the point of delivery. The utility is also responsible for the ~~safe, efficient~~ measurement of electrical consumption consistent with test procedures and accuracies prescribed by the Commission.

(2) Each utility must adopt a program governing the inspection of its electric facilities and equipment in order to determine the necessity for replacement and repair. Each utility must keep records to establish compliance with its inspection program.

Rulemaking Authority 350.127(2), 366.04(6), 366.05(1) FS. Law Implemented 366.03, 366.04(1), (2)(c), (f), (5), (6), 366.05(1), (3) FS. History—New 7-29-69, Amended 4-13-80, _____, Formerly 25-6.37.

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: July 25, 2019

TO: Andrew King, Senior Attorney, Office of the General Counsel

FROM: Sevini K. Guffey, Public Utility Analyst II, Division of Economics *S.K.G.*

RE: **Statement of Estimated Regulatory Costs** for Proposed Adoption of Rule 25-6.0141, Florida Administrative Code (F.A.C.) Allowance for Funds Used During Construction, Rule 25-6.033, F.A.C. Tariffs, Rule 25-6.036, F.A.C. Inspection of Plant, and Rule 25-6.037, F.A.C. Extent of Facilities and Equipment that a Utility Must Inspect, Operate, and Maintain.

Commission staff is recommending several revisions to Rule 25-6.0141, Florida Administrative Code (F.A.C.) Allowance for Funds Used During Construction, Rule 25-6.033, F.A.C. Tariffs, Rule 25-6.036, F.A.C. Inspection of Plant, and Rule 25-6.037, F.A.C. Extent of Facilities and Equipment that a Utility Must Inspect, Operate, and Maintain. The proposed revisions are discussed in the staff recommendation.

The attached Statement of Estimated Regulatory Costs (SERC) addresses the economic impacts and considerations required pursuant to Section 120.541, Florida Statutes (F.S.). The SERC analysis indicates that the proposed rule amendments will not likely increase regulatory costs, including any transactional costs or have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within five years of implementation. The proposed rule amendment would have no impact on small businesses, would have no implementation cost on the Commission or other state and local government entities, and would have no impact on small cities or counties.

No rule development workshop was held regarding these rule revisions. No regulatory alternatives were submitted pursuant to Section 120.541(1)(g), F.S. The SERC concludes that none of the impacts/cost criteria established in Sections 120.541(2)(a), (c), (d), and (e) F.S. will be exceeded as a result of the proposed rule revisions.

cc: SERC File

FLORIDA PUBLIC SERVICE COMMISSION
STATEMENT OF ESTIMATED REGULATORY COSTS
Rules 25-6.0141, 25-6.033, 25-6.036, and 25-6.037, F.A.C.

1. Will the proposed rule have an adverse impact on small business? [120.541(1)(b), F.S.] (See Section E., below, for definition of small business.)

Yes ☐

No ☒

If the answer to Question 1 is "yes", see comments in Section E.

2. Is the proposed rule likely to directly or indirectly increase regulatory costs in excess of \$200,000 in the aggregate in this state within 1 year after implementation of the rule? [120.541(1)(b), F.S.]

Yes ☐

No ☒

If the answer to either question above is "yes", a Statement of Estimated Regulatory Costs (SERC) must be prepared. The SERC shall include an economic analysis showing:

A. Whether the rule directly or indirectly:

- (1) Is likely to have an adverse impact on any of the following in excess of \$1 million in the aggregate within 5 years after implementation of the rule? [120.541(2)(a)1, F.S.]

Economic growth Yes ☐ No ☒

Private-sector job creation or employment Yes ☐ No ☒

Private-sector investment Yes ☐ No ☒

- (2) Is likely to have an adverse impact on any of the following in excess of \$1 million in the aggregate within 5 years after implementation of the rule? [120.541(2)(a)2, F.S.]

Business competitiveness (including the ability of persons doing business in the state to compete with persons doing business in other states or domestic markets) Yes ☐ No ☒

Productivity Yes ☐ No ☒

Innovation Yes ☐ No ☒

(3) Is likely to increase regulatory costs, including any transactional costs, in excess of \$1 million in the aggregate within 5 years after the implementation of the rule? [120.541(2)(a)3, F.S.]

Yes ☐

No ☒

Economic Analysis:

B. A good faith estimate of: [120.541(2)(b), F.S.]

(1) The number of individuals and entities likely to be required to comply with the rule.

Five investor-owned electric utilities are required to comply with these rules.

(2) A general description of the types of individuals likely to be affected by the rule.

Types of individuals affected by these rules are the five investor-owned electric utilities.

C. A good faith estimate of: [120.541(2)(c), F.S.]

(1) The cost to the Commission to implement and enforce the rule.

☒ None. To be done with the current workload and existing staff.

☐ Minimal. Provide a brief explanation.

☐ Other. Provide an explanation for estimate and methodology used.

(2) The cost to any other state and local government entity to implement and enforce the rule.

☒ None. The rule will only affect the Commission.

☐ Minimal. Provide a brief explanation.

☐ Other. Provide an explanation for estimate and methodology used.

(3) Any anticipated effect on state or local revenues.

☒ None.

☐ Minimal. Provide a brief explanation.

☐ Other. Provide an explanation for estimate and methodology used.

D. 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. "Transactional costs" include filing fees, the cost of obtaining a license, the cost of equipment required to be installed or used, procedures required to be employed in complying with the rule, additional operating costs incurred, the cost of monitoring or reporting, and any other costs necessary to comply with the rule.
[120.541(2)(d), F.S.]

☐ None. The rule will only affect the Commission.

☒ Minimal. Provide a brief explanation. Change to Rule 25-6.0141, F.A.C. could affect the amount of time and money some utilities spend developing their Forecasted Surveillance Report. The change requires utilities to report individual projects that are expected to cost over 0.5% of the total balance in accounts 101 and 106. The current rule sets that threshold at \$10,000 for every utility.

☐ Other. Provide an explanation for estimate and methodology used.

E. An analysis of the impact on small businesses, and small counties and small cities:
[120.541(2)(e), F.S.]

(1) "Small business" is defined by Section 288.703, F.S., as an independently owned and operated business concern that employs 200 or fewer permanent full-time employees and that, together with its affiliates, has a net worth of not more than \$5 million or any firm based in this state which has a Small Business Administration 8(a) certification. As to sole proprietorships, the \$5 million net worth requirement shall include both personal and business investments.

☒ No adverse impact on small business.

☐ Minimal. Provide a brief explanation.

☐ Other. Provide an explanation for estimate and methodology used.

(2) A "Small City" is defined by Section 120.52, F.S., as any municipality that has an unincarcerated population of 10,000 or less according to the most recent decennial census. A "small county" is defined by Section 120.52, F.S., as any county that has an unincarcerated population of 75,000 or less according to the most recent decennial

census.

- ☒ No impact on small cities or small counties.
- ☐ Minimal. Provide a brief explanation.
- ☐ Other. Provide an explanation for estimate and methodology used.

F. Any additional information that the Commission determines may be useful.
[120.541(2)(f), F.S.]

- ☒ None.

Additional Information:

G. A description of any regulatory alternatives submitted and a statement adopting the alternative or a statement of the reasons for rejecting the alternative in favor of the proposed rule. [120.541(2)(g), F.S.]

- ☒ No regulatory alternatives were submitted.
- ☐ A regulatory alternative was received from
 - ☐ Adopted in its entirety.
 - ☐ Rejected. Describe what alternative was rejected and provide a statement of the reason for rejecting that alternative.

JOE NEGRON
President



Senator Kevin Rader, Chair
Representative George R. Moraitis, Jr., Vice Chair
Senator Daphne Campbell
Senator George B. Gainer
Senator Rene Garcia
Senator Keith Perry
Representative Jason Fischer
Representative Michael Grant
Representative Sam H. Killebrew
Representative Amy Mercado
Representative Barrington A. "Barry" Russell

THE FLORIDA LEGISLATURE
**JOINT ADMINISTRATIVE
PROCEDURES COMMITTEE**

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Speaker



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August 17, 2018

Ms. Samantha Cibula
Attorney Supervisor
Public Service Commission
Office of the General Counsel
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850



RE: Existing Rule Review, Public Service Commission
Rules 25-6.0141, .0151, .020, .021, .033, .036, .037, .038, .039, .040, .0440, and .0441

Dear Ms. Cibula:

Pursuant to this Committee's authority in Joint Rule 4.6 of the Florida Legislature to review administrative rules and to advise the agency of its findings, I have reviewed the above-referenced rules and offer the following comments for your consideration and response:

- 25-6.0141(9):** It appears that this subsection is no longer necessary as the date triggers have passed.
- 25-6.0151(7):** This subsection incorporates a form dated 2/95. Please advise whether this version is the version that is currently utilized by the Commission. If subsequent revisions have been made, please amend this rule to update the version incorporated by reference.
- 25-6.020:** Please review and advise whether updates are needed to this rule, which has not been amended since adoption in 1969.
- 25-6.021:** Please see the comment above for rule 25-6.020.
- 25-6.033(3):** This subsection requires filings to be made in conformance with a quoted order of the Commission. As this rule has not been amended since adoption in 1969, please advise whether revisions are necessary. Material that meets

Ms. Samantha Cibula
August 17, 2018
Page 2

the definition of a rule in section 120.52(16), Florida Statutes, should be specifically incorporated by reference in rule. *See* § 120.54(1)(i), Fla. Stat. (2018), rule 1-1.013, F.A.C.

25-6.036:

Law Implemented

Please review whether sections 366.055 and .08, Florida Statutes, are properly cited as laws implemented by the content of this rule.

This rule requires a utility to set its own inspection frequency based on experience and "accepted good practice." How does the Commission define the quoted language? *See* § 120.52(8)(d), Fla. Stat. (2018). Additionally, as this rule has not been amended since adoption in 1969, please advise whether further revisions are necessary.

25-6.037:

It is unclear how this rule's language specifically implements the cited statutes as it appears to contain undefined goals (e.g. safety, proper condition) without setting forth definitions, standards, or how compliance is to be determined. *See* § 120.52(8)(d), Fla. Stat. (2018). Additionally, as this rule has not been amended since adoption in 1969, please advise whether further revisions are necessary.

25-6.038:

Please see the comment above for rule 25-6.020.

25-6.039:

Please see the comment above for rule 25-6.020.

25-6.040:

Please see the comment above for rule 25-6.020.

25-6.0440(2):

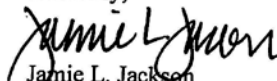
Regarding approval for territorial agreements, this subsection sets forth that the Commission "may consider, but not be limited to" certain enumerated factors. The use of the quoted phrase implies that there are additional expectations or standards that could be enforced that are not enumerated. *See* § 120.52(8)(d), Fla. Stat. (2018). Please review and advise.

25-6.0441(2):

Please see the comment above for rule 25-6.0440(2).

Should you have any questions, please do not hesitate to contact me. Otherwise, I look forward to your response.

Sincerely,


Jamie L. Jackson
Senior Attorney

JLJ:TL WORD/JACKSON/ERR 25_6.0141LS081718_4530_4549

Item 4

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: October 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Office of the General Counsel (Dziechciarz) *RAD*
Office of Industry Development and Market Analysis (Fogleman, Wendel) *Ad TW BMW CH*

RE: Docket No. 20190193-TX – Initiation of show cause proceeding against Tele Circuit Network Corporation for apparent violation of Order Nos. PSC-05-0361-PAA-TX and PSC-11-0419-PAA-TX.

AGENDA: 11/5/19 – Regular Agenda – Show Cause – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: ~~None~~ *Brown 10/24/19*

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Staff of the Florida Public Service Commission (Commission) opened this docket to initiate a show cause proceeding against Tele Circuit Network Corporation (Tele Circuit or Company) for apparent violation of Commission Order Nos. PSC-05-0361-PAA-TX and PSC-11-0419-PAA-TX.

Tele Circuit is a privately-held corporation, incorporated in Georgia, and authorized to transact business as a foreign corporation in Florida since July 14, 2003. By Order No. PSC-05-0361-PAA-TX (CLEC Order), issued on April 4, 2005, this Commission granted Tele Circuit a Competitive Local Exchange Company (CLEC) Certificate, No. 8573, pursuant to Section 364.335(1)(b)(2), Florida Statutes (F.S.).¹ Tele Circuit provides service in BellSouth

¹ Order No. PSC-05-0361-PAA-TX, issued April 4, 2005, in Docket No. 20050126-TX, *In re: Application for certificate to provide competitive local exchange telecommunications service by Tele Circuit Network Corporation.*

Telecommunications, LLC d/b/a AT&T Florida d/b/a AT&T Southeast's (AT&T) territory as a reseller of AT&T service.

By Order No. PSC-11-0419-PAA-TX (ETC Order), issued on September 28, 2011, the Commission designated Tele Circuit as a landline (or "wireline") Eligible Telecommunications Carrier (ETC) throughout AT&T's service territory, pursuant to Chapter 47 Code of Federal Regulations (C.F.R.), Section 54.201(c).² In Florida, a company may receive a wireline ETC designation from the Commission, but must seek a wireless ETC designation from the Federal Communications Commission (FCC). Companies that are designated as ETCs have the ability to receive Universal Service Fund (USF) support from the Universal Service Administration Company (USAC) for providing qualifying services from the four major USF programs: High-Cost, Low-Income (Lifeline), Rural Health Care, and the Schools and Libraries divisions. USF support is provided to ETCs in the form of monetary reimbursement.

Tele Circuit's purpose in seeking its ETC designation was to receive federal support for offering the Lifeline discount to its low-income customers.³ The Company currently serves approximately 300 customers in the state of Florida, and claims reimbursement from the USF for 34 of its customers under the Lifeline program.⁴

On May 16, 2019, staff received a complaint concerning a customer's desire to acquire wireline service under the Lifeline program from Tele Circuit.⁵ The customer informed staff that a Tele Circuit representative stated that the Company is no longer offering wireline service, but that the customer could instead receive the Lifeline discount if they used a wireless service.

On May 21, 2019, staff emailed Tele Circuit to determine if the Company had in fact stopped offering the Lifeline discount for wireline service, as this is the only type of service Tele Circuit is authorized to provide pursuant to the ETC Order. Tele Circuit responded that it was unable to provide new customers with the Lifeline discount using wireline service due to a technical issue, but that if the customer was willing to use a wireless phone, the Company would still offer the Lifeline discount after verifying the customer's eligibility.⁶

Following additional conversations with Tele Circuit, staff learned that due to a dispute regarding overcharges in billing between AT&T and Tele Circuit, the Company was not able to sell wireline service in Florida to new customers.^{7,8} Staff also confirmed that Tele Circuit was

² Order No. PSC-11-0419-PAA-TX, issued September 28, 2011, in Docket No. 20080201-TX, *In re: Application for designation as an eligible telecommunications carrier by Tele Circuit Network Corporation*.

³ See Document No. 02631, Docket No. 20080201-TX, *In re: Application for designation as an eligible telecommunications carrier by Tele Circuit Network Corporation*, page 8.

⁴ See 04/15/2019 Tele Circuit CLEC Questionnaire Response (Attachment A) and 06/20/2019 Email from Tele Circuit to Commission staff (Attachment B).

⁵ See 05/16/2019 Consumer Activity Tracking System Entry (Attachment C).

⁶ See 05/21/2019 Email from Tele Circuit to Commission staff (Attachment D).

⁷ See Document No. 07498-2017, in Docket No. 20170196-TP, *In re: Request for approval of interconnection, unbundling, resale, and collocation agreement between BellSouth Telecommunications, LLC d/b/a AT&T Florida d/b/a AT&T Southeast and Tele Circuit Corporation*, Section 12.6.5, page 30 of 55.

⁸ See 6/17/2019 Email from Tele Circuit to Commission staff (Attachment E).

advertising a “wireless home phone-hub” service to its customers, and providing new customers who wished to receive the Lifeline discount with wireless phone service via the phone-hub.⁹

Staff requested a copy of any advertising material or user manual(s) provided to Tele Circuit customers for the wireless home phone-hub.¹⁰ The wireless home phone-hub appears to operate on either the Sprint or Verizon wireless networks, but Tele Circuit apparently believes it qualifies as wireline service. It is unclear if customers are informed that they are not receiving wireline service when receiving this technology from Tele Circuit. In a follow-up response, Tele Circuit stated that only one of its 34 Lifeline customers in Florida is utilizing the wireless home phone-hub service, and that the remaining 33 customers are using wireline service.¹¹

Tele Circuit further advised staff that the Company contacted USAC to ensure that use of the wireless home phone-hub technology was permissible for the Lifeline program. Staff requested the name of the contact at USAC and any formal documentation of USAC’s approval of the use of the wireless technology. Tele Circuit informed staff that it did not know the individual’s name, nor did it receive any formal documentation.¹² Staff contacted USAC to verify the approval of the technology; however, USAC did not provide any information.

Staff requested additional information from AT&T and Tele Circuit regarding the nature of the dispute between the companies. AT&T informed staff that it reached a settlement agreement with Tele Circuit that dictated that the Company must remove all customers from AT&T lines by December 31, 2019. AT&T also provided staff with a letter sent by Tele Circuit to its customers informing them of the Company’s need to migrate its customers off of its current network.¹³

When staff requested information from Tele Circuit regarding the dispute, the Company originally stated that the dispute was resolved, and advised that it was able to provide wireline service to new customers in Florida.¹⁴ After further inquiry, the Company advised that AT&T and Tele Circuit were still in negotiations regarding their dispute, but did not advise staff of the settlement agreement.¹⁵

Similarly, Tele Circuit provided contradictory responses to staff regarding its current bankruptcy status. In a response to a data request regarding the 2019 Status of Competition in the Telecommunications Industry Report, Tele Circuit advised that it filed for Chapter 11 bankruptcy in June 2018.¹⁶ However, in a data request response regarding the Commission’s annual Lifeline Assistance Report, Tele Circuit failed to state that it had filed for bankruptcy within the last year.¹⁷

⁹ *Id.*

¹⁰ See Tele Circuit User Manual (Attachment F).

¹¹ See Attachment B.

¹² See 05/22/2019 Email from Tele Circuit to Commission staff (Attachment G).

¹³ See 07/19/2019 Letter from Tele Circuit (Attachment H).

¹⁴ See 08/09/2019 Email from Tele Circuit to Commission staff (Attachment I).

¹⁵ See 08/23/2019 Email from Tele Circuit to Commission staff (Attachment J).

¹⁶ See Attachment A.

¹⁷ See Tele Circuit Lifeline Assistance Report Data Request Response (Attachment K), Question 15.

Tele Circuit also stated in its data request response that it was not involved in any FCC enforcement actions within the last two years.¹⁸ However, during the course of the informal investigation into Tele Circuit's provision of wireless service for its Lifeline customers, staff discovered a Notice of Apparent Liability for Forfeiture (NAL), issued by the FCC on April 27, 2018, which the Company should have disclosed.

In the NAL, the FCC proposed that the Company pay a \$5.3 million fine due to the egregious nature of Tele Circuit's apparent misconduct, which involved the deceptive practices commonly referred to as "slamming" and "cramming." Slamming refers to the practice of changing a customer's preferred service provider without proper authorization, and cramming refers to the practice of placing unauthorized charges for long distance service on a customer's bill. Slamming and cramming cause consumers to spend significant time and effort to return to their preferred carriers, to remove unauthorized charges from their bills, and to file complaints with law enforcement agencies.¹⁹

Notably, the FCC stated that:

In some instances, the apparent misconduct of Tele Circuit left vulnerable consumers without telephone service for extended periods of time – with Tele Circuit allegedly refusing to reinstate service until the crammed charges were paid in full. Further, it appears that some of the third-party verification recordings that Tele Circuit provided to the Commission as "evidence" of consumer authorization were fabricated.²⁰

The FCC emphasized how Tele Circuit's apparent misconduct caused "great consternation among these victims and their family members, and created dangerous or potentially life-threatening situations."²¹ In one example, the complainant alleged that Tele Circuit persuaded a 94-year old customer to switch carriers to Tele Circuit, and then cut off service before the elderly customer's guardian knew the service had been switched. The complainant noted that "[t]his is the only way she or her caregivers can contact me or anyone in case of an emergency."²²

Another complainant alleged that Tele Circuit wrongfully switched her mother's service, and ultimately disconnected her. When the complainant requested to listen to the recording of her mother allegedly authorizing Tele Circuit's carrier switch, the Company could not provide it. She stated that "[a]s of right now my mother is without a phone and if anything happens to her, she can't even dial 911 because she has no service at all ... [i]t's sad that these companies prey on the elderly."²³ Staff contacted the FCC to determine if there was any settlement or additional actions that resulted from the NAL, but has not received any additional information to date.

Given the serious nature of the allegations that the FCC presented against Tele Circuit, the Company's apparent inability to provide staff with consistent and accurate information, and its

¹⁸ *Id.* at Question 16.

¹⁹ See FCC WC Docket No. 18-54, <https://docs.fcc.gov/public/attachments/FCC-18-54A1.pdf>, page 1.

²⁰ *Id.*

²¹ *Id.* at 4.

²² *Id.*

²³ *Id.*

prohibited use of wireless technology for Lifeline customers, staff determined that it appears that Tele Circuit was in violation of its ETC Order and CLEC Order. Issue 1 is staff's recommendation regarding Tele Circuit's apparent violation of its ETC Order, for use of non-compliant wireless technology for its Lifeline customers, and because it is no longer in the public interest for Tele Circuit to be designated as an ETC. Issue 2 is staff's recommendation regarding Tele Circuit's apparent violation of its CLEC Order, due to insufficient managerial capability to provide CLEC service in Florida.

The procedure followed by the Commission in dockets such as this is to consider the Commission staff's recommendation and determine whether the alleged facts warrant requiring the entity to respond. If the Commission agrees with staff's recommendation, the Commission issues an Order to Show Cause (Show Cause Order). A Show Cause Order is considered an administrative complaint by the Commission against the entity, pursuant to Section 120.60(5), F.S. If the Commission issues a Show Cause Order for Issue 1, then to keep its ETC designation in the state of Florida, Tele Circuit would have to provide a response to the Commission within 21 days, which disputes the factual allegations contained in the Show Cause Order, and contains a request for a hearing pursuant to Sections 120.569 and 120.57, F.S. If the Company requests a hearing, a further proceeding would be scheduled before the Commission makes a final determination on the matter.

If the Commission issues a Show Cause Order for Issue 2, then to keep its CLEC Certificate, Tele Circuit would have to provide a response to the Commission within 21 days which disputes the factual allegations contained in the Show Cause Order, and contains a request for a hearing pursuant to Sections 120.569 and 120.57, F.S. If the Company requests a hearing, a further proceeding would be scheduled before the Commission makes a final determination on the matter.

If Tele Circuit fails to timely respond to the Show Cause Order, then it would be deemed to have admitted the factual allegations contained in the Show Cause Order. The Company's failure to timely respond would also constitute a waiver of its right to a hearing. If the Company does not timely respond, a final order would be issued imposing the sanctions set out in the Show Cause Order.

If a final order is issued regarding Issue 1, then Tele Circuit's ETC status would be revoked in the state of Florida, and the Company would no longer be able to offer the Lifeline discount to its customers in Florida. Tele Circuit would also be prohibited from receiving monetary support from the USF for its Lifeline customers in Florida. Tele Circuit submitted an application to the FCC for wireless ETC status on July 6, 2012; however, the application is still pending. If approved, Tele Circuit would be permitted to provide wireless Lifeline service (including in Florida), and again receive support from the USF. If a final order is issued regarding Issue 2, then Tele Circuit's CLEC certificate would be revoked, and the Company would no longer be able to provide any wireline service in the state of Florida.

The Commission has jurisdiction pursuant to Sections 364.10(2), 364.285, and 364.335, F.S.

Date: October 24, 2019

Discussion of Issues

Issue 1: Should the Commission order Tele Circuit to show cause, in writing, within 21 days from the issuance of the order, why its Eligible Telecommunications Carrier status in Florida should not be revoked for apparent violation of Order No. PSC-11-0419-PAA-TX, due to use of non-compliant wireless technology for its Lifeline customers, and because it is no longer in the public interest for Tele Circuit to be designated as an ETC?

Recommendation: Yes, Tele Circuit Network Corporation should be ordered to show cause, in writing, within 21 days from the issuance of the order, why its Eligible Telecommunications Carrier status in Florida should not be revoked for apparent violation of Order No. PSC-11-0419-PAA-TX, due to use of non-compliant wireless technology for its Lifeline customers, and because it is no longer in the public interest for Tele Circuit to be designated as an ETC. (Dziechciarz, Fogleman, Wendel)

Staff Analysis:

Law

State commissions have the primary responsibility for performing ETC designations. In the state of Florida, the Commission has the jurisdiction to designate wireline, but not wireless, ETCs.²⁴ 47 C.F.R. Section 54.201(c), provides that:

Upon request and consistent with the public interest, convenience, and necessity, the state commission may, in the case of an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one common carrier as an eligible telecommunications carrier for a service area designated by the state commission, so long as each additional requesting carrier meets the requirements of paragraph (d) of this section. Before designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the state commission shall find that the designation is in the public interest.

47 C.F.R. Section 54.201(d), provides that carriers designated as ETCs shall, throughout the designated service area: (1) offer the services that are supported by federal universal support mechanisms whether using their own facilities or a combination of their own facilities and the resale of another carrier's services, and (2) advertise the availability of such services and related charges therefore using media of general distribution.

In addition to the responsibility for performing wireline ETC designations, the Commission also possesses the authority to revoke ETC designations for the failure of an ETC's compliance with any conditions imposed by the state.²⁵ The FCC has found that individual state commissions are

²⁴ Section 364.011(4), F.S.

²⁵ FCC Docket Nos. 05-46 and 96-45, <https://docs.fcc.gov/public/attachments/FCC-05-46A1.pdf>, page 34.

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qualified to determine what information is necessary to ensure that ETCs are in compliance with applicable requirements, including state-specific ETC eligibility requirements.²⁶

Pursuant to Section 364.285(1), F.S., the Commission may impose upon any entity subject to its jurisdiction a penalty of not more than \$25,000 for each such day a violation continues, if such entity is found to have refused to comply with or to have willfully violated any lawful rule or order of the Commission, or any provision of Chapter 364, F.S. Each day a violation continues is treated as a separate offense. Each penalty is a lien upon the real and personal property of the entity and is enforceable by the Commission as a statutory lien.

As an alternative to the above monetary penalties, Section 364.285(1), F.S., provides that the Commission may amend, suspend, or revoke any certificate issued by the Commission for any such violation. Part of the determination the Commission must make in evaluating whether and how to penalize a company is whether the company willfully violated the order, rule, or statute. Section 364.285(1), F.S., does not define what it is to “willfully violate” an order, rule, or statute. Willfulness is a question of fact.²⁷ The plain meaning of “willful” typically applied by the Courts in the absence of a statutory definition, is an act or omission that is done “voluntarily and intentionally” with specific intent and “purpose to violate or disregard the requirements of the law.”²⁸

“It is a common maxim, familiar to all minds that ‘ignorance of the law’ will not excuse any person, either civilly or criminally.”²⁹ In making similar decisions, the Commission has repeatedly held that certificated companies are charged with the knowledge of the Commission’s orders, rules, and statutes, and that the intent of Section 364.285(1) is to penalize those who affirmatively act in opposition to those orders, rules, or statutes.³⁰ In other words, a company cannot excuse its violation because it “did not know.”

In recommending a monetary penalty or a form of certificate suspension or revocation, staff reviews prior Commission orders. While Section 364.285(1), F.S., treats each day of each violation as a separate offense with penalties of up to \$25,000 per offense, staff believes that the general purpose of imposing monetary penalties is to obtain compliance with the Commission’s orders, rules, or statutes. If a company has a pattern of noncompliance with an order, rule, or statute, or in particular if the violation of an order, rule, or statute adversely impacts the public health, safety, or welfare, then staff believes that a monetary penalty may not be appropriate or suffice to address the situation. In such a case, staff believes that the sanction should be the most severe. In this docket, staff’s informal investigation revealed that Tele Circuit appears to be using non-compliant wireless technology to claim reimbursement for its Lifeline customers. This is in direct violation of Order No. PSC-11-0419-PAA-TX. Therefore, staff believes that it is no longer

²⁶ *Id.* at 33.

²⁷ *Fugate v. Fla. Elections Comm’n*, 924 So. 2d 74, 75 (Fla. 1st DCA 3006), *citing*, *Metro. Dade County v. State Dep’t of Env’tl. Prot.*, 714 So. 2d 512, 517 (Fla. 3d DCA 1998).

²⁸ *Id.* at 76.

²⁹ *Barlow v. United States*, 32 U.S. 404, 411 (1833).

³⁰ See Order No. PSC-15-0391-SC-TX, issued on November 10, 2015, in Docket No. 20150158-TX, *In re: Initiation of show cause proceedings against Sun-Tel USA, Inc. for apparent violation of Section 364.335(2), F.S., (Application for Certificate of Authority), Section 364.183(1), F.S., (Access to Company Records), Rule 25-4.0665(20), F.A.C., (Lifeline Service), and Rule 25-4.0051, F.A.C., (Current Certificate Holder Information).*

Date: October 24, 2019

in the public interest for Tele Circuit to be designated as an ETC, and staff is recommending the penalty of revoking Tele Circuit's ETC designation.

Factual Allegations

As a wireline ETC in Florida, Tele Circuit may only claim Lifeline support for customers receiving wireline telecommunications service. As noted in the Case Background, on May 21, 2019, staff learned that Tele Circuit appears to be providing wireless technology to new Lifeline customers. Telecommunications carriers may provide their customers with service using any underlying technology they see fit; however, with respect to customers participating in the Lifeline program, Tele Circuit is only authorized in Florida to provide wireline service in order to receive access to the monies available via the USF. Staff's analysis indicates that Tele Circuit appears to be intentionally claiming reimbursement from USAC for Florida Lifeline customers using wireless technology, and staff recommends that Tele Circuit's ETC designation be revoked for this abuse of the USF.

In addition, staff learned that a condition of the dispute resolution between Tele Circuit and AT&T is that Tele Circuit must migrate its end-users off of the AT&T network by December 31, 2019. It appears to staff that Tele Circuit plans to migrate all of its Lifeline customers to the non-compliant wireless technology, as Tele Circuit does not have any pending request to interconnect with a different wireline carrier in AT&T's service territory. Therefore, it appears that Tele Circuit's intentional non-compliance will only be exacerbated in 2020, and potentially in perpetuity thereafter unless the Commission or USAC take action.

Further, Tele Circuit's ETC designation was granted by this Commission as being in the public interest, and upon a showing that the Company was committed to abide by both state and federal rules and procedures.³¹ In light of the FCC's NAL, staff believes that it is no longer in the public interest for Tele Circuit to keep its ETC designation. In fact, staff believes it would be in the public interest to revoke Tele Circuit's ETC designation, since this would be one less avenue for the company to use to prey on low-income and elderly customers.

Conclusion

It appears that Tele Circuit is intentionally providing Lifeline customers with wireless technology, in direct violation of its ETC Order. Tele Circuit also appears to be intentionally engaging in deceptive, and in some instances dangerous, business activity, which is contrary to the public interest. Accordingly, staff recommends that the Commission order Tele Circuit to show cause, in writing, within 21 days from the issuance of the order, why its ETC designation should not be revoked for apparent violation of Commission Order No. PSC-11-0419-PAA-TX, due to use of non-compliant wireless technology for its Lifeline customers, and because it is no longer in the public interest for Tele Circuit to be designated as an ETC.

Staff recommends that the order incorporate the following conditions:

³¹ See ETC Order, page 7.

Date: October 24, 2019

1. This Show Cause Order is an administrative complaint by the Florida Public Service Commission, as petitioner, against Tele Circuit Network Corporation, as respondent.
2. Tele Circuit shall respond to the Show Cause Order within 21 days of service on the Company, and the response shall reference Docket No. 20190193-TX, Initiation of show cause proceeding against Tele Circuit Network Corporation for apparent violation of Order Nos. PSC-05-0361-PAA-TX and PSC-11-0419-PAA-TX.
3. Tele Circuit has the right to request a hearing to be conducted in accordance with Sections 120.569 and 120.57, F.S., and to be represented by counsel or other qualified representative.
4. Requests for hearing shall comply with Rule 28-106.2015, F.A.C.
5. Tele Circuit's response to the show cause order shall identify those material facts that are in dispute. If there are none, the petition must so indicate.
6. If Tele Circuit files a timely written response and makes a request for a hearing pursuant to Sections 120.569 and 120.57, F.S., a further proceeding will be scheduled before a final determination of this matter is made.
7. A failure to file a timely written response to the Show Cause Order will constitute an admission of the facts alleged herein, and a waiver of the right to a hearing on this issue.
8. If Tele Circuit fails to file a timely response, then staff will contact USAC and obtain the names and addresses of the Company's current Lifeline customers in Florida. Staff will send a letter to the Lifeline customers that explains which carriers remain authorized to provide the Lifeline discount in their area.

In the event that Tele Circuit fails to file a timely response to the Show Cause Order, the Company's ETC status will be deemed revoked, and a final order would be issued. Any customers who wish to continue to receive the Lifeline discount would have to find a new carrier that is designated as either a wireline or wireless ETC.³²

³² There are up to 5 wireless ETCs and 2 wireline ETCs that could provide the Lifeline discount to Tele Circuit's current customers, depending on the geographic location of the customer.

Date: October 24, 2019

Issue 2: Should Tele Circuit Network Corporation be ordered to show cause, in writing, within 21 days from the issuance of the order, why its Competitive Local Exchange Certificate, No. 8573, should not be revoked for apparent violation of Commission Order No. PSC-05-0361-PAA-TX, for insufficient managerial capability to provide Competitive Local Exchange Certificate service in Florida?

Recommendation: Yes. Tele Circuit Network Corporation should be ordered to show cause, in writing, within 21 days from the issuance of the order, why its Competitive Local Exchange Certificate, No. 8573, should not be revoked for apparent violation of Commission Order No. PSC-05-0361-PAA-TX, for insufficient managerial capability to provide Competitive Local Exchange Certificate service in Florida. (Dziechciarz, Fogleman, Wendel)

Staff Analysis:

Law

Tele Circuit's CLEC application was granted upon a showing that the company had "sufficient technical, financial, and managerial capability to provide such [CLEC] service," pursuant to Section 364.335(2), F.S.³³ Section 364.335(2), F.S., provides that:

The [C]ommission shall grant a certificate of authority to provide telecommunications service upon a showing that the applicant has sufficient technical, financial, and managerial capability to provide such service in the geographic area proposed to be served. The applicant shall ensure continued compliance with applicable business formation, registration, and taxation provisions of law.

Pursuant to Section 364.285(1), F.S., the Commission may impose upon any entity subject to its jurisdiction a penalty of not more than \$25,000 for each such day a violation continues, if such entity is found to have refused to comply with or to have willfully violated any lawful rule or order of the Commission, or any provision of Chapter 364, F.S. Each day a violation continues is treated as a separate offense. Each penalty is a lien upon the real and personal property of the entity and is enforceable by the Commission as a statutory lien.

As an alternative to the above monetary penalties, Section 364.285(1), F.S., provides that the Commission may amend, suspend, or revoke any certificate issued by the Commission for any such violation. Part of the determination the Commission must make in evaluating whether and how to penalize a company is whether the company willfully violated the order, rule, or statute. Section 364.285(1), F.S., does not define what it is to "willfully violate" an order, rule, or statute. Willfulness is a question of fact.³⁴ The plain meaning of "willful" typically applied by the Courts in the absence of a statutory definition, is an act or omission that is done "voluntarily and intentionally" with specific intent and "purpose to violate or disregard the requirements of the law."³⁵

³³ See CLEC Order, page 1.

³⁴ *Fugate v. Fla. Elections Comm'n*, 924 So. 2d 74, 75 (Fla. 1st DCA 3006), citing, *Metro. Dade County v. State Dep't of Env'tl. Prot.*, 714 So. 2d 512, 517 (Fla. 3d DCA 1998).

³⁵ *Id.* at 76.

Date: October 24, 2019

“It is a common maxim, familiar to all minds that ‘ignorance of the law’ will not excuse any person, either civilly or criminally.”³⁶ In making similar decisions, the Commission has repeatedly held that certificated companies are charged with the knowledge of the Commission’s orders, rules, and statutes, and that the intent of Section 364.285(1) is to penalize those who affirmatively act in opposition to those orders, rules, or statutes.³⁷ In other words, a company cannot excuse its violation because it “did not know.”

In recommending a monetary penalty or a form of certificate suspension or revocation, staff reviews prior Commission orders. While Section 364.285(1), F.S., treats each day of each violation as a separate offense with penalties of up to \$25,000 per offense, staff believes that the general purpose of imposing monetary penalties is to obtain compliance with the Commission’s orders, rules, or statutes. If a company has a pattern of noncompliance with an order, rule, or statute, or in particular if the violation of an order, rule, or statute adversely impacts the public health, safety, or welfare, then staff believes that a monetary penalty may not be appropriate or suffice to address the situation. In such a case, staff believes that the sanction should be the most severe. In this docket, staff’s informal investigation revealed that Tele Circuit appears to be using non-compliant wireless technology to claim reimbursement for its Lifeline customers, that it is no longer in the public interest for Tele Circuit to be designated as an ETC, and that Tele Circuit no longer possesses sufficient managerial capabilities to provide CLEC service in Florida; therefore, staff is recommending the most severe penalty which is revocation of Tele Circuit’s CLEC Certificate.

Factual Allegations

As indicated in the Case Background, Tele Circuit does not appear to possess sufficient managerial capability to provide CLEC service to customers in the state of Florida. Throughout the course of staff’s informal investigation, Tele Circuit was unable to provide clear, consistent, and accurate responses to staff’s data requests.³⁸ Tele Circuit appears to believe it is in compliance with its ETC Order by utilizing wireless technology, even though its ETC designation is for wireline only.³⁹ Staff also notes that the company has an “F” rating on the Better Business Bureau website, and continues to receive complaints of slamming, cramming, and other misleading and deceptive marketing practices.⁴⁰

Additionally, staff believes that the allegations set forth in the FCC’s NAL are of such a serious nature as to question Tele Circuit’s managerial capabilities. As indicated in the Case Background, the allegations against Tele Circuit are egregious. Multiple complainants expressed anger and frustration against the Company for misleading and defrauding a particularly vulnerable portion of the population – those who are elderly and in need of low-income

³⁶ *Barlow v. United States*, 32 U.S. 404, 411 (1833).

³⁷ See Order No. PSC-15-0391-SC-TX, issued on November 10, 2015, in Docket No. 20150158-TX, *In re: Initiation of show cause proceedings against Sun-Tel USA, Inc. for apparent violation of Section 364.335(2), F.S., (Application for Certificate of Authority), Section 364.183(1), F.S., (Access to Company Records), Rule 25-4.0665(20), F.A.C., (Lifeline Service), and Rule 25-4.0051, F.A.C., (Current Certificate Holder Information)*.

³⁸ See Attachments A, B, D, E, G, I-K.

³⁹ See Attachment B.

⁴⁰ See BBB, Complaints, *Tele Circuit Network*, <https://www.bbb.org/us/ga/duluth/profile/telephone-system-dealers/telecircuit-network-0443-17001143>.

Date: October 24, 2019

assistance. Further, the FCC found that Tele Circuit not only apparently willfully and repeatedly violated FCC rules related to slamming and cramming, but also fabricated evidence in an attempt to prove Tele Circuit's compliance with the FCC's rules.⁴¹ These edited tapes have been played for some complainants, who stated that either the recording was not their voice, or the questions being asked were not the same as the original phone call. During the course of the FCC's investigation, Tele Circuit issued general denials of wrongdoing, but did not attempt to refute specific allegations made by consumers, nor did the Company specifically refute the allegations of evidence fabrication. Staff believes that Tele Circuit's apparent willingness to fabricate third party verification tapes, or at best its ambivalence toward such a charge, shows not only a lack of managerial capability to halt employee misconduct, but also suggests that Tele Circuit management may be engaged in willfully deceiving customers and regulators as a method of profit-seeking.

Conclusion

For the foregoing reasons, staff believes that Tele Circuit no longer possesses the managerial capability to ensure that the Company will conduct business in a manner compliant with federal and state orders, rules, and statutes, and is therefore in violation of its CLEC Order. Accordingly, staff recommends that the Commission order Tele Circuit to show cause, in writing, within 21 days from the issuance of the order, why its Competitive Local Exchange Certificate, No. 8573, should not be revoked for apparent violation of Commission Order No. PSC-05-0361-PAA-TX, for insufficient managerial capability to provide CLEC service in Florida.

Staff recommends that the order incorporate the following conditions:

1. This Show Cause Order is an administrative complaint by the Florida Public Service Commission, as petitioner, against Tele Circuit Network Corporation, as respondent.
2. Tele Circuit shall respond to the Show Cause Order within 21 days of service on the Company, and the response shall reference Docket No. 20190193-TX, Initiation of show cause proceeding against Tele Circuit Network Corporation for apparent violation of Order Nos. PSC-05-0361-PAA-TX and PSC-11-0419-PAA-TX.
3. Tele Circuit has the right to request a hearing to be conducted in accordance with Sections 120.569 and 120.57, F.S., and to be represented by counsel or other qualified representative.
4. Requests for hearing shall comply with Rule 28-106.2015, F.A.C.
5. Tele Circuit's response to the show cause order shall identify those material facts that are in dispute. If there are none, the petition must so indicate.
6. If Tele Circuit files a timely written response and makes a request for a hearing pursuant to Sections 120.569 and 120.57, F.S., a further proceeding will be scheduled before a final determination of this matter is made.

⁴¹ See FCC WC Docket No. 18-54, <https://docs.fcc.gov/public/attachments/FCC-18-54A1.pdf>, page 1.

Date: October 24, 2019

7. A failure to file a timely written response to the Show Cause Order will constitute an admission of the facts alleged herein, and a waiver of the right to a hearing on this issue.

In the event that Tele Circuit fails to file a timely response to the Show Cause Order, the Company's CLEC Certificate, No. 8573, would be deemed revoked, and a final order would be issued. Tele Circuit would be required to pay any outstanding Regulatory Assessment Fees pursuant to Rule 25-4.0161, F.A.C.⁴² Any current wireline customers of Tele Circuit would have to find a new wireline service provider, or switch to wireless service.

⁴² Pursuant to Chapter 11 U.S. Code §362(a), the filing of a petition for Chapter 11 bankruptcy relief acts as an automatic stay that enjoins a governmental entity from exercising its regulatory authority to collect a pre-petition debt. However, staff notes that Tele Circuit filed for Chapter 11 bankruptcy on June 28, 2018, and is current on its payment of Regulatory Assessment Fees to date. Therefore, any new Regulatory Assessment Fees incurred would be classified as post-petition debt, and thus collectible by the Commission.

Date: October 24, 2019

Issue 3: Should this docket be closed?

Recommendation: If the Commission orders Tele Circuit to show cause as to Issues 1 and/or 2, and Tele Circuit timely responds in writing to the Show Cause Order, this docket should remain open to allow for the appropriate processing of the response. If the Commission orders Tele Circuit to show cause as to Issues 1 and/or 2, and Tele Circuit does not timely respond to the Show Cause Order, then the Commission should issue a Final Order, and this docket should be closed after the time for filing an appeal has run. If the Commission does not order Tele Circuit to show cause as to Issues 1 and 2, then this docket should be closed. (Dziechciarz)

Staff Analysis: If the Commission orders Tele Circuit to show cause as to Issues 1 and/or 2, and Tele Circuit timely responds in writing to the Show Cause Order, this docket should remain open to allow for the appropriate processing of the response. If the Commission orders Tele Circuit to show cause as to Issues 1 and/or 2, and Tele Circuit does not timely respond to the Show Cause Order, then the Commission should issue a Final Order, and this docket should be closed after the time for filing an appeal has run. If the Commission does not order Tele Circuit to show cause as to Issues 1 and 2, then this docket should be closed.

Date: October 24, 2019

2018 Competitive Local Exchange Carrier (CLEC) Questionnaire*(Due by April 15, 2019)¹¹⁴*

TX836

CERTIFIED NO. 70060100000311006656

Tele Circuit Network Corporation

Contact name & title: ASHAR SYEDTelephone number: 1877 835 3247E-mail address: ashar@telecircuit.com

Stock Symbol (if company is publicly traded): _____

Questions About Your Company

1. Please provide a copy of the Form 477 you filed with the FCC with data as of
- December 31, 2018**
- .

ATTACHED

2. Are you currently operating under Chapter 7 or Chapter 11 bankruptcy protection?

Yes (Chapter 7) _____

Yes (Chapter 11) ☒

No _____

3. What services, other than local service, does your company currently provide in Florida? Please check all that apply.

☐ Private line/special access☐ VoIP☐ Wholesale transport☒ Interexchange service☐ Cellular/wireless service☐ Other☐ Wholesale loops☐ Fiber or copper based video service☐ Cable television☐ Satellite television☐ Broadband Internet access

4. What percentage of your Florida residential and business customers purchase bundled offerings (i.e. voice service packaged with additional services such as internet or video service)? Please provide the percentage below. Do not include bundles of telecom-only services.

Residential _____

Business _____

Not applicable ☒

5. Does your company currently publicly publish your service and price schedules for services offered in Florida at a location other than the Florida Public Service Commission? If yes, please indicate where and include the complete address or hyperlink if on a webpage. (Chapter 364.04, F.S.)

Yes _____

If yes, where? _____

No ☒

6. Have you experienced any significant barriers in entering Florida's local exchange markets? Please describe any major barriers encountered that may be impeding the growth of local competition in the state, along with any suggestions as to how to remove such obstacles. Any additional general information is welcome.

Please use additional paper if needed.

N/A

¹¹⁴ The due date is established by Section 364.386(1)(b), Florida Statutes. Failure to comply with this rule may result in the Commission assessing penalties of up to \$25,000 per offense, with each day of noncompliance constituting a separate offense per Section 364.285(1), Florida Statutes.



(RETAIN FOR YOUR RECORDS)
Form 477 Filing Summary

FRN: 0008800690 Data as of: Dec 31, 2018 Operations: Non-ILEC Submission Status: Original - Submitted Last Updated: Mar 12, 2019 09:27:59

Filer Identification	Section	Question	Response
	Filer Information	Provider Name	Tele Circuit Network Corporation
		Holding Company Name	Tele Circuit Network Corporation
		SAC ID	
		499 ID	823216
	Data Contact Information	Data Contact Name	Kenny perkins
		Data Contact Phone Number	(678) 436-5590
		Data Contact E-mail	tcnc@rtcteam.net
	Emergency Operations Contact Information	Emergency Operations Name	Ashar Syed
		Emergency Operations Phone Number	(678) 818-1166
		Emergency Operations E-mail	ashar@telecircuit.com
	Certifying Official Contact Information	Certifying Official Name	ashar Syed
		Certifying Official Phone Number	(678) 818-1166
		Certifying Official E-mail	ashar@telecircuit.com

Data Submitted	Form Section	File Name	Date & Time	Number of Rows
	Fixed Voice Subscription	477Output1.csv	Mar 12, 2019 09:21:16	2338

Fixed Voice Subscription VGE Lines and VoIP Subscriptions by State and End-user Type

State	Total VGE Lines	Consumer VGE Lines	Total VoIP Subscriptions	Consumer VoIP Subscriptions
Alabama	645	645	0	0
District of Columbia	1	1	0	0
Florida	300	300	0	0
Georgia	932	932	0	0
Kentucky	1	1	0	0
North Carolina	440	440	0	0
South Carolina	970	970	0	0

State	Total VGE Lines	Consumer VGE Lines	Total VoIP Subscriptions	Consumer VoIP Subscriptions
Tennessee	806	806	0	0
Texas	346	346	0	0
Virginia	2	2	0	0
Total	4443	4443	0	0

**Fixed Voice
Subscription
(VGE Lines)**

VGE Lines Provided to Unaffiliated Providers by State

State	Wholesale	UNE-L
Alabama	0	0
District of Columbia	0	0
Florida	0	0
Georgia	0	0
Kentucky	0	0
North Carolina	0	0
South Carolina	0	0
Tennessee	0	0
Texas	0	0
Virginia	0	0
Total	0	0

VGE Lines Provided to End Users by State, Bundle and Product Type

State	Total	by Bundle		by Product Type			
		Sold w/ Internet	Sold w/o Internet	Consumer		Bus-Govt	
				& No PIC	& PIC	& No PIC	& PIC
Alabama	645	0	645	645	0	0	0
District of Columbia	1	0	1	1	0	0	0
Florida	300	0	300	300	0	0	0
Georgia	932	0	932	932	0	0	0
Kentucky	1	0	1	1	0	0	0
North Carolina	440	0	440	440	0	0	0
South Carolina	970	0	970	970	0	0	0
Tennessee	806	0	806	806	0	0	0
Texas	346	0	346	346	0	0	0
Virginia	2	0	2	2	0	0	0
Total	4443	0	4443	4443	0	0	0

VGE Lines Provided to End Users by State, Ownership and Last-mile Medium

State	Total	by Ownership			by Last-mile Medium			
		Owned	UNE-L	Resale	FTTP	Coax	Fixed Wireless	Copper
Alabama	645	0	0	645	645	0	0	0
District of Columbia	1	0	0	1	1	0	0	0
Florida	300	0	0	300	300	0	0	0
Georgia	932	0	0	932	932	0	0	0
Kentucky	1	0	0	1	1	0	0	0
North Carolina	440	0	0	440	440	0	0	0
South Carolina	970	0	0	970	970	0	0	0
Tennessee	806	0	0	806	806	0	0	0
Texas	346	0	0	346	346	0	0	0
Virginia	2	0	0	2	2	0	0	0
Total	4443	0	0	4443	4443	0	0	0

COMMISSIONERS:
ART GRAHAM, CHAIRMAN
JULIE I. BROWN
DONALD J. POLMANN
GARY F. CLARK
ANDREW GILES FAY

STATE OF FLORIDA



OFFICE OF
INDUSTRY DEVELOPMENT &
MARKET ANALYSIS
CAYCE HINTON
DIRECTOR
(850) 413-7160

Public Service Commission

February 22, 2019

CERTIFIED MAIL #70060100000311006656

TX836
Tele Circuit Network Corporation
Mr. Ashar Syd
P. O. Box 958283
Duluth, GA 30095-9539

Re: Year 2019 Local Competition Report Data Request

Data as of December 31, 2018

Responses Due by April 15, 2019

Dear Mr. Syd:

Section 364.386, Florida Statutes, requires the Commission to gather data from the telecommunications industry to prepare its annual report to the Florida Legislature on telecommunications competition. The attached data request will help us evaluate the status of local competition in Florida. Please note that the bulk of the request now simply requires the submission of a copy of your company's Form 477 with the most current calendar year data as submitted to the FCC by March 1, 2019.

Please respond to the attached data request concurrently with your filing at the FCC, or as soon thereafter as practicable, but in no event later than April 15, 2019, as required by statute. If you were not providing local service as of December 31, 2018, you may check the box form attached and submit the form.

Responses for which you are claiming confidentiality must be filed with the Office of Commission Clerk together with a statement that you are making a confidentiality claim. Instructions for filing the information confidentially are posted on the Commission website. All non-confidential responses may be sent via e-mail to compreport@psc.state.fl.us, by facsimile to (850) 413-6392, or by mail to the attention of Jeff Bates.

We appreciate your cooperation in filing your responses correctly and in a timely manner. If you have questions of a general nature, or concerning the questionnaire and returning your response, please contact Mark Long (850-413-6101; mlong@psc.state.fl.us), Jeff Bates (850-413-6538; jbates@psc.state.fl.us), or Eric Wooten (850-413-6546; ewooten@psc.state.fl.us).

Sincerely,

A handwritten signature in cursive script, appearing to read "Cayce Hinton".

Cayce Hinton
Director

Attachments

Report Website: <http://www.floridapsc.com/Telecommunication>

Report E-mail: compreport@psc.state.fl.us

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD • TALLAHASSEE, FL 32399-0850
An Affirmative Action / Equal Opportunity Employer
PSC Website: <http://www.floridapsc.com> Internet E-mail: contact@psc.state.fl.us

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GARY F. CLARK
ANDREW GILES FAY

STATE OF FLORIDA



OFFICE OF
INDUSTRY DEVELOPMENT &
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CAYCE HINTON
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Public Service Commission

February 22, 2019

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Sincerely,

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Cayce Hinton
Director

Attachments

Report Website: <http://www.floridapsc.com/Telecommunication>

Report E-mail: compreport@psc.state.fl.us

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PSC Website: <http://www.floridapsc.com> Internet E-mail: contact@psc.state.fl.us

Date: October 24, 2019

From: naltaf@telecircuit.com [<mailto:naltaf@telecircuit.com>]
Sent: Thursday, June 20, 2019 12:42 PM
To: Brandon Wendel; 'Ashar@telecircuit.com'
Cc: Greg Fogleman; Patricia
Subject: RE: FPSC Data Request

Good Afternoon Mr Brandon,

I am sending you the details regarding Wireless and Wire-line Life Line customers in Florida.

As we have only one customer Enrolled for Life Line Discount in Florida With Wireless Home Phone.

In May 2019, we claimed reimbursement for 34 customers, out of which only one was with wireless home phone (Sprint and Verizon Wireless).

Name: [REDACTED]

Phone #: [REDACTED]

State : Florida

Zip Code: 32641

In April 2019, we claimed reimbursement for 33 customers and they all had wire-line home phone service (AT&T Florida, Century-Link, or Frontier Florida).

You can also find the details of all these customers in the files attached with the last email.

I hope this time answered your question and provided the correct information. In case if still your department needs any information , you can contact me.

Regards,

Nosheen Altaf
Manager
Chat, Agent Support & Life Line Dept
Tele Circuit Network Corp
Tel :8778353262
Fax: (877)835-3788
naltaf@telecircuit.com

ID Number:	1915	Received From:	Consumer Assistance (CAO)
<input checked="" type="checkbox"/> Complaint	<input checked="" type="checkbox"/> Consumer Contact	Enter CATS Number (if applicable)	1308340C
Date Received	5/16/2019	Received By:	Greg Fogleman
Name of Requestor:			
Company Complaint is Against: (if applicable)	Tele Circuit Network Corp		
Subject:	Lifeline	Assigned To:	Brandon Wendel
Description:	Customer called company to inquire about landline Lifeline service. Was told the company only offers Lifeline discounts for wireless service now.		
Action Taken: (enter date and action)	05/21/2019 Emailed Company, awaiting phone call to discuss the issue 05/21/2019 Response received, beginning investigation on the technology being provided to Tele Circuit Lifeline customers. 05/22/2019 Response received, wireless technology being offered to new customers as a result of an AT&T dispute, furthering investigation.		
Date Completed:			

From: naltaf@telecircuit.com [<mailto:naltaf@telecircuit.com>]
Sent: Tuesday, May 21, 2019 10:48 AM
To: Brandon Wendel
Subject: RE: Florida Customer Lifeline Complaint

Good Morning Brandon,

Telecircuit is providing the Life Line discount in Florida. But right now due to some technical issue we are not able to provide new land line service / new home phone order . I guess the call you received was regarding a new home phone connection along with

the Life Line Discount . If customer is willing to go with new wireless home phone then we can give her life line discount after verifying the eligibility.

Thank you.

Nosheen Altaf
Manager

Chat, Agent Support & Life Line Dept

Tele Circuit Network Corp
Tel :8778353262
Fax: (877)835-3788
naltaf@telecircuit.com

Date: October 24, 2019

From: naltaf@telecircuit.com [<mailto:naltaf@telecircuit.com>]

Sent: Monday, June 17, 2019 5:20 PM

To: Brandon Wendel

Subject: RE: Florida Customer Lifeline Complaint

Hi Mr Brandon,

I am sorry for sending reply little late. As i wanted to make sure to have complete and correct information. You can check the answers of questions asked, below.

1. When did Tele Circuit begin offering its wireless home phone-hub service for its Lifeline customers in Florida? What was the reason you began offering the service?

*We started on April 2019.

2. Is Tele Circuit still reselling landline telecommunications service for Lifeline from AT&T Florida, CenturyLink and Frontier Florida (formerly Verizon Florida)? If no, please explain why not.

*At this time we are not selling landline service in Florida for new customers, because we have a dispute with AT&T due to overcharges in our billing.

3. It is our understanding that you no longer offer the Verizon wireless phone-hub. Have your Lifeline customers, who were using the Verizon wireless phone-hub, had to switch to the Sprint wireless phone-hub option, or are they still able to receive service?

*We are still offering Verizon wireless phone-hub in Florida. Our customers are still able to receive service through Verizon wireless phone-hub.

4. Does Tele-Circuit plan to continue providing wire-line service to its Lifeline customers in Florida? If no, please explain why not. Additionally, please explain any barriers that you are facing in offering wire-line based service in Florida.

*Yes, we will continue providing wire-line service to its Lifeline customers in Florida. We are working with AT&T to fix our billing issues.

5. In Florida, have you, or do you anticipate requiring your existing wire-line Lifeline customers to transition to your wireless home phone-hub service?

* Not, we did not.

6.What percentage of your Lifeline customers currently use the wireless home phone-hub technology versus your traditional wire-line service in Florida?

* This is the 32%

Please do let me know if you want to know anything else.


Thanks,


Nosheen Altaf
Manager
Chat, Agent Support & Life Line Dept
Tele Circuit Network Corp
Tel :8778353262
Fax: (877)835-3788
naltaf@telecircuit.com





TeleCircuit
Your Own Communication Circuit
WWW.TELECIRCUIT.COM


User Manual
Follow these steps to activate your Verizon device

STEP 1
 Align and screw the antenna with the antenna port on the device as illustrated.

STEP 2
 Insert the power adapter into the DC 5V power port.

STEP 3
 Unplug your telephone from wall jack.

STEP 4
 Plug one end of your telephone's cord and one into the telephone ports.

STEP 5
 Press the Button to Power on the device and power indicator will be blue.


Services We Offer

- ✓ Unlimited Local and Long Distance Calls
- ✓ Voice Mail, 3 Way calling, Call forwarding, Call waiting.
- ✓ Free 911 calls

About Us
TeleCircuit is a telecommunications company that takes great pride in its innovative Home Phone and long distance services. Like other industry leaders, TeleCircuit delivers high-quality calling solutions to private consumers, including small & medium enterprises.
We strive to provide our customers with excellent quality, low rates and outstanding customer service in the telecommunications industry.
We are a certified provider of Home Phone & Long Distance and Wireless services.
This is TeleCircuit promise, quality, commitment and excellence in service.

+1-877-835-3247
cs@telecircuit.com

1815 Satellite Blvd Suite 504
Duluth, GA, 30097



From: naltaf@telecircuit.com [<mailto:naltaf@telecircuit.com>]
Sent: Wednesday, May 22, 2019 5:01 PM
To: Brandon Wendel
Cc: Greg Fogleman; Patricia
Subject: RE: Florida Customer Lifeline Complaint

Hi Mr Brandon,

Yes i am ready to answer your questions.

Q1: Would you be able to provide me with the name of the company that makes the phone and the model that you are offering your customers as a "Wireless land line?"

Answer: We are offering two types of devices.

Type 1:

Make: Huawei

Service Provider: Sprint

Model: HUAF255SPC

Type 2:

Make: Huawei

Service Provider: Verizon

Model: F256VW (Stopped providing this model anymore)

Q2: Does Tele Circuit have a copy of the owner's manual or instructions for setting up the phone given to customers?

Answer: Manuals for both devices and an image of Flyer we send to customers are attached with mail.

Q3: Additionally, you mentioned that you spoke to USAC and they told you Tele Circuit could offer customers receiving this phone the Lifeline discount. Do you

have this in writing? Could you also provide the name of the individual you spoke with at USAC?

Answer; Sorry it was a Telephonic Discussion and have nothing in writing along with that i don't remember the name of representative as i called on the Customer Services of UCAS. But in future i will make sure to note down the name of each representative i talked to and will surely ask them to send me an email regarding what they have guided / information provided.

Still if you have any question feel free to contact me.

Regards,

Nosheen Altaf
Manager

Chat, Agent Support & Life Line Dept

Tele Circuit Network Corp
Tel :8778353262
Fax: (877)835-3788
naltaf@telecircuit.com

Error! Reference source not found.

Attachment H

Date: October 24, 2019



TeleCircuit Network Corporation

1815 Satellite Blvd, Suite 504

Duluth, GA 30097

Date: 7/19/2019

Dear Valued Customer,

It has been a pleasure to serve you in the past, and we look forward to doing business with you in the future.

This letter is to inform you that as usual Tele Circuit is committed to provide best services to all valued customers. We are working to improve our voice networks using new carriers with latest technologies, very soon you will be receiving call from us with more detail information about change in underlying carrier without interruption in your phone service. We need your cooperation to achieve this milestone and assure you this change will be very smooth. Our goal is to provide you best service using the latest technology with amazing features and affordable rates. We are confident that this change will better accommodate your needs in a better way giving you ease in communication.

We sincerely value your business! If you have any questions regarding this change, please contact our office by calling 877-835-3247 or emailing care@telecircuit.com, or visit our web site www.telecircuit.com

Sincerely,

Tele Circuit Management

From: naltaf@telecircuit.com [<mailto:naltaf@telecircuit.com>]
Sent: Friday, August 09, 2019 11:11 AM
To: Brandon Wendel
Subject: RE: AT&T Dispute

Hi Mr Brandon

I am so sorry for the late reply . Yes Tele-Circuit Network Corp has solved the dispute with AT&T. Now we are providing the Land Line services in Florida . As legal departments of Tele-circuit and AT&T find out the solution of this problem.

If you have any more questions you can contact me .

Thanks,

Nosheen Altaf.

From: naltaf@telecircuit.com [<mailto:naltaf@telecircuit.com>]
Sent: Friday, August 23, 2019 11:42 AM
To: Brandon Wendel
Cc: Greg Fogleman
Subject: RE: AT&T Dispute

Hi Mr. Brandon,

Still there is an ongoing negotiations between AT&T and Tele-circuit Network Corp and don't have any proper documentations for that. But yes we are providing the new home phones in Florida state. No more issue on that.

Hope answered your question. If you have any more concerns you can contact me back.

Thanks,

Nosheen .

Date: October 24, 2019

OFFICE OF

COMMISSIONERS: ART GRAHAM, CHAIRMAN INDUSTRY DEVELOPMENT & JULIE I.
BROWN MARKET ANALYSIS DONALD J. POLMANN CAYCE HINTON GARY F. CLARK
DIRECTOR ANDREW GILES FAY (850) 413-7160 Public Service Commission July 15, 2019

Via Certified Mail

No.70053110000288063439 TX836 Tele Circuit Network Corp Mr. Ashar Syed CEO PO Box
958283

Duluth, GA 30095-9539

Re: 2019 Lifeline Report Data Request Dear Mr. Syed:

Section 364.10, Florida Statutes, requires the Florida Public Service Commission to publish an annual report on the number of customers subscribing to Lifeline service and the effectiveness of procedures to promote participation. The Commission is required to submit this report to the Governor, President of the Senate, and Speaker of the House of Representatives by December 31 each year. To assist the Commission in the development of the 2019 Report, we request that

you provide responses to the attached data request by August 15, 2019.

Your company may avail itself of the confidentiality provisions set forth in Section 364.183, Florida Statutes, and Rule 25-22.006, Florida Administrative Code, if it believes it is necessary to comply with this data request. We ask that you refrain from requesting confidential treatment of your June 2018 Lifeline and Transitional Lifeline participants in Florida, as this data has been traditionally included in this report. Your comprehensive and timely response is vital to the Commission's effort to fulfill this statutory requirement. Please send your responses to the Office of Commission Clerk at the address shown below, and request your responses be placed in the undocketed file. If you have any questions, you can contact Sakina Deas at (850) 413-6504 or Brandon Wendel at (850) 413-6928.

- Sincerely, .

Cayce Hinton Director

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FL 32399-0850 An Affirmative Action / Equal Opportunity Employer PSC Website:
<http://Avwww-floridapsc.com> Internet E-mail: contact@psc.state.fl.us CLEC AND WIRELESS
LIFELINE DATA REQUEST 2019

To assist the Florida Public Service Commission in the development of our Annual Report to the Governor, President of the Senate, and Speaker of the House of Representatives on the Lifeline program as required by Chapter 364.10, Florida Statutes, staff requests that you provide responses to the following questions by August 15, 2019. Your responses should include your company name, contact person, and email address.

For items 1 through 16, please provide the data for the fiscal year July 1, 2018, through June 30, 2019.

For those items requesting the data be reported on a monthly basis, provide the appropriate number as of the last day of each month during the review period.

1. The number of residential access lines in service each month.

July 2018:	180
August 2018:	180
September 2018:	32
October 2018:	33
November 2018:	33
December 2018:	32
January 2019:	21
February 2019:	29
March 2019:	33
April 2019:	34
May 2019:	35
June 2019:	37

2. The number of customers participating in Lifeline each month. Note: Do not include customers receiving Lifeline through the Transitional Lifeline provision.

July 2018:	180
August 2018:	180
September 2018:	32
October 2018:	33
November 2018:	33
December 2018:	32
January 2019:	21
February 2019:	29
March 2019:	33

April 2019: 34

May 2019: 35

June 2019: 37

3. The amount of Lifeline credit per line provided to Lifeline customers on their monthly bill.

3. \$9.25

4. The number of customers denied Lifeline service. Identify the reason(s) customers were denied Lifeline (i.e. customer currently receiving Lifeline, inability to verify participation in a qualifying program, past due balance, other reasons not listed).

- Customer switched the services to other network
- Customer were using a free phone by Government
- Customer was no more getting Government Assistance

5. The number of Lifeline customers added each month. Note: Do not include customers receiving Lifeline through the Transitional Lifeline provision.

July 2018: 0

August 2018: 0

September 2018: 0

October 2018: 01

November 2018: 0

December 2018: 0

January 2019: 0

February 2019: 08

March 2019: 04

April 2019: 01

May 2019: 01

June 2019: 02

6. The number of customers removed from Lifeline each month. Note: Do not include Lifeline customers moved to Transitional Lifeline.

July 2018:	21
August 2018:	0
September 2018:	148
October 2018:	0
November 2018:	0
December 2018:	1
January 2019:	11
February 2019:	0
March 2019:	0
April 2019:	0
May 2019:	0
June 2019:	0

7. In accordance with Section 364.105, Florida Statutes, are you offering Transitional Lifeline service? If yes, what is the number of customers participating per month and what are your advertising efforts for Transitional Lifeline service?

7. Yes, Right now we have 4 customers getting transitional discounts. We advertise transitional discount by calling all customer those were getting Government Assistance and no more getting that.

8. The number of customers participating in Lifeline under the Tribal Lands provision each month.

8. N/A

9. Describe the amount of time required to process applications. Include time period between receipt of customer application and the billing date of the first bill providing the credit.

9. 1 TO 15 Days, as soon as receive proof from the customer and reply from NLAD.

10. Description of your company's procedures for Lifeline. Include the following in your response:

- a. Internal procedures for promoting Lifeline. **(YES)**
- b. Outreach and educational efforts involving participation in community events. **(NO)**
- c. Outreach and educational efforts involving mass media (newspaper, radio, television). **(NO)**
- d. Copies of Lifeline outreach materials of your company. Any links on your company Web site that provides Lifeline information. **(Tele circuit Network Corp Website)**
- f. Organizations you are currently partnering with, have partnered with, and organizations you plan to partner with to educate and inform customers about Lifeline. CLEC and WIRELESS Lifeline Data Request 2019 July 15, 2019 **(AT&T, Sprint & Verizon)**

11. Did your company provide Lifeline services using resale Lifeline lines obtained from an underlying carrier? If yes, identify the underlying carrier and the number of resale Lifeline lines obtained each month.

11. No.

12. To the extent you have experienced a decline in Lifeline customers since last year, please list and describe any issues that may have contributed to the decline. Any additional general comments or information you believe will assist staff in evaluating and reporting Lifeline participation in Florida are welcome.

12. Reasons are the following:

- Customer switched the services to other network
- Customer were using a free phone by Government
- Customer was no more getting Government Assistance

13. Is your company currently providing Lifeline in any of the states where the National Verifier has been implemented? If yes, please identify any issues you have experienced utilizing the National Verifier.

13. It takes maximum 3 business days to reply.

14. Are you using the National Lifeline Application/Recertification forms in Florida?

14. No.

15. In the last year, has your company filed for any form of bankruptcy? If yes, please identify the chapter and the date filed.

15. No

16. Within the last two years, has your company been involved in any FCC enforcement actions? If yes, please provide the FCC docket number.

16. No.

Item 5

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: October 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Office of the General Counsel (Simmons) *KS*
Office of Consumer Assistance and Outreach (Hicks, Plescow) *JSC JP PH*
Division of Economics (Coston) *ED*
Division of Engineering (Doehling) *JD* *9/24*

RE: Docket No. 20190139-EI – Complaint against Duke Energy Florida, LLC d/b/a Duke Energy regarding billing errors and inaccurate meter readings, by Elizabeth Randle.

AGENDA: 11/05/19 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On June 22, 2018, Elizabeth Randle filed an informal complaint with the Public Service Commission (Commission) against Duke Energy Florida, LLC (Duke or Utility).¹ In her complaint, Ms. Randle stated that she was being charged for services not rendered. Several Commission staff members worked with Ms. Randle and Duke to resolve her informal complaint.

By letter dated March 20, 2019, staff advised Ms. Randle that her informal complaint had been reviewed by the Commission's Process Review Team (PRT), in accordance with Rule 25-

¹ Complaint Number 1280970E.

22.032, Florida Administrative Code (F.A.C.), and it appeared that Duke had not violated any applicable statutes, rules, company tariffs, or Commission orders. Staff advised Ms. Randle that if she disagreed with staff's complaint conclusion, she could file a petition for initiation of formal proceedings for relief against Duke.

Ms. Randle filed a formal complaint against Duke on July 10, 2019, pursuant to Rule 25-22.036, F.A.C. In her complaint, Ms. Randle stated that Duke is charging her for services not rendered and her meter is reading inaccurately. She also stated that Duke incorrectly disconnected her services while her informal complaint was pending.

On September 20, 2019, staff sent a letter to Ms. Randle requesting any additional information or documentation that might assist the Commission in addressing her complaint. On September 25, 2019, Ms. Randle told staff she had no additional documentation.

Ms. Randle seeks for the Commission to find that Duke incorrectly billed her account. She also requests an "updated accurate reading" of her meter. This recommendation addresses the appropriate disposition of Ms. Randle's complaint against Duke. The Commission has jurisdiction over this matter pursuant to Section 366.04, Florida Statutes.

Discussion of Issues

Issue 1: What is the appropriate disposition of Ms. Randle's formal complaint?

Recommendation: Ms. Randle's formal complaint should be denied. While it does appear that Duke violated Rule 25-22.032(3), F.A.C., by disconnecting Ms. Randle's electricity while her informal complaint was pending, this violation is not related to the relief sought by Ms. Randle. Duke did not violate any statute, rule, Utility tariff, or order of the Commission applicable in the billing of Ms. Randle's account. (Simmons)

Staff Analysis: Pursuant to Rule 25-22.036(2), F.A.C., a complaint is appropriate when a person complains of an act or omission by a person subject to Commission jurisdiction which affects the complainant's substantial interests and which is in violation of a statute enforced by the Commission, or of any Commission rule or order. Ms. Randle's petition fails to show that Duke's billing of Ms. Randle violates a statute, rule, or order as required by Rule 25-22.036(2), F.A.C. Therefore, the Commission should deny Ms. Randle's petition for relief.

Ms. Randle enrolled in Duke's Budget Billing (BB) program on January 29, 2018. BB is an optional payment program designed to help residential customers budget for their electric bills. The BB amount is based on the average of a customer's actual bills during the last 12 months. Every three months, the BB amount is recalculated to reflect the average of the last 12 months' actual bills and deferred balance. Ms. Randle's BB amount for the individual months of February, March, and April of 2018 was \$129.00. Her actual usage amount for those months totaled \$635.68. This resulted in a deferred balance of \$248.68 over the three month period.

On April 5, 2018, Ms. Randle received a bill for \$173.96. This included \$129.00 for BB, a \$5.00 late payment charge, and a \$39.96 past due balance. On May 4, 2018, Ms. Randle was billed for \$341.96. This amount included \$163.00 for BB, \$173.96 for a past due balance, and a \$5.00 late payment charge.² She made a payment of \$134.00 on May 15, 2018, and \$120.00 on May 25, 2018, which went towards her past due balance of \$173.96, reflecting a line item credit of \$80.04 on her bill.

At the request of Ms. Randle, her account was removed from the BB program on June 4, 2018. When her account was removed, she received a revised May bill for \$289.98. This included a deferred BB balance of \$248.68, a \$5.00 late payment charge, a \$5.00 balance forward, \$111.34 reflecting actual usage from April 5, 2018, to May 4, 2018, and a credit of \$80.04.³ On June 5, 2018, Ms. Randle received a bill for \$398.36, which included \$108.38 for the current bill and a \$289.98 balance forward.

On June 22, 2018, Ms. Randle filed an informal complaint with the Commission. In her complaint, she alleged that Duke overbilled her. She also stated that they were charging her for services not rendered, that she submitted payment twice in May, and had a credit reflected on her account. Commission staff contacted Duke and requested a detailed report regarding Ms.

² Ms. Randle's BB amount was recalculated for the months of May, June, and July at \$163.00.

³ The \$5.00 late payment charge was for the first May bill which she did not pay on time. The \$5.00 balance forward was the late payment charge from not paying the April bill on time. The \$254.00 Ms. Randle paid in May went towards her \$173.96 past due balance, reflecting an \$80.04 credit as a line item on her bill.

Date: October 24, 2019

Randle's concerns. Duke provided information on the BB program and the actions the Utility took in regards to Ms. Randle's billing.

On July 3, 2018, Commission staff requested that the Utility test Ms. Randle's meter. However, when the Utility attempted to test Ms. Randle's meter, she denied the meter technician access. When asked if she would like to reschedule a test, she declined.

Staff conducted an analysis of the information received from both Ms. Randle and Duke. Based on this analysis and discussions with both parties, staff sent a letter to Ms. Randle on August 8, 2018, stating that it appeared she had been billed and credited appropriately. On August 13, 2018, Ms. Randle reiterated to Commission staff that she was being charged for electricity that she did not use. Due to Ms. Randle's dissatisfaction with the disposition of her complaint, her complaint was forwarded to the PRT.

On February 11, 2019, Duke erroneously disconnected Ms. Randle's service. By doing so, it appears that Duke violated Rule 25-22.032(3), F.A.C., by disconnecting Ms. Randle's electricity while her informal complaint was pending. However, the Utility restored Ms. Randle's power within four hours.

After further investigation, the PRT concluded on March 20, 2019, that it appeared Duke had not violated any statutes, rules, Utility tariffs, or Commission orders in regards to her informal complaint that Duke overbilled her account. Ms. Randle did not agree with staff's conclusion and filed a formal complaint on July 10, 2019. In her formal complaint, Ms. Randle reiterated that she was being overbilled. She also stated that her meter was reading inaccurately and that Duke improperly disconnected her service.

In response to Ms. Randle's formal complaint, the Utility, accompanied by Commission staff, conducted a witnessed meter test at Ms. Randle's residence on October 14, 2019. The results of the meter test showed that Ms. Randle's meter was accurately reading her usage.⁴ During the month of October, the Utility also offered Ms. Randle a credit adjustment to her account in an attempt to settle the disagreement. However, Ms. Randle declined the Utility's offer.

Staff has conducted a thorough and complete analysis of this matter, including participating in a witnessed meter test. Based on the information and discussions with both the Utility and Ms. Randle, there is no evidence that Duke billed Ms. Randle incorrectly. While Ms. Randle did pay a total of \$254 in May of 2018, that amount went towards her past due balance of \$173.96, shown as an \$80.04 credit on her revised May bill. However, the \$80.04 credit was offset by the deferred balance accrued while participating in the BB program and Ms. Randle's actual usage amount. Commission staff has addressed the apparent violation for the improper disconnection of Ms. Randle's electricity by issuing an apparent infraction⁵ against Duke. Based on the foregoing, staff recommends that the Commission deny Ms. Randle's petition as it does not demonstrate that Duke's billing of her account violates any statute, rule, or order.

⁴ Both Commission staff and Duke recorded a weighted average registration of 99.83 percent.

⁵ An apparent infraction, annotated by an internal tracking code, indicates a potential Commission rule violation. If staff believes that a company's action, or lack thereof, may be a Commission rule violation, the complaint is assigned an infraction code. All apparent infractions received by a utility are reviewed during rate proceedings.

Issue 2: Should this docket be closed?

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

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

Item 6

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: October 24, 2019

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Kristen Simmons, Senior Attorney, Office of the General Counsel *KS JSC*

RE: Docket No. 20190108-WS - Request for initiation of formal proceedings for relief against Utilities, Inc. of Florida regarding over billing and broken meter, by Eugene R. Lopez (Complaint # 1270964W).

Attached for filing is the recommendation in the above-named docket. This recommendation was deferred from the October 3, 2019 Commission Conference and is to be heard at the November 5, 2019 Commission Conference. The recommendation was deferred at the complainant's request. No changes have been made to the recommendation.

KBS

Attachment

The Seal of the State of Florida is a circular emblem. It features a central scene with a palm tree, a ship, and a figure. The text "GREAT SEAL OF THE STATE OF FLORIDA" is inscribed around the top, and "IN GOD WE TRUST" is at the bottom.

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

FROM: Office of the General Counsel (Simmons, Crawford) *SC RH*
Office of Consumer Assistance and Outreach (Plescow, Hicks) *Om*
Division of Economics (Bethea, Hudson) *TB SH* *24* *9/24*
Division of Engineering (Doehling, Graves) *JP* *JP* *TJ*
TEG

SPECIAL INSTRUCTIONS: None

Staff advised Mr. Lopez on March 20, 2019, that his informal complaint had been reviewed by the Commission's Process Review Team (PRT), in accordance with Rule 25-22.032, Florida

Administrative Code (F.A.C.), and it appeared that UIF had not violated any applicable statutes, rules, company tariffs, or Commission orders. Staff advised Mr. Lopez that if he disagreed with the complaint conclusion, he could file a petition for initiation of formal proceedings for relief against UIF.

Mr. Lopez filed a formal complaint on April 24, 2019, pursuant to Rule 25-22.036, F.A.C. In the complaint, Mr. Lopez states he has never exceeded 8,000 gallons of water usage in any month; over the past ten or so years, he has never paid more than \$90 for his water usage; over the past several years, he has repeatedly informed UIF that his meter has not been working properly; and UIF claims it has no responsibility for the broken meter. Mr. Lopez claims UIF arbitrarily overcharged him in his January 2018 water bill due to a broken water meter.

On July 11, 2019, staff sent a letter to Mr. Lopez requesting any additional information or documentation that might assist the Commission in addressing his complaint. On July 19, 2019, Mr. Lopez told staff he had already provided all the necessary documentation to address his complaint.

Mr. Lopez seeks for the Commission to find that UIF overbilled him and to require UIF to reimburse him \$188.85, the final disputed amount in the case. This recommendation addresses the appropriate disposition of Mr. Lopez's complaint against UIF. The Commission has jurisdiction over this matter pursuant to Sections 367.011 and 367.081, Florida Statutes.

Discussion of Issues

Issue 1: What is the appropriate disposition of Mr. Lopez's formal complaint?

Recommendation: Staff recommends that Mr. Lopez's formal complaint be denied. Mr. Lopez's account was properly billed in accordance with Florida statutes and rules and UIF's tariffs. UIF did not violate any applicable statute, rule, company tariff, or order of the Commission in the processing of Mr. Lopez's account. (Simmons)

Staff Analysis: Pursuant to Rule 25-22.036(2), F.A.C., a complaint is appropriate when a person complains of an act or omission by a person subject to Commission jurisdiction which affects the complainant's substantial interests and which is in violation of a statute enforced by the Commission, or of any Commission rule or order. Mr. Lopez's petition fails to show that UIF's billing of Mr. Lopez violates a statute, rule, or order as required by Rule 25-22.036(2), F.A.C. Therefore, the Commission should deny Mr. Lopez's petition for relief.

On January 9, 2018, UIF sent Mr. Lopez a monthly bill for \$303.79, which represented consumption of 64,480 gallons between December 1, 2017, and January 3, 2018. Because Mr. Lopez was enrolled in Auto Pay, \$250 (the maximum amount) was withdrawn from Mr. Lopez's account. This left a balance of \$53.79. Mr. Lopez contacted UIF stating he did not agree with the January 2018 bill amount and denied the existence of any leaks or additional water consumption at his service address.

On January 29, 2018, at the request of Mr. Lopez, his meter was reread. The meter indicated additional usage of 14,555 gallons since January 3, 2018. On February 1, 2018, a regular meter reading was obtained, which indicated an additional usage of 1,045 gallons since January 29, 2018.¹ Because Mr. Lopez was not satisfied with the meter readings, a field meter test was scheduled for February 8, 2018.

The scheduled field meter test was performed on February 8, 2018. The meter test results reflected zero consumption at flow rates of 15 gallons per minute (GPM), 2GPM, and 0.25GPM. UIF stated that the meter appeared to have stopped working after the February 1, 2018, meter reading.² UIF stated that the non-functioning meter was a benefit to Mr. Lopez because the water consumed between February 1 and February 8 was not billed. UIF also stated Mr. Lopez's meter was a positive displacement meter³ which only slows down over time, it does not speed up (i.e., the meter will not over-record water usage). UIF installed a new meter that same day. UIF sent to Mr. Lopez a monthly bill the same day for \$169.65, including current charges of \$109.46, which represented consumption of 15,600 gallons from January 3, 2018, to February 1, 2018, a \$6.40

¹ On February 6, 2018, Mr. Lopez was sent a final notice to pay the remaining balance of \$53.79 by February 16, 2018, to avoid an interruption in his service. Pursuant to Rule 25-22.032(3), F.A.C., Mr. Lopez became protected from disconnection for nonpayment of the disputed amount when his informal complaint was filed with the Commission on February 16, 2018.

² The meter showed a reading of 1836720, which was the same reading taken on February 1, 2018.

³ A positive displacement meter is a flow meter that directly measures the volume of fluid passing through it. The accuracy of a displacement meter may be impacted by a number of factors, including excessive wear, temperature extremes, corrosion, and suspended solids. These factors may cause the meter to slip or bind, which would result in under-registration.

late payment charge, and a \$53.79 past due balance. Mr. Lopez disagreed that he used 15,600 gallons during the billing period. The \$303.79 from the January bill and \$115 from the February bill (rounding of the \$109.46 and \$6.40) totaled the initial disputed amount of \$418.79.

On February 16, 2018, Mr. Lopez's informal complaint was filed with the Commission. On that same day, staff forwarded the complaint to UIF requesting that the Utility investigate the matter and provide Mr. Lopez and staff with a response to the complaint by March 12, 2018, pursuant to Rule 25-22.032(6)(b), F.A.C.

UIF responded to Mr. Lopez's complaint on March 12, 2018, stating that he was only charged for water usage that registered through the meter and that he was not backbilled for unregistered water. UIF also stated that Mr. Lopez was correctly charged for usage that registered on the meter based on Commission-approved rates. However, UIF provided an adjustment credit of \$79.76 and removed the \$6.40 late fee charge. With the adjustment credit and late fee charge removed, Mr. Lopez had a remaining balance of \$139.51.⁴ UIF offered Mr. Lopez a four-month installment plan to pay the balance.

On April 4, 2018, staff sent a letter to Mr. Lopez stating that staff had reviewed UIF's billing of his account and determined that UIF had not backbilled his account and that the meter readings obtained and bills sent in the past 12 months were based on actual meter readings. The letter also stated that Mr. Lopez should contact staff by April 20, 2018, or the case would be considered resolved. The case was closed on April 27, 2018, due to no further contact from Mr. Lopez. Pursuant to Rule 25-22.032(7), F.A.C., the case was reopened and forwarded to the PRT on May 24, 2018, when Mr. Lopez contacted staff stating he objected to the resolution of his case.

On June 29, 2018, Mr. Lopez provided staff and UIF with a spreadsheet concerning billing from January through June of 2018. In his notes, he stated that the average usage with his new meter was 4,300 gallons per month. He estimated his water usage in January and February of 2018 to be 6,000 gallons each. Based on these amounts, Mr. Lopez stated that the total bill amount from January to June of 2018 should be \$392.91, and the \$250 Auto Pay amount reduced his account balance to \$142.91. UIF received a check from Mr. Lopez for \$142.91 on July 2, 2018.

In response to Mr. Lopez's proposal, UIF offered an additional \$45.97 adjustment credit. When staff contacted Mr. Lopez to discuss the additional adjustment, Mr. Lopez refused to take it, stating he had already paid in full for the past six months of water service. The new amount in dispute was established as \$188.85, which is the June bill, \$331.76, minus the \$142.91 check Mr. Lopez sent UIF. Mr. Lopez has since paid the \$188.85, but seeks reimbursement.

After further investigation, the PRT concluded on March 20, 2019, that it appeared UIF had not violated any applicable statutes, rules, company tariffs, or Commission orders. Mr. Lopez did not agree with staff's finding and filed a formal complaint on April 24, 2019.

⁴ The balance of \$139.51 was determined as follows: \$303.79 (January bill) - \$250 (Auto Pay amount) = \$53.79; \$53.79 + \$109.46 (February bill) + \$6.40 (late fee) = \$169.65; \$169.65 + \$56.02 (March bill) = \$225.67; \$225.67 - \$79.76 (adjustment credit) - \$6.40 = \$139.51.

Based on the information provided to staff and discussions with both the Utility and Mr. Lopez, there is no evidence that UIF billed Mr. Lopez incorrectly. Mr. Lopez was billed based on actual meter readings and his account was not backbilled. Staff reviewed Mr. Lopez's usage and billing history for the years 2015-2018. While the January 2018 usage is higher than other months, the February 2018 usage is mostly in line with, or lower than, comparable months. As noted by UIF, positive displacement meters tend to under-record, not over-record, usage. Thus, staff recommends that the Commission deny Mr. Lopez's petition as it does not demonstrate that UIF's billing of his account violates any statutes, rules, or orders, or that UIF's calculation of the January and February 2018 bills is unreasonable.

Docket No. 20190108-WS

Date: August 22, 2019

Issue 2: Should this docket be closed?

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

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

Item 6A

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: October 31, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Office of the General Counsel (Harper, King) *DEH*
Division of Accounting and Finance (Bulecza-Banks, Fletcher, Mouring) *ALM*
Division of Economics (Coston, Draper, Galloway, Guffey, Higgins, McNulty) *ED*
Division of Engineering (Buys, Doehling, Graves, King) *QJN*
Office of Industry Development and Market Analysis (Brenan, Crawford, Eichler) *SKG*

RE: Docket No. 20190131-EU – Proposed adoption of Rule 25-6.030, F.A.C., Storm Protection Plan and Rule 25-6.031, F.A.C., Storm Protection Plan Cost Recovery Clause. *RC*

AGENDA: 11/05/19 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

RULE STATUS: Proposed – Subject to Statutory Deadlines under Section 120.54, F.S.

SPECIAL INSTRUCTIONS: None

Case Background

The 2019 Florida Legislature passed SB 796 to enact Section 366.96, Florida Statutes (F.S.), entitled “Storm protection plan cost recovery.” Section 366.96, F.S., requires each investor-owned electric utility (IOU) to file a transmission and distribution storm protection plan (storm protection plan) for the Commission’s review and directs the Commission to hold an annual proceeding to determine each IOU’s prudently incurred costs to implement its plan and allow recovery of those costs through a Storm Protection Plan Cost Recovery Clause (SPPCRC).

Section 366.96(3), F.S., requires the Commission to adopt rules to specify the elements that must be included in an IOU's filing for the Commission's review of its storm protection plan. Section 366.96(11), F.S., further requires that the Commission adopt rules to implement and administer the section and mandates that the Commission propose a rule for adoption as soon as practicable after the effective date of the act, but not later than October 31, 2019.

In furtherance of the Legislature's directive, the Commission's Notice of Development of Rulemaking was published in Volume 45, No. 111, of the Florida Administrative Register (F.A.R.) on June 7, 2019. The notice included two new rules: Rule 25-6.030, Florida Administrative Code (F.A.C.), which would specify the elements that must be included in an IOU's storm protection plan, and Rule 25-6.031, F.A.C., which would establish the SPPCRC.

The Commission voted to propose the adoption of Rules 25-6.030 and 25-6.031, F.A.C., at its October 3, 2019 Agenda Conference. Proposed Rules 25-6.030 and 25-6.031, F.A.C., were published in the October 7, 2019, edition of the F.A.R., Volume 45, Number 195. Proposed Rules 25-6.030 and 25-6.031, F.A.C., are appended as Attachment A. Affected persons had 21 days from the F.A.R. notice to request a hearing on the proposed rules pursuant to Section 120.54(3), F.S.

On October 25, 2019, pursuant to Section 120.54(3)(c), F.S., the Office of Public Counsel (OPC) timely filed a Petition for a Hearing on proposed Rules 25-6.030 and 25-6.031, F.A.C., (Petition) (Attachment B). Accordingly, a rule hearing has been scheduled before the full Commission on November 5, 2019, pursuant to notice appearing in the October 29, 2019 edition of the F.A.R., Volume 45, Number 211. This hearing is governed solely by the provisions of Section 120.54, F.S. Pursuant to Section 120.54(3)(c), F.S., when a public hearing is held, the agency must ensure that staff is available to respond to questions or comments regarding the rules.

The purpose of the public hearing is to give OPC an opportunity to present evidence and argument on all issues under consideration. The issue before the Commission is whether the Commission should make changes to proposed Rules 25-6.030 and 25-6.031, F.A.C. OPC states in its Petition that it "object[s] to these rules to the extent they exceed the statutory authority granted by the Legislature in section 366.96, Florida Statutes (2019), or are otherwise contrary to the state's interests."

Pursuant to Section 120.54(3)(d)1., F.S., any change to a rule after it has been proposed, other than a technical change that does not affect the substance of the rule, must be supported by the record of the public hearing held on the rule, must be in response to written material submitted to the agency within 21 days after the date of publication of the notice of proposed rule, or must be in response to a proposed objection by the Joint Administrative Procedures Committee (JAPC). JAPC did not file comments on these rules.

At the conclusion of the public hearing, the Commission has three options: (1) The Commission may decide to change the rule based on evidence and argument presented by OPC at the hearing. In that event, a Notice of Change would be published in the F.A.R., and the Commission would have to wait 21 days to file the rules for adoption with the Department of State. (2) Alternatively, the Commission may decide to keep the rules as proposed. If the Commission makes no changes to the rules, then the Commission must wait 14 days before the rules can be filed for adoption

with the Department of State. (3) The Commission may also elect to take the matter under advisement, have staff write another recommendation based on the record at the rule hearing, and decide the matter at a subsequent rule hearing.¹

The Commission has jurisdiction pursuant to Sections 120.54 and 366.96, F.S.

¹ Pursuant to Section 120.54(3)(e)2., F.S., there are statutory deadlines by which the Commission must file the rules for adoption with the Department of State.

1 **25-6.030 Storm Protection Plan.**

2 (1) Application and Scope. Each utility as defined in Section 366.96(2)(a), F.S., must file a
3 petition with the Commission for approval of a Transmission and Distribution Storm
4 Protection Plan (Storm Protection Plan) that covers the utility's immediate 10-year planning
5 period. Each utility must file, for Commission approval, an updated Storm Protection Plan at
6 least every 3 years.

7 (2) For the purpose of this rule, the following definitions apply:

8 (a) "Storm protection program" – a category, type, or group of related storm protection
9 projects that are undertaken to enhance the utility's existing infrastructure for the purpose of
10 reducing restoration costs and reducing outage times associated with extreme weather
11 conditions therefore improving overall service reliability.

12 (b) "Storm protection project" – a specific activity within a storm protection program
13 designed for the enhancement of an identified portion or area of existing electric transmission
14 or distribution facilities for the purpose of reducing restoration costs and reducing outage
15 times associated with extreme weather conditions therefore improving overall service
16 reliability.

17 (c) "Transmission and distribution facilities" – all utility owned poles and fixtures, towers
18 and fixtures, overhead conductors and devices, substations and related facilities, land and land
19 rights, roads and trails, underground conduits, and underground conductors.

20 (3) Contents of the Storm Protection Plan. For each Storm Protection Plan, the following
21 information must be provided:

22 (a) A description of how implementation of the proposed Storm Protection Plan will
23 strengthen electric utility infrastructure to withstand extreme weather conditions by promoting
24 the overhead hardening of electrical transmission and distribution facilities, the
25 undergrounding of certain electrical distribution lines, and vegetation management.

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1 (b) A description of how implementation of the proposed Storm Protection Plan will
2 reduce restoration costs and outage times associated with extreme weather conditions
3 therefore improving overall service reliability.

4 (c) A description of the utility's service area, including areas prioritized for enhancement
5 and any areas where the utility has determined that enhancement of the utility's existing
6 transmission and distribution facilities would not be feasible, reasonable, or practical. Such
7 description must include a general map, number of customers served within each area, and the
8 utility's reasoning for prioritizing certain areas for enhanced performance and for designating
9 other areas of the system as not feasible, reasonable, or practical.

10 (d) A description of each proposed storm protection program that includes:

11 1. A description of how each proposed storm protection program is designed to enhance
12 the utility's existing transmission and distribution facilities including an estimate of the
13 resulting reduction in outage times and restoration costs due to extreme weather conditions;

14 2. If applicable, the actual or estimated start and completion dates of the program;

15 3. A cost estimate including capital and operating expenses;

16 4. A comparison of the costs identified in subparagraph (3)(d)3. and the benefits identified
17 in subparagraph (3)(d)1.; and

18 5. A description of the criteria used to select and prioritize proposed storm protection
19 programs.

20 (e) For the first three years in a utility's Storm Protection Plan, the utility must provide the
21 following information:

22 1. For the first year of the plan, a description of each proposed storm protection project
23 that includes:

24 i. The actual or estimated construction start and completion dates;

25 ii. A description of the affected existing facilities, including number and type(s) of

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1 customers served, historic service reliability performance during extreme weather conditions,
2 and how this data was used to prioritize the proposed storm protection project;

3 iii. A cost estimate including capital and operating expenses; and

4 iv. A description of the criteria used to select and prioritize proposed storm protection
5 projects.

6 2. For the second and third years of the plan, project related information in sufficient
7 detail, such as estimated number and costs of projects under every specific program, to allow
8 the development of preliminary estimates of rate impacts as required by paragraph (3)(h) of
9 this rule.

10 (f) For each of the first three years in a utility's Storm Protection Plan, the utility must
11 provide a description of its proposed vegetation management activities including:

12 1. The projected frequency (trim cycle);

13 2. The projected miles of affected transmission and distribution overhead facilities;

14 3. The estimated annual labor and equipment costs for both utility and contractor
15 personnel; and

16 4. A description of how the vegetation management activity will reduce outage times and
17 restoration costs due to extreme weather conditions.

18 (g) An estimate of the annual jurisdictional revenue requirements for each year of the
19 Storm Protection Plan.

20 (h) An estimate of rate impacts for each of the first three years of the Storm Protection
21 Plan for the utility's typical residential, commercial, and industrial customers.

22 (i) A description of any implementation alternatives that could mitigate the resulting rate
23 impact for each of the first three years of the proposed Storm Protection Plan.

24 (j) Any other factors the utility requests the Commission to consider.

25 (4) By June 1, each utility must submit to the Commission Clerk an annual status report on

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1 the utility's Storm Protection Plan programs and projects. The annual status report shall
2 include:
3 (a) Identification of all Storm Protection Plan programs and projects completed in the prior
4 calendar year or planned for completion;
5 (b) Actual costs and rate impacts associated with completed activities under the Storm
6 Protection Plan as compared to the estimated costs and rate impacts for those activities; and
7 (c) Estimated costs and rate impacts associated with programs planned for completion
8 during the next calendar year.
9 Rulemaking Authority 366.96, FS. Law Implemented 366.96, FS. History—New_____.

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1 **25-6.031 Storm Protection Plan Cost Recovery Clause.**

2 (1) Application and Scope. This rule applies to each utility as defined in Section
3 366.96(2)(a), F.S.

4 (2) After a utility has filed its Transmission and Distribution Storm Protection Plan (Storm
5 Protection Plan), the utility may file a petition for recovery of associated costs through the
6 Storm Protection Plan cost recovery clause. The utility's petition shall be supported by
7 testimony that provides details on the annual Storm Protection Plan implementation activities
8 and associated costs, and how those activities and costs are consistent with its Storm
9 Protection Plan. If the Commission approves the utility's Storm Protection Plan with
10 modifications, the utility shall, within 15 business days, file an amended cost recovery petition
11 and supporting testimony reflecting the modifications.

12 (3) An annual hearing to address petitions for recovery of Storm Protection Plan costs will
13 be limited to determining the reasonableness of projected Storm Protection Plan costs, the
14 prudence of actual Storm Protection Plan costs incurred by the utility, and to establish Storm
15 Protection Plan cost recovery factors consistent with the requirements of this rule.

16 (4) Storm Protection Plan cost recovery clause true-up amounts shall be afforded deferred
17 accounting treatment at the 30-day commercial paper rate.

18 (5) Subaccounts. To ensure separation of costs subject to recovery through the clause, the
19 utility filing for cost recovery shall maintain subaccounts for all items consistent with the
20 Uniform System of Accounts prescribed by this Commission, pursuant to Rule 25-6.014,
21 F.A.C.

22 (6) Recoverable costs.

23 (a) The utility's petition for recovery of costs associated with its Storm Protection Plan
24 may include costs incurred after the filing of the utility's Storm Protection Plan.

25 (b) Storm Protection Plan costs recoverable through the clause shall not include costs

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1 recovered through the utility's base rates or any other cost recovery mechanism.

2 (c) The utility may recover the annual depreciation expense on capitalized Storm
3 Protection Plan expenditures using the utility's most recent Commission-approved
4 depreciation rates. The utility may recover a return on the undepreciated balance of the costs
5 calculated at the utility's weighted average cost of capital using the return on equity most
6 recently approved by the Commission.

7 (7) Pursuant to the order establishing procedure in the annual cost recovery proceeding, a
8 utility shall submit the following for Commission review and approval as part of its Storm
9 Protection Plan cost recovery filings:

10 (a) Final True-Up for Previous Year. The final true-up of Storm Protection Plan cost
11 recovery for a prior year shall include revenue requirements based on a comparison of actual
12 costs for the prior year and previously filed costs and revenue requirements for such prior year
13 for each program and project filed in the utility's cost recovery petition. The final true-up shall
14 also include identification of each of the utility's Storm Protection Plan programs and projects
15 for which costs were incurred during the prior year, including a description of the work
16 actually performed during such prior year, for each program and project in the utility's cost
17 recovery petition.

18 (b) Estimated True-Up for Current Year. The actual/estimated true-up of Storm Protection
19 Plan cost recovery shall include revenue requirements based on a comparison of current year
20 actual/estimated costs and the previously-filed projected costs and revenue requirements for
21 such current year for each program and project filed in the utility's cost recovery petition. The
22 actual/estimated true-up shall also include identification of each of the utility's Storm
23 Protection Plan programs and projects for which costs have been and will be incurred during
24 the current year, including a description of the work projected to be performed during such
25 current year, for each program and project in the utility's cost recovery petition.

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1 (c) Projected Costs for Subsequent Year. The projected Storm Protection Plan costs
2 recovery shall include costs and revenue requirements for the subsequent year for each
3 program filed in the utility's cost recovery petition. The projection filing shall also include
4 identification of each of the utility's Storm Protection Plan programs for which costs will be
5 incurred during the subsequent year, including a description of the work projected to be
6 performed during such year, for each program in the utility's cost recovery petition.

7 (d) True-Up of Variances. The utility shall report observed true-up variances including
8 sales forecasting variances, changes in the utility's prices of services and/or equipment, and
9 changes in the scope of work relative to the estimates provided pursuant to subparagraphs
10 (7)(b) and (7)(c). The utility shall also provide explanations for variances regarding the
11 implementation of the approved Storm Protection Plan.

12 (e) Proposed Storm Protection Plan Cost Recovery Factors. The utility shall provide the
13 calculations of its proposed factors and effective 12-month billing period.

14 (8) Recovery of costs under this rule does not preclude a utility from proposing inclusion
15 of unrecovered Storm Protection Plan implementation costs in base rates in a subsequent rate
16 proceeding.

17 Rulemaking Authority 366.96, FS. Law Implemented 366.96, FS. History—New _____.

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FILED 10/25/2019
DOCUMENT NO. 09596-2019
FPSC - COMMISSION CLERK

BEFORE THE PUBLIC SERVICE COMMISSION

In Re: Proposed Adoption of Rule 25-6.030, F.A.C.,
Storm Protection Plan and Rule 25-6.031, F.A.C., Storm
Protection Plan Recovery Clause

Docket No.: 20190131-EU

Filed: October 25, 2019

CITIZENS' PETITION FOR A HEARING ON PROPOSED RULES 25-6.030 and 25-6.031, F.A.C.

Pursuant to section 120.54(3)(c), Florida Statutes (2019), the Citizens of the State of Florida ("Citizens"), through the Office of Public Counsel ("OPC") file this request for a hearing on proposed rules 25-6.030 and 25-6.031, Florida Administrative Code ("F.A.C."), as contained in Order No. PSC-2019-0403-NOR-EU, issued on October 7, 2019. In support of this request, the Citizens state as follows:

On October 3, 2019, at its regularly scheduled agenda meeting, the Florida Public Service Commission ("Commission") considered and adopted the above-styled proposed rules after hearing comments from its Staff, OPC and other intervenors, and the utilities.

During this consideration, Florida Power & Light ("FPL") proposed alternative language to sections (3)(e) and (4)(c) of proposed rule 25-6.030, F.A.C., and section (7)(c) of proposed rule 25-6.031, F.A.C., which were moved with modification, debated, and adopted by the Commission.

By Order No. PSC-2019-0403-NOR-EU, the Commission issued its Notice of Adoption of Rules 25-6.030 and 25-6.031 in accordance with section 120.54(3)(a), Florida Statutes (2019). Citizens object to these rules to the extent they exceed the statutory authority granted by the Legislature in section 366.96, Florida Statutes (2019), or are otherwise contrary to the state's interests. Accordingly, Citizens request a public hearing so that the Commission can consider revising the proposed rules.

Respectfully Submitted,

J.R. Kelly
Public Counsel



A. Mireille Fall-Fry
Associate Public Counsel
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Bar No. 758841

Office of the Public Counsel
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished
by electronic mail to the following parties on this day of October 21, 2019

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A. Mireille Fall-Fry
Associate Public Counsel

Item 7

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: October 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Office of Industry Development and Market Analysis (Deas, Fogleman, Wendel, Yglesias de Ayala) *MYA*
Office of the General Counsel (Dziechciarz, Weisenfeld) *RAD* *ajw* *TH* *CH* *BHW*

RE: Docket No. 20190135-TP – Petition of North American Numbering Plan Administrator on behalf of the Florida telecommunications industry, for approval of relief plan for the exhaust of the 850 area code.

AGENDA: 11/5/19 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: The estimated exhaust date for the 850 area code is third quarter 2021

SPECIAL INSTRUCTIONS: None

Case Background

On June 27, 2019, the North American Numbering Plan Administrator (NANPA), on behalf of Florida's telecommunications industry (Industry) filed a petition with the Florida Public Service Commission (Commission) for approval of the Industry's consensus decision to implement an all-services overlay as the area code relief plan for the 850 Numbering Plan Area (NPA). NANPA projects that the supply of central office codes in the 850 NPA will exhaust during the third quarter of 2021.¹ Consequently, NANPA is requesting that the Commission approve the recommended 13-month implementation schedule.

¹ NANPA's petition indicates the projected 850 area code exhaust date as first quarter 2022; however as of October 2019 the forecasted exhaust date is third quarter 2021.

NANPA is the neutral third-party administrator that administers the North American Numbering Plan, which is the area code system shared by the United States, Canada, Bermuda, and 17 Caribbean countries. NANPA's responsibilities include assigning area codes and prefixes, and tracking numbering usage to ensure effective and efficient utilization. NANPA is also responsible for forecasting the exhaust of geographic area codes and area code relief planning. NANPA publishes its forecasted exhaust of all area codes on a semi-annual basis. This forecast is used to determine when to start the area code relief process.

The area served by NANPA is divided into NPA which are each identified by a three-digit NPA code, commonly called an area code. Telephone numbers are in a 10-digit format, consisting of a 3-digit area code, a 3-digit central office code (NXX), and a 4-digit station address code (for example 850-413-0000). Each NPA is divided into local serving areas called rate centers. Rate center boundaries determine if a call is local or long distance. Originally, telephone numbers were assigned to carriers in number blocks of 10,000. However, in an effort to conserve numbering resources, the thousand-block number pooling system was implemented. The thousand-block number pooling system allocates telephone numbers to carriers in blocks of 1,000 instead of the historical 10,000. Under this system, an unused 1,000 number block can be reclaimed and returned to inventory if it is not activated within six months of being assigned, unless the carrier can provide the Commission with a valid reason for needing an extension. Each area code contains 792 usable prefixes containing 10,000 numbers each. Once all of the prefixes have been assigned, a new area code is necessary.

The 850 area code was introduced in 1997 when the 904 area code needed area code relief due to substantial growth in demand for telephone numbers. The Commission approved a geographic split as the form of relief for the 904 area code. The 850 area code was then assigned to the northern portion of Florida known as the Panhandle. This area is made up of 64 rate centers and 18 counties, which include cities such as Pensacola, Panama City and Tallahassee. Also located within the 850 area code are Eglin and Tyndall Air Force Bases. Proactive number conservation methods such as the implementation of thousand-block pooling in 2003 extended the life of the 850 area code.

In October 2018, NANPA forecasted a need for area code relief for the 850 area code. Subsequently, pursuant to the area code Relief Planning Guidelines, NANPA began the relief planning process by announcing the need for relief and distributing an initial planning document to the Industry.² NANPA then hosted an Industry relief meeting on May 16, 2019, to discuss possible relief alternatives for the 850 area code. During the meeting, the Industry reviewed four relief options and reached a consensus to recommend the all-services distributed overlay plan to the Commission as the preferred method of relief for the 850 area code.

On June 27, 2019, NANPA filed a petition with the Commission on behalf of the Industry requesting approval of the consensus decision. The Commission has jurisdiction to address this

²This document included descriptions, maps, general facts and assumptions, and the projected life of two area code relief alternatives, an all-services distributed overlay and an area code boundary elimination overlay involving the 386 area code. A geographic split in the 850 area code did not meet the NPA code relief planning guidelines; therefore, NANPA did not recommend a geographic split for consideration. The Industry also proposed two additional boundary elimination overlay alternatives.

Docket No. 20190135-TP

Date: October 24, 2019

issue pursuant to Section 364.16(7) and 120.80(13)(d), Florida Statutes, and 47 Code of Federal Regulations (C.F.R) § 52.19.

Discussion of Issues

Issue 1: Should the Commission approve the Industry's consensus recommendation of an all-services distributed overlay as the area code relief plan for the 850 area code?

Recommendation: Yes, the Commission should approve the Industry's consensus recommendation of an all-services distributed overlay as the area code relief plan for the 850 area code. (Deas, Fogleman, Wendel, Yglesias de Ayala, Dziechciarz, Weisenfeld)

Staff Analysis: Area code relief responsibilities have been delegated to the states by the Federal Communication Commission (FCC) pursuant to 47 C.F.R. § 52.19. In Florida, the Commission is responsible for determining the appropriate form of area code relief when telephone numbers exhaust within an area code. There are a number of methods available to deal with area code exhaust issues; however, the two most commonly used methods are a geographic split or an overlay.

Geographic Split

The geographic split method divides the exhausting NPA into two geographic areas, leaving the existing area code to serve one NPA and assigning a new area code to serve the remaining NPA. This method generally acknowledges jurisdictional or natural boundaries, but for technical reasons and number optimization considerations, the actual boundaries must conform to existing rate center boundaries. Under this method, customers on both sides of the split would retain seven digit dialing; however, it would require one half of the customers to change their area code. The last split implemented in Florida was 17 years ago.

Industry guidelines specify that in the case of a geographic split, a difference in area code life expectancies between two areas should be 10 years or less.³ According to NANPA, a geographic split in the 850 NPA would result in an exhaust life that exceeds this 10 year limit between the two areas. Therefore, no split alternative was included in NANPA's petition.

Overlay

The overlay method adds a new area code to the same geographic area served by the area code requiring relief. This results in the assignment of more than one area code to the same NPA. Current customers keep their existing area code and number; however, new customers or customers adding additional lines would receive the new area code. Once an overlay is implemented, the FCC requires 10-digit dialing for all local calls within the NPA. There are four potential implementation strategies for an overlay, which are as follows:

- a) **All-Services Distributed Overlay** - The distributed overlay strategy may be considered in situations when growth in telephone numbers is expected to be more or less evenly distributed throughout the existing NPA. The new area code is added to the same

³ NPA Code Relief Planning & Notification Guidelines ATIS-0300061 – Section 5.0 (g).

geographic area as the area code requiring relief and shares exactly the same geographic boundaries.

b) Concentrated Growth Overlay - A concentrated growth overlay may be considered in situations when the majority of the new telephone numbers are expected to be concentrated in one section of the existing NPA. For example, a fast growing metropolitan area and a sparsely populated rural area could exist within the same NPA. The overlay area code would be assigned initially to the section of the NPA experiencing the fastest growth, and new phone numbers in that section would be assigned from the new area code. As more relief is required, the geographic area served by multiple area codes could expand to the rest of the NPA. This method is not appropriate for the 850 NPA because there are multiple concentrated rate centers throughout the geographic area.

c) Boundary Elimination Overlay - With a boundary elimination overlay, the NPA requiring relief is adjacent to an NPA with available numbering resources. The boundary between these NPAs is eliminated, and spare telephone numbers from the adjacent area code are assigned within the original NPA boundary where relief is required. This solution has the advantage of not requiring a new area code, but it would not provide long-term relief for the 850 NPA.

d) Multiple Overlay - The multiple overlay strategy may be considered where relief is required in an NPA served by two or more area codes. The new area code would be assigned to overlay the multiple existing area codes serving the entire geographic area. The 850 NPA does not currently have multiple area codes; therefore, this option was not applicable.

On May 16, 2019, NANPA held an Industry meeting in order to reach a consensus on a relief plan for the 850 NPA. The following four relief plans were considered.

Alternative #1 – All-Services Distributed Overlay (see map in Attachment A)

A new area code would be assigned to the same geographic area occupied by the existing 850 area code. One of the advantages to this alternative is that existing customers would be able to retain their current telephone numbers, and it provides for easier customer education and minimizes customer confusion. Also, this alternative is easier to implement from a technical perspective. The projected life of this method would be approximately 41 years, which is the longest of all the alternatives. However, 10-digit local dialing would be required by all customers within the NPA.

Alternative #2 – NPA Boundary Elimination Overlay (see map in Attachment B)

The boundary between the existing 850 and 386 NPAs would be eliminated and the two area codes would be assigned to the same geographic area. This alternative would allow customers assigned to both the 850 and 386 area codes to retain their telephone numbers and would eliminate the need for a new area code. Eliminating the boundary between these NPAs would result in a projected life of approximately 19 years before additional relief would be required. However, it would require ten-digit dialing for customers within the now combined NPAs. The

forecasted exhaust of the 386 area code is more than 30 years; therefore, this alternative would result in premature 10-digit dialing for customers in the 386 NPA.

Alternative #3 – NPA Boundary Elimination Overlay (see map in Attachment C)

The boundary between the existing 850, 386, and 904 NPAs would be eliminated, and all three area codes would be assigned to the same geographic area. Customers would retain their current telephone numbers; however, ten-digit dialing would be required. At exhaust of the 850 area code, all future telephone number assignments would be made from the 386 and 904 area codes. Eliminating the boundary between these NPAs would result in a projected life of approximately 18 years before additional relief would be required.

Alternative #4 – NPA Boundary Elimination Overlay (see map in Attachment D)

The boundary between the existing 850, 386, 904, and 352 NPAs would be eliminated. Customers would retain their current telephone numbers; however, ten-digit dialing would be required. At exhaust of the 850 area code all future telephone number assignments will be assigned from the 386, 904, and 352 area codes. Eliminating the boundary between these four NPAs would result in a projected life of approximately 18 years before additional relief would be required.

After review of the four alternatives and the related information, the Industry reached a consensus recommending Alternative No. 1, an all-services distributed overlay, as the relief plan for the 850 NPA. The Industry decided against the boundary elimination overlay alternatives for the following reasons: 1) the boundary elimination alternatives would force premature 10-digit dialing in the area codes that currently are not in need of relief; 2) the all-services distributed overlay provides a longer projected life for the overlay area; and 3) the boundary elimination overlay alternatives would pose complex customer education processes in multiple NPAs, which likely would lead to increased customer confusion.

Overlay Dialing Plan

If any of the four alternatives are approved by the Commission, the dialing plan will be as follows:

- | | |
|------------------|--|
| • Local Calls | Will require 10-digit dialing (as required by the FCC) |
| • Toll Calls | 1+10-digit dialing |
| • Operator Calls | 0+10-digit dialing (credit card, collect, third party) |

Proposed Implementation Schedule

The Industry has recommended a 13-month implementation schedule. This schedule includes six-months for network preparation, followed by a six-month permissive 10-digit dialing and customer education period. New codes are not activated until one month after the mandatory 10-digit dialing period. During the permissive dialing period, calls within the 850 area code can be completed using either 7-digits or 10-digits. The purpose of the permissive dialing period is to facilitate transition from 7-digit to 10-digit dialing by educating customers on the impending changes without impacting the calls. Following the six month permissive dialing period,

mandatory 10-digit dialing will be required. If the required 10-digits are not dialed, the caller will receive a recorded message advising them that the area code is required to complete the call. This schedule will allow the Industry sufficient time to implement the new area code prior to exhaust of 850.

Discussion

In order to educate and receive customer input, staff held a customer workshop on September 6, 2019, in Tallahassee, Florida. During this workshop there were presentations by Commission staff and representatives from NANPA explaining the area code relief process, the relief options being considered, and the customer impact. Staff also allotted time for customers to ask questions or give comments. There were no customer comments during the workshop, however staff has since received one customer comment which was in favor of the all-services overlay alternative.

Staff notes that all four alternatives have similar advantages and disadvantages for customers. Basically, customers would be able to keep their telephone numbers; however, they will be required to dial 10-digits for all local calls. Staff believes the most significant customer impact will be the imposition of 10-digit dialing for customers who otherwise would not be affected for another 30 years or more. Therefore, staff agrees with the Industry that reducing the number of customers that would be impacted by 10-digit dialing is the more favorable approach.

Upon analysis of number utilization information, staff notes that in recent implementation of area code relief, once the new area code was available carriers immediately began to submit requests for numbers in the new area code. This practice has lead to numbers remaining available in the exhausting area code after the projected exhaust date. Based upon staff's analysis, it appears carriers are prematurely requesting these numbers in order to obtain a specific range of numbers (i.e. vanity numbers). Staff believes this is an inefficient use of numbering resources and recommends that numbers in the new area code not be assigned until all remaining 850 area code prefixes have been assigned.

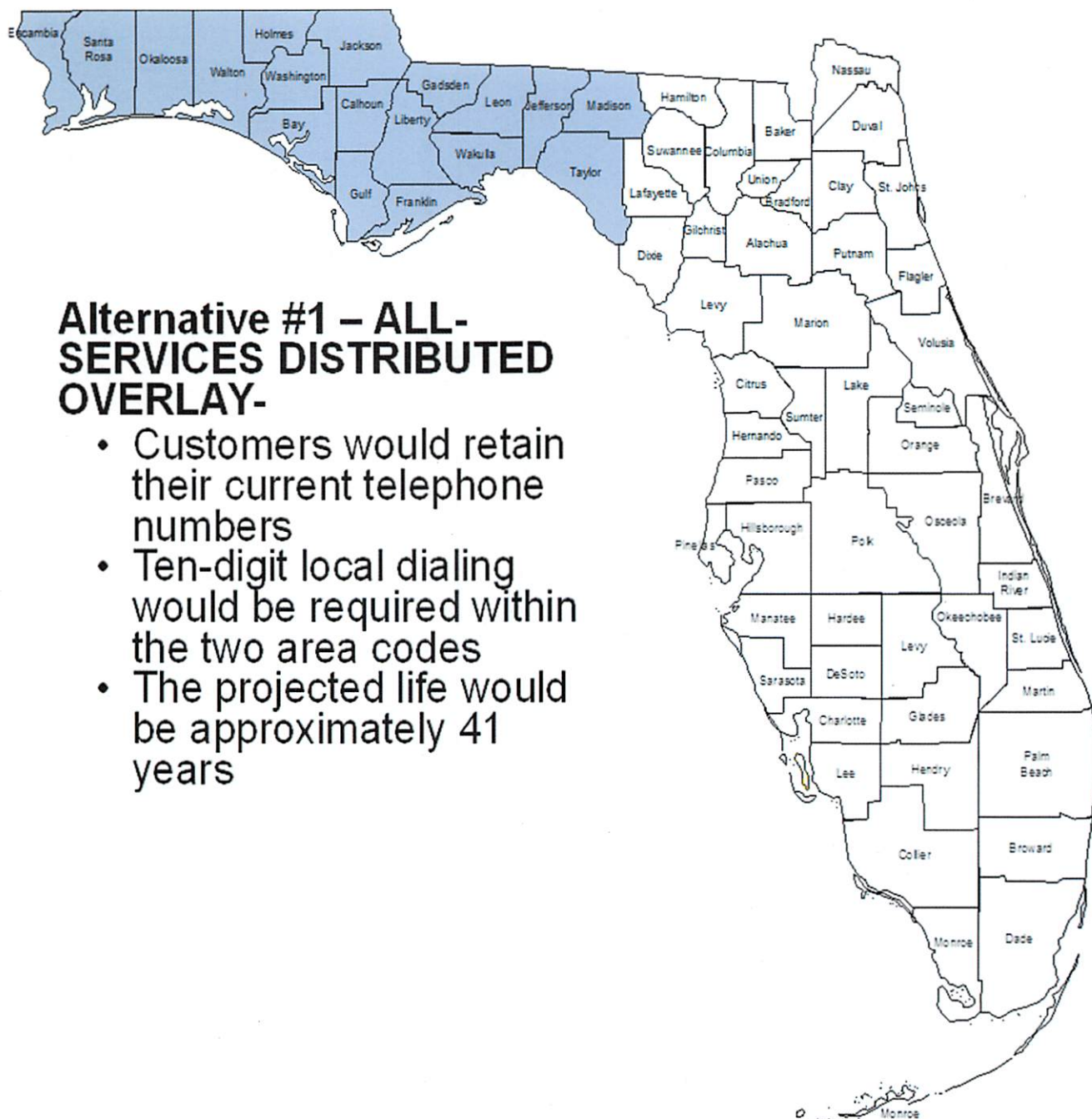
Conclusion

Staff agrees with the Industry that the boundary elimination alternatives would force premature 10-digit dialing in the area codes that currently are not in need of relief. Further, the boundary elimination alternatives would require complex customer education processes that would cause customer confusion. In addition, the projected life of a boundary elimination alternative would be shorter than the all-services overlay. Therefore, staff recommends that the Commission approve the Industry's proposed all-services distributed overlay as the relief plan for the 850 area code. Additionally, staff recommends Commission approval of the proposed thirteen-month implementation schedule, which includes a six-month customer permissive dialing period. Finally, staff recommends the Commission order that telephone numbers, specifically central office codes in the new area code, be available for assignment only when all assignable prefixes in the 850 area code have been assigned.

Issue 2: Should this docket be closed?

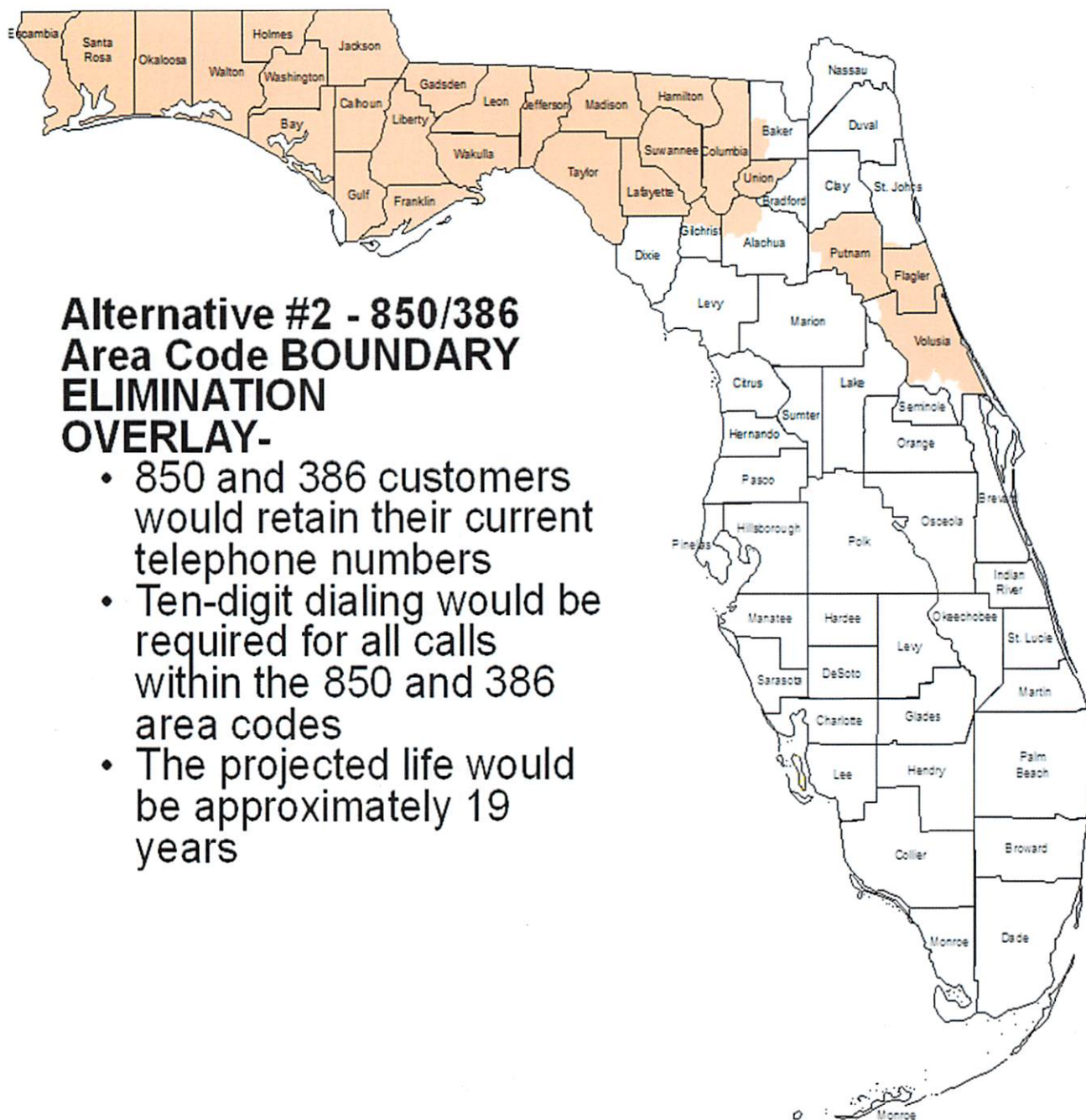
Recommendation: Yes, staff recommends that this docket should be closed. (Dziechciarz, Weisenfeld)

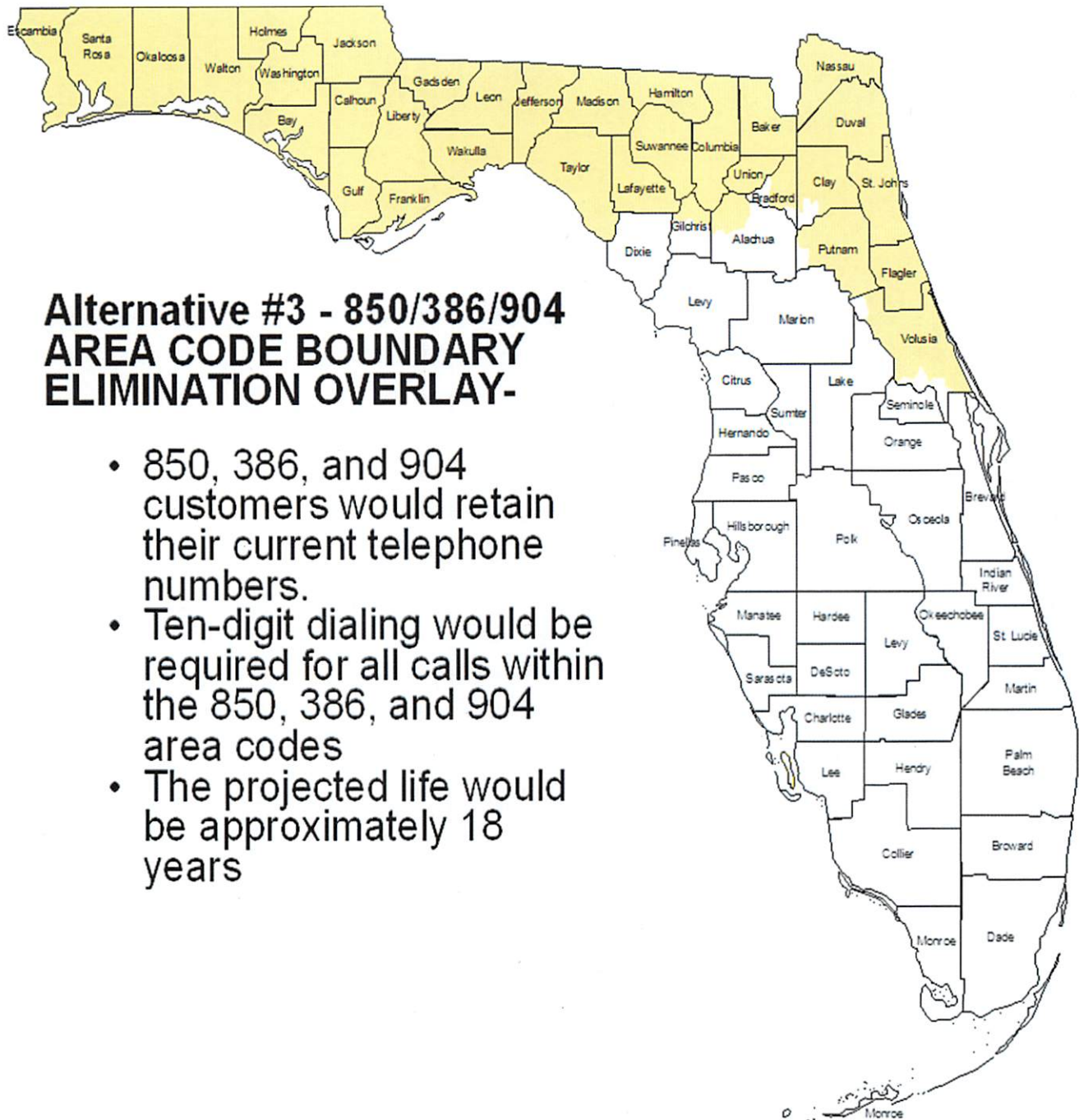
Staff Analysis: Upon issuance of the Order and conclusion of the protest period this docket should be closed.

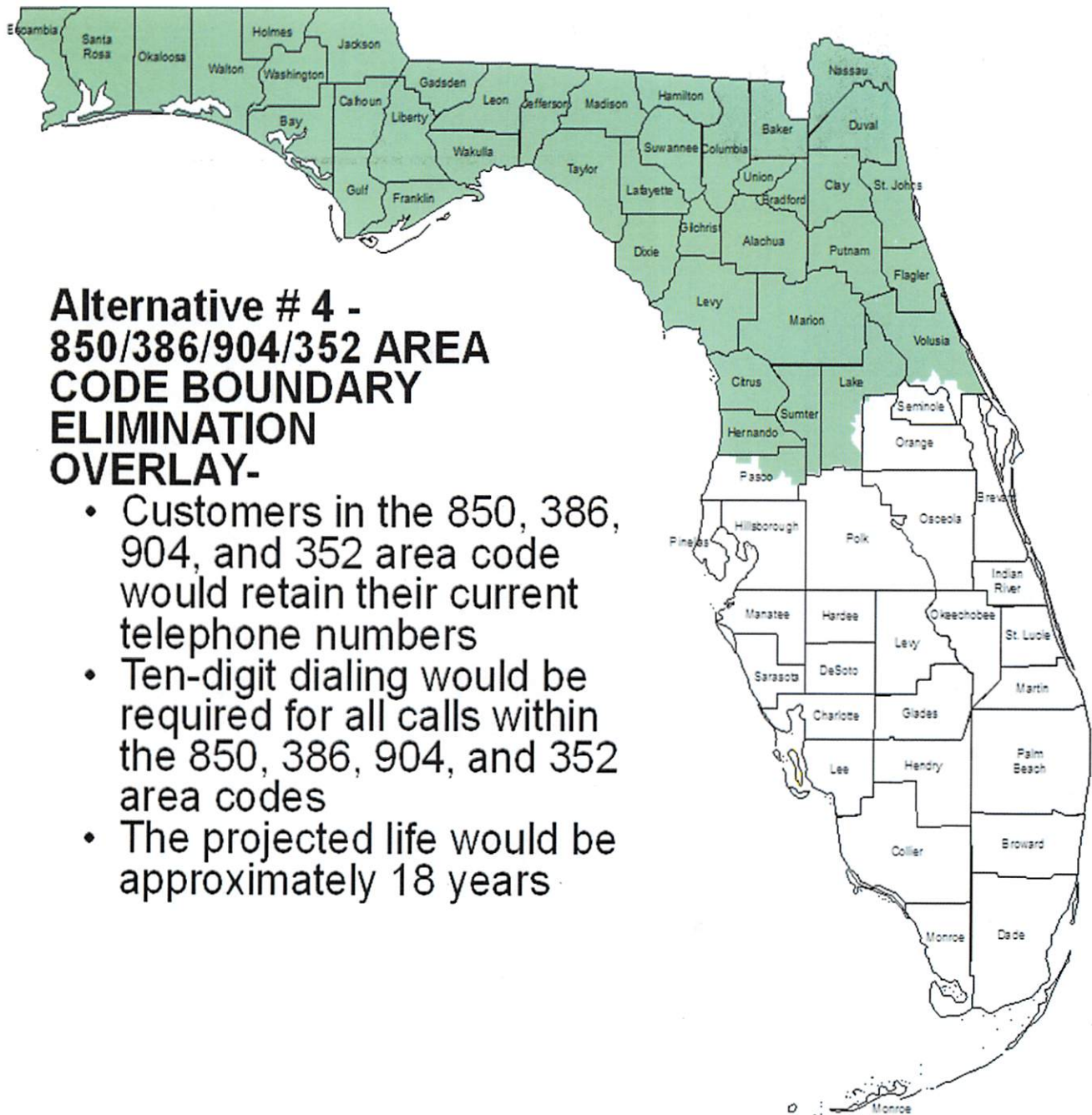


Alternative #1 – ALL-SERVICES DISTRIBUTED OVERLAY-

- Customers would retain their current telephone numbers
- Ten-digit local dialing would be required within the two area codes
- The projected life would be approximately 41 years







Item 7A

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: October 29, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (M. Andrews, Mouring, Snyder) *MA M BGS*
Division of Economics (Draper, Guffey) *RAD SKG ESD JPH*
Office of the General Counsel (Dziechciarz, Weisenfeld) *APW man for LT*

RE: Docket No. 20190156-EI – Petition for a limited proceeding to recover incremental storm restoration costs, capital costs, revenue reduction for permanently lost customers, and regulatory assets related to Hurricane Michael, by Florida Public Utilities Company.

AGENDA: 11/5/19 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On August 7, 2019, Florida Public Utilities Company (FPUC or Company) filed a petition for a Limited Proceeding seeking recovery of costs for storm restoration associated with Hurricane Michael. FPUC is an electric utility company which serves approximately 32,000 customers across its two service territories, Amelia Island (Northeast Division) and the north central panhandle (Northwest Division). The Company stated that its Northwest Division experienced catastrophic damage as a result of Hurricane Michael resulting in a loss of service to 100 percent of its customers in the Northwest Division. On October 25, 2019, FPUC and the Office of Public Counsel (OPC) filed a joint motion for approval of stipulation for implementation of a base rate increase in order to coincide with a reduction in the 2020 fuel factors proposed in Docket No. 20190001-EI. The proposed base rate increase would be held subject to refund, with interest,

pending the final disposition of this case. Both the Company and OPC have indicated that it is their understanding that the interim revenues resulting from the proposed base rate increase, that are subject to refund with interest, are to be secured by a corporate undertaking.

The Commission should vote on whether or not to approve the attached proposed Joint Motion for Approval of Stipulation for Implementation of Rate Increase. The Commission has jurisdiction pursuant to Sections 366.076(1) and 366.06, Florida Statutes.

Date: October 29, 2019



GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

Writer's E-Mail Address: bkeating@gunster.com

October 25, 2019

VIA E-PORTAL

Mr. Adam Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20190156-EI - Petition for a limited proceeding to recover incremental storm restoration costs, capital costs, revenue reduction for permanently lost customers, and regulatory assets related to Hurricane Michael, by Florida Public Utilities Company.

Dear Mr. Teitzman:

Enclosed for electronic filing, please find the Joint Motion for Approval of Stipulation for Implementation of Rate Increase Subject to Refund, submitted on behalf of Florida Public Utilities Company and the Office of Public Counsel in the above-referenced docket. Included with the Joint Motion is the referenced Stipulation, along with the following revised tariff sheets:

Tariff Sheets No. 40, 43, 35, 37, 49, 50, 52, 56, 57, 59, and 61.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions or concerns.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Beth Keating', written over a horizontal line.

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

MEK

Date: October 29, 2019

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for a limited proceeding to) Docket No. 20190156-EI
recover incremental storm restoration costs,)
capital costs, revenue reduction for)
permanently lost customers, and regulatory)
assets related to Hurricane Michael, by Florida)
<u>Public Utilities Company.</u>) October 25, 2019

**JOINT MOTION OF FLORIDA PUBLIC UTILITIES COMPANY
AND THE OFFICE OF PUBLIC COUNSEL FOR APPROVAL OF
STIPULATION FOR IMPLEMENTATION OF RATE INCREASE SUBJECT TO
REFUND**

Florida Public Utilities Company ("FPUC" or "Company") and the Office of Public Counsel ("OPC") (collectively, "Joint Movants"), by and through their undersigned attorneys, respectfully move the Florida Public Service Commission ("Commission") to approve the Stipulation for Rate Increase Subject to Refund ("Storm Interim Stipulation") attached hereto as Attachment "A". The Joint Movants have entered into this Storm Interim Stipulation to avoid confusing price signals for the Company's customers associated with a corresponding proposed decrease in the Company's Fuel Charge, which has been proposed in Docket No. 20190001-EI. The Joint Movants respectfully suggest that implementing a rate increase to be held subject to refund in an amount that approximately offsets the Fuel cost decrease will help limit customer confusion associated with a significant bill decrease followed soon thereafter with what could, potentially, be a significant bill increase given the Company's request put forth in this limited proceeding. In support hereof, the Joint Movants state as follows:

1. On October 10, 2018, Hurricane Michael, as a Category 5 hurricane, inflicted unprecedented and catastrophic damage in both breadth and scope to FPUC's facilities in its Northwest Electric Division.

Docket No. 20190156-EI

2. On August 7, 2019, FPUC petitioned the Florida Public Service Commission (“the Commission”) for a limited proceeding for a revenue increase to recover \$28.2 million associated with capital additions and the cost of removal in the wake of Hurricane Michael, a regulatory asset in the amount of \$39.2 million that consists of incremental storm restoration costs arising from Hurricane Michael, and a regulatory asset in the amount of \$1.6 million also arising from the impacts of Hurricane Michael for total costs of \$69 million with the effective day of such rate increase to be January 2, 2020 (“Limited Proceeding”).

3. OPC filed a notice of its intervention on August 14, 2019.

4. The Joint Movants anticipate that FPUC will be allowed to implement significantly reduced Fuel Factors on January 1, 2020, as a result of the Commission’s proceedings in Docket No. 20190001-EI, while the Company’s Limited Proceeding will not be resolved before January 2, 2020.

5. Given the anticipated timing of this proceeding as it has developed to this point, it is clear that there will be a timing difference between the Fuel Factor reduction and the implementation of final relief in this proceeding and without the Interim Rate increase, subject to refund, this timing difference could generate unnecessary customer confusion as a result of significant bill fluctuations – a concern which Commission Staff has also noted. The Joint Movants respectfully suggest that approving this Storm Interim Stipulation will provide consistent price signals pending the outcome of this proceeding, which may avoid the anticipated customer confusion.

6. In recent weeks, the Joint Movants have engaged in negotiations to resolve this interim timing issue. These efforts have been successful and resulted in the Storm Interim Stipulation attached hereto as Attachment A.

Date: October 29, 2019

Docket No. 20190156-EI

7. The Storm Interim Stipulation is the result of good faith efforts to address this timing issue in a manner that will provide the Company with some interim relief while protecting the Company's customers in two ways: 1) the interim rate increase is subject to refund and the OPC being afforded an opportunity to have a full evidentiary hearing on all costs related to the Limited Proceeding; and 2) the avoidance of a confusing fluctuation in their electric bills.¹ To emphasize, the ratepayers will be protected because all incremental revenues collected by the Company will be held subject to refund with interest and the OPC being afforded an opportunity to have a full evidentiary hearing on all costs related to the Limited Proceeding.

8. To date, no other parties have intervened in this proceeding. As the only two parties to the proceeding have executed the Storm Interim Stipulation, no party will be prejudiced by the proposed procedure or the Commission's approval of the Storm Interim Stipulation. Should any new party seek to intervene at any point in the future, in accordance with Commission rules, such party would then take the case as they find it.

9. The Joint Movants represent that the Storm Interim Stipulation: 1) provides an equitable means to preserve the parties' positions pending final resolution of the issues to be addressed in this proceeding; 2) establishes an interim increase that the Joint Movants believe will avoid or minimize customer confusion that could otherwise be expected with significant bill fluctuations; and 3) protects the customers by ensuring that the incremental revenues received by the Company through this rate increase will be applied to the amount that the Commission ultimately decides is appropriate for recovery in this proceeding. As such, the Joint Movants respectfully suggest that approval of the Storm Interim Stipulation is in the best interests of both the Company and its customers, and as such, it is in the public interest.

¹ The Company further notes that, due to technical impediments in FPUC's billing system, the Company would not otherwise be able to implement a new, separate rate to address this issue in time to coincide with the Fuel charge decrease.

Docket No. 20190156-EI

WHEREFORE, the Joint Movants hereby respectfully request that the Commission grant this Joint Motion, approve the Stipulation for Increase Subject to Refund attached hereto as Attachment "A", and allow the Company to implement the rates included in the tariff sheets incorporated therein as "Exhibit A" effective January 2, 2020.

Respectfully submitted this 25th day of October 2019, by:

/s/ Patricia A. Christensen
Patricia A. Christensen, Esquire
Bar No. 989789
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison St., Rm 812
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Office of Public Counsel

/s/ Beth Keating
Beth Keating, Esquire
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215 South Monroe St., Suite 601
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(850) 521-1706
Attorneys for Florida Public Utilities Company

Docket No. 20190156-EI

CERTIFICATE OF SERVICE

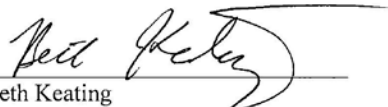
I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Electronic Mail to the following parties of record this 25th day of October, 2019:

Florida Public Utilities Company
Mike Cassel
1750 S 14th Street, Suite 200
Fernandina Beach, FL 32034
mcassel@fpuc.com

Ashley Weisenfeld
Rachael Dziechciarz
Florida Public Service Commission
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Office of Public Counsel
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By:


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Docket No. 20190156-EI

ATTACHMENT A

Stipulation for Implementation of Rate Increase Subject to Refund

Date: October 29, 2019

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for a limited proceeding to) Docket No. 20190156-EI
recover incremental storm restoration costs,)
capital costs, revenue reduction for)
permanently lost customers, and regulatory)
assets related to Hurricane Michael, by Florida)
<u>Public Utilities Company.</u>) October 25, 2019

STIPULATION FOR IMPLEMENTATION OF RATE INCREASE SUBJECT TO REFUND

WHEREAS, Florida Public Utilities Company ("FPUC" or "Company") and the Office of Public Counsel ("OPC") have signed this Stipulation for Implementation of Rate Increase Subject to Refund ("Storm Interim Stipulation") regarding the implementation of a rate increase to be held subject to refund pending the resolution of the proceedings in this Docket; and

WHEREAS, unless the context clearly intends otherwise, the term "Party" or "Parties" shall mean a signatory or signatories to this Storm Interim Stipulation; and

WHEREAS, on August 7, 2019, FPUC petitioned the Florida Public Service Commission ("the Commission") for a limited proceeding for a revenue increase to recover \$28.2 million associated with capital additions and the cost of removal in the wake of Hurricane Michael, a regulatory asset in the amount of \$39.2 million that consists of incremental storm restoration costs arising from Hurricane Michael, and a regulatory asset in the amount of \$1.6 million also arising from the impacts of Hurricane Michael for total costs of \$69 million with the effective day of such rate increase to be January 2, 2020 ("Limited Proceeding"); and

WHEREAS, the Parties anticipate that FPUC will be allowed to implement significantly reduced Fuel Factors on January 1, 2020, as a result of the Commission's proceedings in Docket No. 20190001-EI; and

WHEREAS, it has become clear that the Company's Limited Proceeding will not be resolved before January 2, 2020; and

WHEREAS, it is indisputable that the annual recovery on the \$39.2 million storm cost asset alone, if spread over a period of at least 5 years, exceeds the amount of substantially

Docket No. 20190156-EI

reduced fuel factors that will become effective January 1, 2020, as does the Company's fully requested amount (which is in dispute) spread over 10 years ; and

WHEREAS, the Parties desire to avoid a situation in which FPUC's customers experience a significant bill reduction followed soon thereafter by a significant increase to their electric bill, which the Parties agree could be unnecessarily confusing; and

WHEREAS, the Parties have endeavored in good faith to arrive at a reasonable solution to this issue pending further proceedings in this Docket to address the specifics of the Company's Limited Proceeding request; and

WHEREAS, the legal system, as well as the Commission, favors settlement of disputes, including interim solutions, for a variety of reasons, including that they are in the public interest; and

WHEREAS, the Parties to this Storm Interim Stipulation, individually and collectively, agree that this Storm Interim Stipulation, when taken as a whole, is in the public interest pending the outcome of this Docket; and

WHEREAS, the Parties have entered into this Storm Interim Stipulation in compromise of positions taken in accord with their rights and interests under Chapters 350, 366 and 120, Florida Statutes, as applicable, and as part of a negotiated exchange of consideration among the Parties, each Party has agreed to concessions to the others with the expectation, intent, and understanding such that all provisions of this Storm Interim Stipulation, upon approval by the Commission, will be enforced by the Commission as to all matters addressed herein with respect to both Parties; and

WHEREAS, the Parties agree that this Storm Interim Stipulation is not inconsistent with or contrary to the Stipulation and Settlement approved in Docket No. 20170150-EI; and

WHEREAS, the Parties are aware that due to the technical limitations of the Company's billing system, it is not feasible to implement a separate storm surcharge by January 1, 2020 as contemplated in the Stipulation and Settlement approved in Docket No. 2017150-EI; and

Date: October 29, 2019

Docket No. 20190156-EI

WHEREAS, Hurricane Michael, as a Category 5 Hurricane, inflicted unprecedented and catastrophic damage in both breadth and scope to FPUC's facilities in its Northwest Electric Division; and

WHEREAS, the Commission's authority to approve the implementation of rates to be held subject to refund pending further proceedings is well-established; and

WHEREAS, by entering into this Storm Interim Stipulation, OPC agrees that interim rates may go into effect as contemplated by this Storm Interim Stipulation and that the OPC will, subject to it being afforded an opportunity to have a full evidentiary hearing on all costs related to the Limited Proceeding, not object to the Commission approving the tariff filing(s) made in compliance with the terms and conditions of this Storm Interim Stipulation, which are attached hereto and incorporate herein as Exhibit A; and

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants set forth herein, which the Parties agree constitute good and valuable consideration, the Parties hereby stipulate and agree as follows:

I. This Storm Interim Stipulation will take effect upon Commission approval ("Effective Date") subject to the OPC being afforded an opportunity to have a full evidentiary hearing on all costs related to the Limited Proceeding and shall be implemented on the date of the meter reading for the first billing cycle on or after January 2, 2020 ("Implementation Date").

II. The base rate increase implemented in accordance with this Storm Interim Stipulation ("Interim Rates") and the tariffs included in Exhibit A hereto, will be subject to the OPC being afforded an opportunity to have a full evidentiary hearing on all costs related to the Limited Proceeding and will remain in effect until the proceedings in this Docket are concluded and the Commission establishes new base rates to be implemented by the Company.

III. FPUC shall, after Commission approval of the Interim Rate, immediately withdraw the tariffs filed with the August 7, 2019 Limited Proceeding.

Docket No. 20190156-EI

IV. The Company will, pursuant to Section 366.06(3), Fla. Stat. and Citizens v. Wilson, 567 So. 2d 889 (Fla. 1990), hold revenues associated with the incremental increase generated by the Interim Rates subject to refund, with interest, pending the establishment of new rates for the Company at the conclusion of this proceeding, and a determination by the Commission of whether a refund of any amount collected pursuant to this Storm Interim Stipulation is due.

V. At the conclusion of this proceeding, the amount of revenue collected through Interim Rates, excluding any refund amount paid directly to the customers, will be applied to reduce the Commission-approved total revenue requirement established in this docket remaining to be collected through a final base rate adjustment.

VI. The Parties reserve all rights, unless such rights are expressly waived or released, under the terms of this Storm Interim Stipulation.

VII. The Parties hereto agree that this Storm Interim Stipulation is in the public interest for the period pending final resolution of the Company's Petition in this Docket. As such, the Parties agree that this Storm Interim Stipulation should be approved. The Parties likewise agree and acknowledge that the Commission's approval of this Storm Interim Stipulation promotes planning and regulatory certainty for both FPUC and its customers.

VIII. This Storm Interim Stipulation is dated as of October 25, 2019. It may be executed in one (1) or more counterparts, all of which will be considered one and the same Storm Interim Stipulation and each of which will be deemed an original.

[SIGNATURE PAGES FOLLOW]

Docket No. 20190156-EI

IN WITNESS WHEREOF, the Parties evidence their acceptance and agreement with the provisions of this Storm Interim Stipulation by their signature(s).

Dated this 25th day of October 2019.

Florida Public Utilities Company

By:  _____

Title: President, Florida Public Utilities Company

Signature Page to Storm Interim Stipulation in Docket No. 20190156-EI

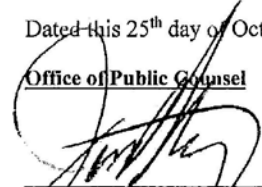
5 | Page

Docket No. 20190156-EI

IN WITNESS WHEREOF, the Parties evidence their acceptance and agreement with the provisions of this Storm Interim Stipulation by their signature(s).

Dated this 25th day of October 2019.

Office of Public Counsel



J. R. Kelly, Public Counsel
Patricia A. Christensen
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400

Signature Page to Storm Interim Stipulation in Docket No. 20190156-EI

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Docket No. 20190156-EI

Exhibit A

(Tariff Sheet Nos. 40, 43, 45, 47, 49, 50, 52, 56, 57, 59, and 61)

Clean and Legislative Versions

Date: October 29, 2019

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

Third Revised Sheet No. 40
Cancels Second Revised Sheet No. 40

*RATE SCHEDULE RS
RESIDENTIAL SERVICE*

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable for service to a single family dwelling unit occupied by one family or household and for energy used in commonly-owned facilities in condominium and cooperative apartment buildings.

Character of Service

Single-phase service at nominal secondary voltage of 115/230 volts; three-phase service if available.

Limitations of Service

The maximum size of any individual single-phase motor hereunder shall not exceed five (5) horsepower.

The Company shall not be required to construct any additional facilities for the purpose of supplying three-phase service unless the revenue to be derived therefrom shall be sufficient to yield the Company a fair return on the value of such additional facilities.

Monthly Rate

Customer Facilities Charge:

\$23.35 per customer per month

Base Energy Charge:

3.269¢/KWH for usage up to 1000 KWH's/month

5.354 ¢/KWH for usage above 1000 KWH's/month

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge.

(Continued on Sheet No. 41)

Issued by: Kevin Webber, President

Effective:

Date: October 29, 2019

Florida Public Utilities Company
F.P.S.C Electric Tariff
Third Revised Volume No. I

Third Revised Sheet No. 43
Cancels Second Revised Sheet No. 43

RATE SCHEDULE GS
GENERAL SERVICE – NON DEMAND

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties
And on Amelia Island in Nassau County.

Applicability

Applicable to commercial and industrial lighting, heating, cooking and small power loads aggregating
25 KW or less.

Character of Service

Single or three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point.

Monthly Rate

Customer Facilities Charge:

\$38.36 per customer per month

Base Energy Charge:

All KWH 3.998 ¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in
January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 44)

Issued by: Kevin Webber, President

Effective:

Date: October 29, 2019

Florida Public Utilities Company
F.P.S.C Electric Tariff
Third Revised Volume No. I

Third Revised Sheet No. 45
Cancels Second Revised Sheet No. 45

RATE SCHEDULE GSD
GENERAL SERVICE -- DEMAND

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable to commercial, industrial and municipal service with a measured demand of 25 KW but less than 500 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 25 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service

Single or three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage.

Monthly Rate

Customer Facilities Charge:

\$113.43 per customer per month

Demand Charge:

Each KW of Billing Demand \$6.18/KW

Base Energy Charge

All KWH 0.754¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs

See Sheet Nos. 65 & 66.

(Continued on Sheet No. 46)

Issued by: Kevin Webber, President

Effective:

Date: October 29, 2019

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

Third Revised Sheet No. 47
Cancels Second Revised Sheet No. 47

RATE SCHEDULE GSLD
GENERAL SERVICE-LARGE DEMAND

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable to commercial, industrial and municipal service with a measured demand of 500 KW but less than 5000 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 500 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service

Three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage.

Monthly Rate

Customer Facilities Charge:

\$216.83 per customer per month

Demand Charge:

Each KW of Billing Demand \$8.84/KW

Base Energy Charge

All KWH 0.350¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs

See Sheet No. 65 & 66.

(Continued on Sheet No. 48)

Issued by: Kevin Webber, President

Effective:

Date: October 29, 2019

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

Third Revised Sheet No. 49
Cancels Second Revised Sheet No. 49

*RATE SCHEDULE GSLDT - EXP
GENERAL SERVICE - LARGE DEMAND
TIME OF USE (EXPERIMENTAL)*

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties. This service is limited to a maximum of 3 customers. This Rate Schedule shall expire on February 8, 2015.

Applicability

Applicable to commercial, industrial and municipal service with a measured demand of 500 KW but less than 5000 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 500 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service

Single or three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage.

Monthly Rate

Customer Facilities Charge:
\$216.83 per customer per month

Demand Charge:
Each KW of Maximum Billing Demand \$8.84/KW

Base Energy Charge:
All KWH 0.350¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission normally each year in January. For current purchase power costs included in the tariff see sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Maximum Billing Demand Charge for the currently effective billing demands.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs

See Sheet Nos. 65 & 66.

(Continued on Sheet No. 50)

Issued by: Kevin Webber, President

Effective:

Date: October 29, 2019

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

Third Revised Sheet No. 50
Cancels Second Revised Sheet No. 50

RATE SCHEDULE GSLD 1
GENERAL SERVICE - LARGE DEMAND 1

Availability

Available within the territory served by the Company in Jackson, Calhoun, and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable to commercial and industrial services of customers contracting for at least 5,000 kilowatts of electric service.

Character of Service

Three-phase, 60 hertz, electric service delivered and metered at a single point at the available transmission voltage, nominally 69,000 volts or higher.

Monthly Base Rates

Customer Facilities Charge:	\$1,342.67
Base Transmission Demand Charge:	\$2.50/KW of Maximum/NCP Billing Demand
Excess Reactive Demand Charge:	\$0.60/kVar of Excess Reactive Demand

Purchased Power Charges (See Sheet 52 for descriptions)

The Purchased Power Charges recover Energy and Demand Charges billed to FPUC by FPUC's Wholesale Energy Provider and Wholesale Cogeneration Provider including applicable line losses and taxes. Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For correct purchased power charges included in the tariff, see Sheet No. 70 & 71.

Minimum Bill

The minimum monthly bill is the sum of the Transmission Demand Charge and the Customer Charge plus any Purchased Power Charges attributed to Transmission Demand Fuel Charge.

Terms of Payment

Bills are rendered net and due and payable within twenty (20) days from date of bill.

Conservation Costs

See Sheet Nos. 65 & 66.

Franchise Fee Adjustment

Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

(Continued on Sheet No. 51)

Issued by: Kevin Webber, President

Effective:

Date: October 29, 2019

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

Third Revised Sheet No. 52
Cancels Second Revised Sheet No. 52

*RATE SCHEDULE SB
STANDBY SERVICE*

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable only to customers which are self-generators with capabilities of serving the customer's full electronic power requirements and that require backup and/or maintenance service on a firm basis. This rate schedule is not applicable to self-generating customers for supplemental service.

Character of Service

Single or three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage. The contract demand shall not exceed the KW capacity of customer's generator.

Monthly Rate

Customer Facilities Charge:

- (a) For those customers who have contracted for standby service capacity of less than 500 KW-
\$166.79
- (b) For those customers who have contracted for standby service of 500 KW or greater-
\$1,342.67.

Local Facilities Charge:

- (a) For those customers who have contracted for standby service capacity of less than 500 KW- \$4.34/KW.
- (b) For those customers who have contracted for standby service of 500 KW or greater -
\$1.08/KW.

Purchased Power Charges

Demand and energy used by the customer in any month shall be charged at the then currently effective rates of the Company's wholesale supplier adjusted for estimated line losses and applicable taxes. Such charges will consist of Coincident Peak (CP) Demand charge and an energy charge. The CP Demand shall be the customer's measured KW coincident in time with that of the Company's maximum monthly demand at the substation serving the system to which the customer is connected. The energy charge shall be applied to the measured KWH during the billing period and shall be based on the actual energy charge (including fuel charges) of the Company's wholesale supplier during the billing period.

The currently effective rates of the Company's wholesale supplier would result in the following demand and energy charges for purchased power after adjustment for estimated line losses and applicable taxes. These are shown for illustrative purposes only. Actual purchased power rates in effect at the time of use shall be used for determining the monthly unit charges.

CP Demand Charge - Each KW of CP Demand	\$5.62/KW
Energy Charge - All	3.583¢

(Continued on Sheet No. 53)

Issued by: Kevin Webber, President

Effective:

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

Third Revised Sheet No. 56
Cancels Second Revised Sheet No. 56

RATE SCHEDULE LS
LIGHTING SERVICE

Availability

Available within the territory served by the Company in Calhoun, Jackson and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable to any customer for non-metered outdoor lighting service.

Character of Service

Lighting service from dusk to dawn as described herein.

Limitations of Service

Service is limited to lighting by high-pressure sodium vapor or metal halide lamps mounted on company poles as described herein. Company-owned facilities will be installed only on Company-owned poles.

Monthly Rate

When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Type	Lamp	Size	KWH/Mo.	Facilities	Maintenance*	Energy	Total
Facility	Lumens	Watts	Estimate	Charge	Charge	Charge	Charge
<u>High Pressure Sodium Lights</u>							
Acorn	16,000	150	61	\$27.11	\$3.43	\$4.40	\$34.94
ALN 440	16,000	150	61	\$38.66	\$4.58	\$4.40	\$47.64
Amer. Rev.	9,500	100	41	\$13.32	\$4.53	\$2.97	\$20.82
Amer. Rev.	16,000	150	61	\$12.47	\$4.59	\$4.40	\$21.46
Cobra Head	9,500	100	41	\$10.00	\$2.91	\$2.97	\$15.88
Cobra Head	22,000	200	81	\$13.48	\$3.48	\$5.86	\$22.82
Cobra Head	28,500	250	101	\$16.02	\$4.59	\$7.29	\$27.90
Cobra Head	50,000	400	162	\$14.95	\$3.81	\$11.76	\$30.52
Flood	28,500	250	101	\$15.67	\$3.34	\$7.29	\$26.30
Flood	50,000	400	162	\$24.58	\$3.13	\$11.76	\$39.47
Flood	130,000	1,000	405	\$30.80	\$4.13	\$29.33	\$64.26
SP2 Spectra	9,500	100	41	\$34.18	\$4.27	\$2.97	\$41.42
<u>Metal Halide Lights</u>							
ALN 440	16,000	175	71	\$36.99	\$3.59	\$5.18	\$45.76
Flood	50,000	400	162	\$16.69	\$3.05	\$11.76	\$31.50
Flood	130,000	1,000	405	\$28.40	\$4.02	\$29.33	\$61.75
Shoebox	16,000	175	71	\$31.24	\$4.04	\$5.18	\$40.46
Shoebox	28,500	250	101	\$33.26	\$4.51	\$7.29	\$45.06
SP2 Spectra	9,500	100	41	\$33.91	\$4.13	\$2.97	\$41.01
Vertical Shoebox	130,000	1,000	405	\$35.05	\$4.58	\$29.33	\$68.96

(Continued on Sheet No. 57)

Issued by: Kevin Webber, President

Effective:

Date: October 29, 2019

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

Third Revised Sheet No. 57
Cancels Second Revised Sheet No. 57

RATE SCHEDULE LS
LIGHTING SERVICE

(Continued from Sheet No. 56)

Charges for other Company-owned facilities:

1)	30' Wood Pole	\$ 6.64
2)	40' Wood Pole Std	\$ 14.76
3)	18' Fiberglass Round	\$ 13.75
4)	13' Decorative Concrete	\$ 19.48
5)	20' Decorative Concrete	\$ 22.61
6)	35' Concrete Square	\$ 21.80
7)	10' Deco Base Aluminum	\$ 25.57
8)	30' Wood Pole Std	\$ 7.37

For the poles shown above that are served from an underground system, the Company will provide up to one hundred (100) feet of conductor to service each fixture. The customer will provide and install the necessary conduit system to Company specifications.

Purchased Power Charges

Purchased power charges are adjusted annually by the Florida Public Service Commission. For current purch

Minimum Bill

The above rates times the number of lamps connected.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs

See Sheet No. 65 & 66.

Conservation Costs

See Sheet No. 65 & 66.

Franchise Fee Adjustment

Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

(Continued on Sheet No. 58)

Issued by: Kevin Webber, President

Effective:

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

Third Revised Sheet No. 59
Cancels Second Revised Sheet No. 59

*RATE SCHEDULE OSL
MERCURY VAPOR LIGHTING SERVICE
(Closed To New Installations)
(Continued from Sheet No. 58)*

Availability

Available within the territory served by the Company in Calhoun, Jackson and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable to customer for mercury vapor lighting service.

Character of Service

Lighting service from dusk to dawn as described herein.

Limitations of Service

Service is limited to lighting by mercury vapor lamps of 7,000 or 20,000 initial level of lumens mounted on wood poles, as described herein.

Monthly Rate

When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Lamp Size	KWH/Mo.	Facilities	Maintenance*	Energy	Total
<u>Lumens</u>	<u>Estimate</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>
7,000	72	\$1.92	\$1.70	\$5.09	\$8.71
20,000	154	\$2.11	\$1.83	\$10.95	\$14.89

For concrete or fiberglass poles and/or underground conductors, etcetera, the customer shall pay a lump sum amount equal to the estimated differential cost between the special system and the equivalent overhead-wood pole system.

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The above rates times the number of lamps connected.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 60)

Issued by: Kevin Webber, President

Effective:

Date: October 29, 2019

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

Third Revised Sheet No. 61
Cancels Second Revised Sheet No. 61

*RATE SCHEDULE IS-EXP
INTERRUPTIBLE (EXPERIMENTAL)*

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties. This service is limited to a maximum of 4 customers. This Rate Schedule shall expire on February 8, 2015.

Applicability

Applicable to customers eligible for Rate Schedule GSLD with a load factor equal to or exceeding 35% and who have executed a Special Contract approved by the Commission. The company reserves the right to limit the total load and type customer served under this rate. Accounts established under this rate will be limited to premises where the interruption will primarily affect the customer, its employees, agents, lessees, tenants and guests and will not significantly affect members of the general public nor interfere with functions performed for the protection of public health or safety.

Character of Service

Three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage. Interruptible service under this rate is subject to interruption during any On-Peak time period that the Company elects to notify customer, with a minimum of two (2) hours notice, that the customer must fully interrupt taking electric power from the Company. The Company is limited to an On-Peak period maximum of 200 hours of required interruption per year per customer.

Monthly Rate

Customer Facilities Charge:
\$216.83 per customer per month

Demand Charge:
Each KW of Billing Demand \$ 8.84/KW

Base Energy Charge:
All KWH 0.350¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Issued by: Kevin Webber, President

Effective:

Date: October 29, 2019

Florida Public Utilities Company
40
F.P.S.C. Electric Tariff
No. 40
Third Revised Volume No. 1

~~Third~~ ~~Second~~ Revised Sheet No.
Cancels ~~Second~~ ~~First~~ Revised Sheet

*RATE SCHEDULE RS
RESIDENTIAL SERVICE*

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable for service to a single family dwelling unit occupied by one family or household and for energy used in commonly-owned facilities in condominium and cooperative apartment buildings.

Character of Service

Single-phase service at nominal secondary voltage of 115/230 volts; three-phase service if available.

Limitations of Service

The maximum size of any individual single-phase motor hereunder shall not exceed five (5) horsepower.

The Company shall not be required to construct any additional facilities for the purpose of supplying three-phase service unless the revenue to be derived therefrom shall be sufficient to yield the Company a fair return on the value of such additional facilities.

Monthly Rate

Customer Facilities Charge:

~~\$14.69~~ 23.35 per customer per month

Base Energy Charge:

~~2.0573~~ 2.269¢/KWH for usage up to 1000 KWH's/month

~~3.3695~~ 3.354 ¢/KWH for usage above 1000 KWH's/month

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge.

(Continued on Sheet No. 41)

Issued by: ~~Jeffrey M. Householder~~ Kevin Webber, President
01-2019

Effective: JAN

Date: October 29, 2019

Florida Public Utilities Company
No. 43
F.P.S.C Electric Tariff
Sheet No. 43
Third Revised Volume No. I

~~Second~~ Third Revised Sheet

Cancels ~~First~~ Second Revised

RATE SCHEDULE GS
GENERAL SERVICE – NON DEMAND

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties
And on Amelia Island in Nassau County.

Applicability

Applicable to commercial and industrial lighting, heating, cooking and small power loads aggregating
25 KW or less.

Character of Service

Single or three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point.

Monthly Rate

Customer Facilities Charge:

~~\$24.14~~ 38.36 per customer per month

Base Energy Charge:

All KWH ~~2.516~~ 3.998 ¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in
January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

(Continued on Sheet No. 44)

Issued by: ~~Jeffrey M. Householder~~ Kevin Webber, President
01-2019

Effective: JAN

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Florida Public Utilities Company
No. 45
F.P.S.C Electric Tariff
Sheet No. 45
Third Revised Volume No. I

~~Second~~ Third Revised Sheet
Cancels ~~First~~ Second Revised

RATE SCHEDULE GSD
GENERAL SERVICE – DEMAND

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable to commercial, industrial and municipal service with a measured demand of 25 KW but less than 500 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 25 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service

Single or three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage.

Monthly Rate

Customer Facilities Charge:

~~\$71.38~~ 113.43 per customer per month

Demand Charge:

Each KW of Billing Demand ~~\$3.89~~ 6.18/KW

Base Energy Charge

All KWH 0.4740754¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs

See Sheet Nos. 65 & 66.

(Continued on Sheet No. 46)

Issued by: ~~Jeffrey M. Householder~~ Kevin Webber, President
01-2019

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Date: October 29, 2019

Florida Public Utilities Company
No. 47
F.P.S.C. Electric Tariff
Sheet No. 47
Third Revised Volume No. I

~~Second~~ Third Revised Sheet
Cancels ~~First~~ Second Revised

RATE SCHEDULE GSLD
GENERAL SERVICE-LARGE DEMAND

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable to commercial, industrial and municipal service with a measured demand of 500 KW but less than 5000 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 500 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service

Three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage.

Monthly Rate

Customer Facilities Charge:

~~\$136.45~~ \$216.83 per customer per month

Demand Charge:

Each KW of Billing Demand ~~\$5.56~~ \$8.84/KW

Base Energy Charge

All KWH ~~0.220~~ 0.350¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet No. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs

See Sheet No. 65 & 66.

(Continued on Sheet No. 48)

Issued by: ~~Jeffrey M. Householder~~ Kevin Webber, President
JAN 01 2019

Effective:

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Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

~~Second~~ Third Revised Sheet No. 49
Cancels ~~First~~ Second Revised Sheet No. 49

*RATE SCHEDULE GSLDT - EXP
GENERAL SERVICE -- LARGE DEMAND
TIME OF USE (EXPERIMENTAL)*

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties. This service is limited to a maximum of 3 customers. This Rate Schedule shall expire on February 8, 2015.

Applicability

Applicable to commercial, industrial and municipal service with a measured demand of 500 KW but less than 5000 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 500 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service

Single or three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage.

Monthly Rate

Customer Facilities Charge:

~~\$136.45~~ 216.83 per customer per month

Demand Charge:

Each KW of Maximum Billing Demand ~~\$5.~~568.84/KW

Base Energy Charge:

All KWH 0.220350¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission normally each year in January. For current purchase power costs included in the tariff see sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Maximum Billing Demand Charge for the currently effective billing demands.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs

See Sheet Nos. 65 & 66.

(Continued on Sheet No. 50)

Issued by: ~~Jeffrey M. Householder~~ Kevin Webber, President
JAN 01 2019

Effective:

Date: October 29, 2019

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

~~Second~~ Third Revised Sheet No. 50
Cancels ~~First~~ Second Revised Sheet No. 50

RATE SCHEDULE GSLD 1
GENERAL SERVICE - LARGE DEMAND 1

Availability

Available within the territory served by the Company in Jackson, Calhoun, and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable to commercial and industrial services of customers contracting for at least 5,000 kilowatts of electric service.

Character of Service

Three-phase, 60 hertz, electric service delivered and metered at a single point at the available transmission voltage, nominally 69,000 volts or higher.

Monthly Base Rates

Customer Facilities Charge:	\$844,941,342.67
Base Transmission Demand Charge:	\$1,572.50/KW of Maximum/NCP Billing Demand
Excess Reactive Demand Charge:	\$0.3860/kVar of Excess Reactive Demand

Purchased Power Charges (See Sheet 52 for descriptions)

The Purchased Power Charges recover Energy and Demand Charges billed to FPUC by FPUC's Wholesale Energy Provider and Wholesale Cogeneration Provider including applicable line losses and taxes. Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For correct purchased power charges included in the tariff, see Sheet No. 70 & 71.

Minimum Bill

The minimum monthly bill is the sum of the Transmission Demand Charge and the Customer Charge plus any Purchased Power Charges attributed to Transmission Demand Fuel Charge.

Terms of Payment

Bills are rendered net and due and payable within twenty (20) days from date of bill.

Conservation Costs

See Sheet Nos. 65 & 66.

Franchise Fee Adjustment

Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

(Continued on Sheet No. 51)

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Florida Public Utilities Company
F.P.S.C. Electric Tariff
Sheet No. 52
Third Revised Volume No. I

~~Second~~ Third Revised Sheet No. 52
Cancels ~~First~~ Second Revised

*RATE SCHEDULE SB
STANDBY SERVICE*

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable only to customers which are self-generators with capabilities of serving the customer's full electronic power requirements and that require backup and/or maintenance service on a firm basis. This rate schedule is not applicable to self-generating customers for supplemental service.

Character of Service

Single or three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage. The contract demand shall not exceed the KW capacity of customer's generator.

Monthly Rate

Customer Facilities Charge:

- (a) For those customers who have contracted for standby service capacity of less than 500 KW-
\$~~104.96~~ 166.79.
- (b) For those customers who have contracted for standby service of 500 KW or greater-
\$~~844.94~~ 1,342.67.

Local Facilities Charge:

- (a) For those customers who have contracted for standby service capacity of less than 500 KW- \$~~2,734.34~~ 34/KW.
- (b) For those customers who have contracted for standby service of 500 KW or greater -
\$~~0.68~~ 1.08/KW.

Purchased Power Charges

Demand and energy used by the customer in any month shall be charged at the then currently effective rates of the Company's wholesale supplier adjusted for estimated line losses and applicable taxes. Such charges will consist of Coincident Peak (CP) Demand charge and an energy charge. The CP Demand shall be the customer's measured KW coincident in time with that of the Company's maximum monthly demand at the substation serving the system to which the customer is connected. The energy charge shall be applied to the measured KWH during the billing period and shall be based on the actual energy charge (including fuel charges) of the Company's wholesale supplier during the billing period.

The currently effective rates of the Company's wholesale supplier would result in the following demand and energy charges for purchased power after adjustment for estimated line losses and applicable taxes. These are shown for illustrative purposes only. Actual purchased power rates in effect at the time of use shall be used for determining the monthly unit charges.

CP Demand Charge - Each KW of CP Demand	\$5.62/KW
Energy Charge - All	<u>3.7743.583¢</u>

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01-2019

Effective: JAN

Docket No. 20190156-EI
Date: October 29, 2019

Attachment

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Sheet No. 52
Third Revised Volume No. I

~~Second~~ Third Revised Sheet No. 52
Cancels ~~First~~ Second Revised

(Continued on Sheet No. 53)

Issued by: ~~Jeffrey M. Householder~~ Kevin Webber, President
01-2019

Effective: JAN

Florida Public Utilities Company
F.P.S.C. Electric Tariff
No. 56
Third Revised Volume No. 1

Second Third Revised Sheet No. 56
Cancels First Second Revised Sheet

RATE SCHEDULE LS
LIGHTING SERVICE

Availability

Available within the territory served by the Company in Calhoun, Jackson and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable to any customer for non-metered outdoor lighting service.

Character of Service

Lighting service from dusk to dawn as described herein.

Limitations of Service

Service is limited to lighting by high-pressure sodium vapor or metal halide lamps mounted on company poles as described herein. Company-owned facilities will be installed only on Company-owned poles.

Monthly Rate

When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Type	Lamp	Size	KWH/Mo.	Facilities	Maintenance*	Energy	Total
Facility	Lumens	Watts	Estimate	Charge	Charge	Charge	Charge
<u>High Pressure Sodium Lights</u>							
Acorn	16,000	150	61	\$17.0627.11	\$2.163.43	\$2.774.40	\$21.9934.94
ALN 440	16,000	150	61	\$24.3338.66	\$2.884.58	\$2.774.40	\$29.98 47.64
Amer. Rev.	9,500	100	41	\$8.38 13.32	\$2.85 4.53	\$1.872.97	\$13.1020.82
Amer. Rev.	16,000	150	61	\$7.8512.47	\$2.894.59	\$2.774.40	\$13.5121.46
Cobra Head	9,500	100	41	\$6.29 10.00	\$1.83 2.91	\$1.872.97	\$9.99 15.88
Cobra Head	22,000	200	81	\$8.4813.48	\$2.19 3.48	\$3.695.86	\$14.3622.82
Cobra Head	28,500	250	101	\$10.0816.02	\$2.894.59	\$4.597.29	\$17.5627.90
Cobra Head	50,000	400	162	\$9.4114.95	\$2.403.81	\$7.4011.76	\$19.2130.52
Flood	28,500	250	101	\$9.8615.67	\$2.103.34	\$4.597.29	\$16.5526.30
Flood	50,000	400	162	\$15.4724.58	\$1.973.13	\$7.4011.76	\$24.8439.47
Flood	130,000	1,000	405	\$19.38 30.80	\$2.60 4.13	\$18.46 29.33	\$40.44 64.26
SP2 Spectra	9,500	100	41	\$21.51 34.18	\$2.69 4.27	\$1.872.97	\$26.0741.42
<u>Metal Halide Lights</u>							
ALN 440	16,000	175	71	\$23.2836.99	\$2.263.59	\$3.265.18	\$28.8045.76
Flood	50,000	400	162	\$10.5016.69	\$1.923.05	\$7.4011.76	\$19.8231.50
Flood	130,000	1,000	405	\$17.8728.40	\$2.534.02	\$18.4629.33	\$38.8661.75
Shoebox	16,000	175	71	\$19.6631.24	\$2.544.04	\$3.265.18	\$25.4640.46
Shoebox	28,500	250	101	\$20.9333.26	\$2.844.51	\$4.597.29	\$28.3645.06
SP2 Spectra	9,500	100	41	\$21.3433.91	\$2.60 4.13	\$1.872.97	\$25.8141.01
Vertical Shoebox	130,000	1,000	405	\$22.06 35.05	\$2.884.58	\$18.4629.33	\$43.4068.96

Issued by: ~~Jeffrey M. Householder~~ Kevin Webber, President
2019

Effective: JAN—01

Docket No. 20190156-EI
Date: October 29, 2019

Attachment

Florida Public Utilities Company
F.P.S.C. Electric Tariff
No. 56
Third Revised Volume No. I

~~Second~~ Third Revised Sheet No. 56
Cancels ~~First~~ Second Revised Sheet

(Continued on Sheet No. 57)

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2019

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Florida Public Utilities Company
F.P.S.C. Electric Tariff
Sheet No. 57
Third Revised Volume No. I

Second ~~Third~~ Revised Sheet No. 57
Cancels ~~First-Second~~ Revised

*RATE SCHEDULE LS
LIGHTING SERVICE*

(Continued from Sheet No. 56)

Charges for other Company-owned facilities:

1)	30' Wood Pole	\$ 4.186.64
2)	40' Wood Pole Std	\$ 9.2914.76
3)	18' Fiberglass Round	\$ 8.6513.75
4)	13' Decorative Concrete	\$ 12.2619.48
5)	20' Decorative Concrete	\$ 14.2322.61
6)	35' Concrete Square	\$ 13.7221.80
7)	10' Deco Base Aluminum	\$ 16.0925.57
8)	30' Wood Pole Std	\$ 4.647.37

For the poles shown above that are served from an underground system, the Company will provide up to one hundred (100) feet of conductor to service each fixture. The customer will provide and install the necessary conduit system to Company specifications.

Purchased Power Charges

Purchased power charges are adjusted annually by the Florida Public Service Commission. For current purch

Minimum Bill

The above rates times the number of lamps connected.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs

See Sheet No. 65 & 66.

Conservation Costs

See Sheet No. 65 & 66.

Franchise Fee Adjustment

Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

(Continued on Sheet No. 58)

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01-2019

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Florida Public Utilities Company
F.P.S.C. Electric Tariff
No. 59
Third Revised Volume No. I

~~Second~~ Third Revised Sheet No. 59
Cancels ~~First~~ Second Revised Sheet

RATE SCHEDULE OS1
MERCURY VAPOR LIGHTING SERVICE
(Closed To New Installations)

(Continued from Sheet No. 58)

Availability

Available within the territory served by the Company in Calhoun, Jackson and Liberty Counties and on Amelia Island in Nassau County.

Applicability

Applicable to customer for mercury vapor lighting service.

Character of Service

Lighting service from dusk to dawn as described herein.

Limitations of Service

Service is limited to lighting by mercury vapor lamps of 7,000 or 20,000 initial level of lumens mounted on wood poles, as described herein.

Monthly Rate

When lighting fixtures are mounted on existing poles and served directly from existing overhead secondary distribution lines:

Lamp Size	KWH/Mo.	Facilities	Maintenance*	Energy	Total
<u>Lumens</u>	<u>Estimate</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>
7,000	72	\$1-241.92	\$1-071.70	\$3-205.09	\$5-488.71
20,000	154	\$1-332.11	\$1-151.83	\$6-89 10.95	\$9-37 14.89

For concrete or fiberglass poles and/or underground conductors, etcetera, the customer shall pay a lump sum amount equal to the estimated differential cost between the special system and the equivalent overhead-wood pole system.

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The above rates times the number of lamps connected.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

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2019

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Docket No. 20190156-EI
Date: October 29, 2019

Attachment

Florida Public Utilities Company
F.P.S.C. Electric Tariff
No. 59
Third Revised Volume No. I

~~Second~~ Third Revised Sheet No. 59
Cancels ~~First~~ Second Revised Sheet

(Continued on Sheet No. 60)

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2019

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Florida Public Utilities Company
F.P.S.C. Electric Tariff
Sheet No. 61
Third Revised Volume No. I

~~Second~~ Third Revised Sheet No. 61
Cancels ~~First~~ Second Revised

*RATE SCHEDULE IS-EXP
INTERRUPTIBLE (EXPERIMENTAL)*

Availability

Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties. This service is limited to a maximum of 4 customers. This Rate Schedule shall expire on February 8, 2015.

Applicability

Applicable to customers eligible for Rate Schedule GSLD with a load factor equal to or exceeding 35% and who have executed a Special Contract approved by the Commission. The company reserves the right to limit the total load and type customer served under this rate. Accounts established under this rate will be limited to premises where the interruption will primarily affect the customer, its employees, agents, lessees, tenants and guests and will not significantly affect members of the general public nor interfere with functions performed for the protection of public health or safety.

Character of Service

Three-phase service at available standard voltage.

Limitations of Service

Service shall be at a single metering point at one voltage. Interruptible service under this rate is subject to interruption during any On-Peak time period that the Company elects to notify customer, with a minimum of two (2) hours notice, that the customer must fully interrupt taking electric power from the Company. The Company is limited to an On-Peak period maximum of 200 hours of required interruption per year per customer.

Monthly Rate

Customer Facilities Charge:

~~\$136.45~~ \$16.83 per customer per month

Demand Charge:

Each KW of Billing Demand

~~\$ 5.56~~ \$8.84/KW

Base Energy Charge:

All KWH 0.220 ~~350¢~~ 50¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Issued by: ~~Jeffrey M. Householder~~ Kevin Webber, President
01-2019

Effective: ~~JAN~~

Item 8

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: October 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Doehling, Ellis, Lewis, Salvador, Thompson, O. Wooten, Wright) *JD*

Division of Accounting and Finance (Higgins) *zh mcb*

Division of Economics (Barrett, Morgan, Redda, Rogers, Wu) *ALM TTS*

Office of the General Counsel (DuVal, Dziechciarz, King, Murphy, Weisenfeld) *AD*

Office of Industry Development and Market Analysis (Bremner, Roberts) *BE*

RE: Docket No. 20190015-EG – Commission review of numeric conservation goals (Florida Power & Light Company).

Docket No. 20190016-EG – Commission review of numeric conservation goals (Gulf Power Company).

Docket No. 20190017-EG – Commission review of numeric conservation goals (Florida Public Utilities Company).

Docket No. 20190018-EG – Commission review of numeric conservation goals (Duke Energy Florida, LLC).

Docket No. 20190019-EG – Commission review of numeric conservation goals (Orlando Utilities Commission).

Docket No. 20190020-EG – Commission review of numeric conservation goals (JEA).

Docket No. 20190021-EG – Commission review of numeric conservation goals (Tampa Electric Company).

AGENDA: 11/05/19 – Regular Agenda – Post-Hearing Decision – Participation is Limited to Commissioners and Staff

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: Pursuant to Section 366.82(6), F.S., the Commission must review conservation goals at least every five years. New conservation goals must be set by January 1, 2020.

SPECIAL INSTRUCTIONS: None

Docket Nos. 20190015-EG, 20190016-EG, 20190017-EG, 20190018-EG,
20190019-EG, 20190020-EG, 20190021-EG
Date: October 24, 2019

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Date: October 24, 2019

List of Acronyms

ACE	Affordable Clean Energy
CC	Combined Cycle
CO ₂	Carbon Dioxide
CT	Combustion Turbine
DEF	Duke Energy Florida, LLC
DR	Demand Response
DSM	Demand-Side Management
DSRE	Demand-Side Renewable Energy
EE	Energy Efficiency
EPA	Environmental Protection Agency
F.A.C.	Florida Administrative Code
FDACS	Florida Department of Agriculture and Consumer Services
FEECA	Florida Energy Efficiency and Conservation Act
FIPUG	Florida Industrial Power Users Group
FPL	Florida Power & Light Company
FPUC	Florida Public Utilities Company
F.S.	Florida Statutes
GHG	Greenhouse gases
Gulf	Gulf Power Company
GW / GWh	Gigawatt / Gigawatt-hour
kW / kWh	Kilowatt / kilowatt-hour
LULAC	Florida League of United Latin American Citizens
MW / MWh	Megawatt / Megawatt-hour
NEL	Net energy for load
Nexant	Nexant, Inc.
OEP	Order Establishing Procedure
OPC	Office of Public Counsel
OUC	Orlando Utilities Commission
PCS	White Springs Agriculture Chemicals, Inc. d/b/a PCS Phosphate-White Springs
PV	Photovoltaic
RIM	Rate Impact Measure
SACE	Southern Alliance for Clean Energy
TECO	Tampa Electric Company
TP	Technical Potential
TRC	Total Resource Cost
Walmart	Walmart Inc.

Case Background

Sections 366.80 through 366.85, and 403.519, Florida Statutes (F.S.), are known collectively as the Florida Energy Efficiency and Conservation Act (FEECA). The seven electric utilities subject to FEECA, collectively known as the FEECA Utilities, are Florida Power & Light Company (FPL), Duke Energy Florida, LLC (DEF), Tampa Electric Company (TECO), Gulf Power Company (Gulf), Florida Public Utilities Company (FPUC), JEA, and Orlando Utilities Commission (OUC). Pursuant to Section 366.82(6), F.S., the Commission must review the conservation goals of each utility subject to FEECA at least every five years. Conservation goals were last established for the FEECA Utilities by Order No. PSC-14-0696-FOF-EU (2014 Goalsetting Order), issued December 16, 2014.¹ Therefore, new goals must be established by January 2020.

Informal meetings were held on June 20 and October 24, 2018, with the FEECA Utilities and interested parties to discuss the current numeric goals proceeding. In an effort to streamline and reduce the need for discovery, staff recommended and the parties agreed to perform a new technical potential study. Further, parties discussed minimum testimony requirements and what level of analysis could be reasonably conducted by the parties within the timeframe of the dockets. On January 15, 2019, seven dockets were established to set numeric conservation goals for each of the FEECA Utilities, the sixth such proceeding.

By Order No. PSC-2019-0062-PCO-EG (Order Establishing Procedure or OEP), issued February 18, 2019, the dockets for each of the FEECA Utilities were consolidated for purposes of hearing and controlling dates, and a tentative list of issues were established. The OEP also established minimum testimony requirements for the FEECA Utilities, in order to further streamline the process. For example, the FEECA Utilities were required to provide a base case scenario that included the effect of free-ridership and did not include costs associated with the regulation of carbon dioxide (CO₂) emissions.²

The Commission acknowledged the intervention of the Office of Public Counsel (OPC) on February 26, 2019.³ The Southern Alliance for Clean Energy (SACE) was granted leave to intervene on April 17, 2019.⁴ The Florida Department of Agriculture and Consumer Services (FDACS) was granted leave to intervene on April 23, 2019.⁵ The Florida Industrial Power Users Group (FIPUG) was granted leave to intervene on May 22, 2019.⁶ White Springs Agriculture Chemicals, Inc. d/b/a PCS Phosphate – White Springs (PCS) was granted leave to intervene on

¹Order No. PSC-14-0696-FOF-EU, issued December 16, 2014, in Docket No. 20130199-EI, *In re: Commission review of numeric conservation goals (Florida Power & Light Company)*, Docket No. 20130200-EI, *In re: Commission review of numeric conservation goals (Duke Energy Florida, Inc.)*, Docket No. 20130201-EI, *In re: Commission review of numeric conservation goals (Tampa Electric Company)*, Docket No. 20130202-EI, *In re: Commission review of numeric conservation goals (Gulf Power Company)*, Docket No. 20130203-EM, *In re: Commission review of numeric conservation goals (JEA)*, Docket No. 20130204-EM, *In re: Commission review of numeric conservation goals (Orlando Utilities Commission)*, and Docket No. 20130205-EI, *In re: Commission review of numeric conservation goals (Florida Public Utilities Company)*.

² Free-ridership and CO₂ regulation costs are discussed in Issues 7 and 5, respectively.

³Order No. PSC-2019-0080-PCO-EG, issued February 26, 2019 (OPC).

⁴Order No. PSC-2019-0137-PCO-EG, issued April 17, 2019 (SACE).

⁵Order No. PSC-2019-0146-PCO-EG, issued April 23, 2019 (FDACS).

⁶Order No. PSC-2019-0182-PCO-EG, issued May 22, 2019 (FIPUG).

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May 23, 2019.⁷ Walmart Inc. (Walmart) was granted leave to intervene on May 23, 2019.⁸ The Florida League of United Latin American Citizens (LULAC) was granted leave to intervene on July 25, 2019.⁹

The Commission held an evidentiary hearing on August 12 and 13, 2019. This recommendation addresses each FEECA Utility's petition for approval of its numeric conservation goals. The Commission has jurisdiction over this matter pursuant to Sections 366.80 through 366.82, F.S.

⁷Order No. PSC-2019-0185-PCO-EG, issued May 23, 2019 (PCS).

⁸Order No. PSC-2019-0186-PCO-EG, issued May 23, 2019 (Walmart).

⁹Order No. PSC-2019-0293-PCO-EG, issued July 25, 2019 (LULAC).

Executive Summary

Promoting cost-effective energy efficiency is as relevant today as in 1980, when FEECA was enacted. FEECA emphasizes reducing the growth rates of weather-sensitive peak demand, reducing and controlling the growth rates of electricity consumption, reducing the consumption of expensive resources such as petroleum fuels, and encouraging demand-side renewable energy resources (DSRE). Section 366.82(2), F.S., requires the Commission to set appropriate goals for each of the FEECA Utilities. Section 366.82(3), F.S., and the Commission's implementing rule, Rule 25-17.0021, Florida Administrative Code (F.A.C.), outline the multiple factors the Commission must consider when setting appropriate conservation goals. As neither the Statute nor Rule has been substantially modified in the past ten years, the issues in the instant proceeding are significantly similar to the issues from the 2009 and 2014 Goalsetting Proceedings.

As the name implies, demand-side management (DSM) is a demand-side or customer-side resource. DSM is the result of customers adopting measures or behaviors to modify their consumption of electricity. As a baseline, all customers are subject to mandatory Florida Building Codes and federal appliance efficiency standards (Codes and Standards). Also, consumer education is key to making wise energy choices. Customer choice plays an essential role in reducing the growth rates of electric demand and energy in Florida. Smaller, more efficient homes, energy-efficient appliances, and behavioral changes are areas in which customers may actively be involved with electric energy efficiency. Energy education can come from many sources, including the Commission and the FEECA Utilities, and empowers customers to take voluntary actions that have a direct impact on their monthly bills. As the mandatory energy efficiency baseline determined by Codes and Standards has increased and education has encouraged further voluntary energy efficiency, customers have continued to reduce their average per capita energy consumption over the last decade for all customer classes.

Utilities design DSM programs to encourage energy efficiency beyond current Codes and Standards. The resulting level of realized savings is uncertain because it relies on voluntary participation. Utility DSM programs are an alternative to investments in infrastructure for generation, transmission, and/or distribution. As such, DSM measures (i.e. individual devices) are analyzed like other resource options to ensure cost-effectiveness for all customers. Factors which can impact the cost-effectiveness of DSM measures include customer usage, fuel forecasts, emissions forecasts, and the cost of planned generation additions. Many of these factors are beyond the utilities' control and the uncontested evidence in the record supports a continued decrease in the cost-effectiveness of utility-sponsored DSM measures. For example, the average fuel price forecast for natural gas is approximately half the value assumed in the 2014 Goalsetting Proceeding. In other words, all else being equal, incremental utility DSM is projected to be less cost-effective now than it was five years ago. However, overall energy efficiency is improving as Codes and Standards and customers' voluntary adoption of measures based on education have increased.

Using a similar methodology as the 2009 and 2014 Goalsetting Proceedings, the FEECA Utilities collected data, performed a detailed technical potential analysis, and then conducted a series of cost-effectiveness analyses. Each DSM measure was evaluated with both the Rate Impact

Measure (RIM) Test and the Total Resource Cost (TRC) Test alongside the Participants Test.¹⁰ This process resulted in overall cumulative proposed goals for the FEECA Utilities that are lower than those approved in the 2014 Goalsetting Order. Unlike the earlier Goalsetting Proceedings, the RIM cost-effectiveness analysis, based on current projections, results in goals of zero demand and energy in all categories for FPUC, JEA, and OUC, and zero residential demand and energy for Gulf. While the Commission has previously approved goals of zero based on a RIM Test analysis for the municipal utilities, this would be the first time it would establish zero goals for investor-owned utilities.¹¹

FEECA requires the Commission to adopt cost-effective and appropriate goals based upon a detailed analysis of current DSM measure savings and utility avoided costs. As discussed above, many of the factors that impact the cost-effectiveness of incremental utility DSM are outside of the FEECA Utilities' control. Based on the record, staff recommends the continued use of the RIM and Participants Tests to provide an appropriate amount of DSM that is cost effective to the general body of ratepayers. Using the RIM and Participants Tests addresses concerns regarding subsidies between those who can participate in DSM measures and those who cannot, such as renters, and ensures cost-effectiveness for all customers. While this recommendation results in zero goals for some investor-owned utilities for the first time, it is based on a methodology and technical analysis that is valid and consistent with legal requirements, and therefore is appropriate. In addition, it has been vetted several times by the Commission.

Pursuant to Section 366.82(7), F.S., and Rule 25-17.0021(4), F.A.C., each of the FEECA Utilities must file a DSM Plan to meet the goals established by this proceeding. In that future Commission proceeding for approval of their DSM Plans, the FEECA Utilities will offer specific cost-effectiveness analyses on their DSM program offerings. While the DSM goals are set based on a calculation of the sum of standalone measures, utility DSM programs may come in a variety of forms and combine measures that may not individually be cost-effective. As the DSM Plan will be evaluated on a program basis instead of an individual measure basis, the cost-effectiveness analysis may change to allow some programs to pass the RIM Test and produce additional savings for the general body of ratepayers. Staff recommends that the Commission encourage the FEECA Utilities to be flexible with their program design, potentially bundling cost-effective measures with other measures, as well as other techniques which may improve the energy efficiency savings beyond the individual measure evaluations in the current Goalsetting Proceeding. Staff recommends that the Commission should further encourage the FEECA Utilities to address all market segments to allow for the maximum opportunity for customer participation. For those programs that do not pass the RIM Test, staff recommends that the investor-owned utilities demonstrate why such programs are in the public interest in order to seek cost recovery. Doing this will give the Commission an opportunity to consider cost-effectiveness and the resulting rate impact of these programs and make the ultimate determination whether they should be eligible for recovery through the Energy Conservation

¹⁰ The RIM, TRC, and Participants Tests are defined by Rule 25-17.008, F.A.C., and are discussed in Issues 2 and 3. The Participants Test determines if a DSM measure is economic for an individual customer. The RIM and TRC Tests determine if a DSM measure is economic for the general body of ratepayers.

¹¹ Order No. PSC-04-0768-PAA-EG, issued August 9, 2004, in Docket No. 20040030-EG, *In re: Petition for approval of numeric conservation goals by JEA*, and Order No. PSC-04-0767-PAA-EG, issued August 9, 2004, in Docket No. 20040035-EG, *In re: Petition for approval of numeric conservation goals by Orlando Utilities Commission*.

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Cost Recovery Clause. Further, although Section 366.82(8), F.S., authorizes financial rewards, staff recommends that the investor-owned utilities receive no reward for meeting goals based on the RIM and Participants Tests, especially those utilities with zero goals.

All the FEECA Utilities, including those with zero goals, will continue to offer energy audits as required by FEECA, which will help educate customers about voluntary measures and behavioral changes they can make to reduce their energy consumption. Staff recommends that the Commission encourage the FEECA Utilities to include in their DSM Plans programs to educate customers on implementing energy efficiency measures with a two-year or shorter payback, especially those measures that may be applicable to renters and low-income households.

Section 366.82(2), F.S., requires the Commission to establish appropriate goals for DSRE systems. During the 2009 Goalsetting Proceeding, none of the systems were found to be cost-effective. However, the Commission directed the IOUs to develop pilot projects for DSRE systems. In the 2014 Goalsetting Order, the Commission found that the solar pilot programs “are not cost-effective and experience gained since the last goals proceeding indicates that consumers have continued to install systems without any rebates.”

The record in the current proceeding also indicates that DSRE systems are not cost-effective using either the RIM or the TRC test. However, the installation of DSRE systems continues to grow without any utility incentives. Such growth indicates that the Commission’s net metering rule is an appropriate mechanism to encourage the development of these systems.

Discussion of Issues

Issue 1: Are the Company's proposed goals based on an adequate assessment of the full technical potential of all available demand-side and supply-side conservation and efficiency measures, including demand-side renewable energy systems, pursuant to Section 366.82(3), F.S.?

Recommendation: Yes. The FEECA Utilities retained the consulting firm Nexant, Inc. (Nexant) to independently analyze each utility's energy and demand savings technical potential (TP). Nexant employed the same methodology in the evaluation of each TP analysis and collaborated with the FEECA Utilities and SACE to develop a robust list of DSM measures for inclusion. Nexant's methodology adequately assesses the full amount of energy and demand savings technically feasible from implementation of those DSM measures considered. (Wright)

Position of the Parties:

- FPL:** Yes. An outside consultant, Nexant, performed the Technical Potential Study for each of the FEECA Utilities. The analysis required extensive iterative work and continuous collaboration to ensure that it was comprehensive and resulted in a thorough and wide-ranging reassessment of conservation and efficiency measures.
- GULF:** Yes. Through the robust and thorough Market Potential Study performed by Nexant, Inc., Gulf has performed an adequate assessment of the full technical potential of all available demand-side conservation and energy measures, including demand-side renewables. An assessment of supply-side conservation and efficiency measures is outside the scope of this docket.
- FPUC:** Yes. The Company's proposed goals for the next planning period are based upon the Company's most recent planning process and reflect a full and complete analysis of a wide range of available DSM measures and supply-side conservation and efficiency measures consistent with Section 366.82, Florida Statutes. The technical potential study performed by Nexant provided an adequate assessment of the full technical potential of these measures, including assessment of demand-side renewable energy systems.
- DEF:** Yes, the technical potential, that is the basis for the proposed goals, includes an evaluation of all potential demand-side conservation and efficiency measures and demand-side renewable energy systems. Demand-side renewable energy systems were evaluated based on the same cost effectiveness standards that were used to evaluate other energy efficiency measures. No renewable measures were found to be cost-effective and therefore, none are included in the proposed goals.

- OUC:** Yes. OUC's proposed goals are based on a sound assessment of the full technical potential of all available demand-side and supply-side conservation and efficiency measures, including demand-side renewable energy resources.
- JEA:** Yes. JEA's proposed goals are based on an adequate assessment of the full technical potential of all available demand-side and supply-side conservation and efficiency measures, including demand-side renewable energy systems. JEA engaged Nexant to evaluate DSM measures in JEA's service territory. Nexant analyzed the technical potential for energy efficiency, demand response, and demand side renewable energy across customer classes for the 2020-2029 time period. For JEA, Nexant also analyzed economic potential and achievable potential.
- TECO:** Yes. Tampa Electric worked in concert with the other FEECA utilities and Nexant to develop a new Technical Potential Study. This new Technical Potential Study for Tampa Electric was based upon the full load forecast for the company which ensures the proposed goals are based on an adequate assessment of the full technical potential of all available demand-side and efficiency measures, including demand-side renewable energy systems, pursuant to Section 366.82(3), F.S.
- OPC:** It appears that Nexant performed an adequate assessment of the full technical potential of all available demand-side conservation and efficiency measures for all FEECA utilities. However, the double application of naturally occurring efficiency in the technical potential stage and free-ridership screen in the economic potential stage of the analysis of FEECA inappropriately reduce the potential DSM goals to be established by the Commission.
- FDACS:** The goals proposed by the FEECA Utilities appear to be an adequate assessment of the full technical potential of all *available and cost-effective* demand-side and supply-side conservation and efficiency measures.
- SACE & LULAC:** No. Among other things, the utilities ignore the possibility of early retirement of measures and overinflate the labor costs to install certain measures, increasing the applicable costs.
- PCS:** No position.
- WALMART:** No position.
- FIPUG:** No position at this time.

Parties' Arguments

The FEECA Utilities assert that they jointly engaged Nexant to conduct individual TP analyses for each utility in a manner consistent with industry standards, the requirements of FEECA, and previous TP studies used for Commission FEECA goalsetting purposes. (FPL BR 7-8; DEF BR 5; TECO BR 3; Gulf BR 2-3; FPUC BR 5, 9; JEA BR 2-3; OUC BR 19) The FEECA Utilities argue that Nexant's TP analysis evaluated an expansive list of DSM measures resulting from collaboration between the FEECA Utilities, Nexant, and SACE. (FPL BR 8; DEF BR 5; TECO BR 3-4; Gulf BR 9-10; FPUC BR 6; JEA BR 4; OUC BR 3) The FEECA Utilities and OPC assert that Nexant performed an adequate assessment of the full technical potential. (FPL BR 8-9; DEF BR 5; TECO BR 3-4; Gulf BR 2-3; FPUC BR 8; JEA BR 3; OUC BR 17; OPC BR 4)

The FEECA Utilities assert that there has been a significant increase in mandated energy efficiency as a result of changes to Codes and Standards which has dramatically reduced the potential savings achievable through DSM programs. (FPL BR 3, 25; DEF BR 7; TECO BR 8; Gulf BR 2; FPUC BR 13; JEA BR 4; OUC BR 19) FDACS argues that Codes and Standards have reduced the level of appropriate conservation goals and the need for utility-sponsored DSM programs. (FDACS BR 19)

SACE & LULAC argue that Nexant's TP study underestimates the true TP for demand-side energy conservation. (SACE & LULAC BR 24) SACE & LULAC and OPC assert that Nexant's TP analysis inappropriately accounted for customers' continued adoption of DSM measures in the absence of utility-sponsored programs, so called natural DSM, by both removing natural DSM from the utility baseline forecasts and applying a free-ridership screen in the economic potential stage. (SACE & LULAC BR 18; OPC BR 4) SACE & LULAC also argue that Nexant failed to consider early retirement of measures. (SACE & LULAC BR 24) PCS, Walmart, and FIPUG took no position on this issue.

Analysis

Collaboration and the Technical Potential Process

Section 366.82(3), F.S., states in relevant part that in developing DSM goals, the Commission "shall evaluate the full technical potential of all available demand-side and supply-side conservation and efficiency measures . . ." Consistent with the Order Establishing Procedure, the FEECA Utilities have addressed their continuing efforts to incorporate supply-side conservation and efficiency measures into their resource planning. FPL witness Koch, DEF witness Cross, and OUC witness Noonan have asserted that their respective utilities continually evaluate the potential for supply-side measures to improve the efficiencies of their generation, transmission, and distribution systems as part of ongoing planning processes. (TR 81, 593-594, 702) JEA witness Wucker stated that JEA continually monitors the operation of its generating units to utilize the system in the most efficient manner. (TR 758) TECO witness Roche and Gulf witness Floyd noted that their utilities also routinely consider supply-side energy efficiency measures in their planning processes, the efforts of which are communicated to the Commission in the filing of their annual Ten-Year Site Plans. (TR 450, 880) FPL witness Koch, DEF witness Cross, and TECO witness Roche each noted that the Commission also evaluates whether supply-side efficiency potentials exist on a utility's system at the time a utility petitions the Commission for a

determination of need for new generation. (TR 81, 593-594, 880) As such, the instant dockets focus on demand-side efficiency measures.

To facilitate the evaluation of demand-side efficiency measures, the FEECA Utilities began a collaborative process in early 2016 to support the development of a new TP study. (TR 840) In July 2017, the FEECA Utilities initiated a request for proposals (RFP) to seek vendors capable of performing such a study. (TR 840) From August 2017 through September 2017, the FEECA Utilities screened and evaluated responses to the RFP, and, on October 2, 2017, selected Nexant to perform the TP study. (TR 63, 320, 755, 840-841)

FEECA Utilities witness Herndon, Vice President in the Strategic and Planning Practice within the Utility Services business unit of Nexant, defined and explained the purpose of a TP study in his testimony:

Its purpose is to identify the theoretical limit to reducing summer and winter electric peak demand and energy. The TP assumes every identified potential end-use measure is installed everywhere it is “technically” feasible to do so from an engineering standpoint regardless of cost, customer acceptance, or any other real world constraints (such as product availability, contractor/vendor capacity, cost effectiveness, normal equipment replacement rates, or customer preferences). Therefore, the TP does not reflect the MW and GWh savings that are achievable through real-world voluntary utility programs, but rather it establishes the theoretical upper bound for DSM potential.
(TR 325)

Witness Herndon stated that Nexant was retained by the FEECA Utilities to independently analyze each utility’s TP and produce seven separate reports, one for each FEECA Utility. (TR 320-321) Witness Herndon stated that the assessment of TP was the same for all seven electric FEECA Utilities. (TR 320) Witness Herndon outlined the major analytical steps leading up to the TP as follows: (1) utility load forecast disaggregation, (2) measure development, and (3) TP analysis. (TR 321-322) Discussion of Nexant’s utility load forecast disaggregation can be found in Issue 8.

Measure Development

Witness Herndon stated that the starting point for measure identification in the 2019 TP analysis was the list of measures used in the 2014 Florida TP Studies. (TR 323) He explained that the FEECA Utilities reviewed this initial list and added and revised proposed measures before providing the combined list to Nexant. (TR 323; EXH 26-32) Nexant then reviewed the list against its DSM measure library, collaborating with the FEECA Utilities to define the parameters for measure inclusion. (TR 323) Witness Herndon described these parameters in his testimony:

Through discussion with the FEECA Utilities, the parameters for measures to be considered were established, and included the following: measures were limited to those that are currently commercially available in Florida; behavioral measures without accompanying physical changes or utility-provided products and tools

were excluded; and fuel-switching measures, other than in the context of DSRE measures, were excluded.
(TR 323)

Witness Herndon contended that, through an iterative process with the FEECA Utilities, Nexant developed a proposed measure list at the appropriate granularity to apply to the disaggregated utility load forecasts. (TR 323) He also stated that this proposed measure list was shared with SACE, whose input was gathered and considered by Nexant and the FEECA Utilities. (TR 323; EXH 26-32) The results of this consideration were incorporated into a final list of DSM measures for inclusion in the 2019 TP analysis. (EXH 26-32)

The final DSM measure list used in the 2019 TP analysis consists of 278 unique measures, including 248 energy efficiency (EE) measures, 21 demand response (DR) measures, and 9 DSRE measures, that address end-uses at residential, commercial, and industrial facilities in the FEECA Utilities' service territories. (TR 324; EXH 33) When compared to the list of measures used in the 2014 Florida TP Studies, the final DSM measure list used in the 2019 TP analysis includes 107 additional measures and excludes 12 measures. (TR 324; EXH 34) All 12 excluded measures were EE measures, with no DR or DSRE measures being excluded. (EXH 34) Six measures were excluded because they were behavioral measures, two measures because more efficient measures were included in the list, and four measures because changes in Codes and Standards mandate higher energy efficiency minimums than the measures themselves. (TR 71; EXH 167)

Witness Herndon stated that, following the selection of measures to be included in the TP analysis, the next step was to develop individual measure specifications, including quantified demand and energy savings and equipment useful life. (TR 325) These measure specifications were then applied to the disaggregated utility load forecasts to estimate TP in each FEECA Utility's service territory. (TR 325)

Based on the above analysis, staff recommends that the methodology employed by the FEECA Utilities and Nexant in developing the list of DSM measures evaluated in the 2019 TP analysis is adequate for goalsetting purposes.

Energy and Demand Savings Technical Potential

Nexant employed different methodologies to quantify the EE, DR, and DSRE TPs in its analysis. (TR 326-332) The EE TP was developed using Nexant's Microsoft Excel-based EE modeling tool, TEA-POT. (EXH 26-32) Witness Herndon contended that this model projects measure savings as a percentage of the baseline energy consumption when applied to a utility's disaggregated load forecast. The model employs saturation share factors and measure savings ranking to account for measure interaction and overlap, respectively. (TR 327, 329; EXH 169, 172) In comparing Nexant's use of the TEA-POT model to ITRON's 2009 TP study, witness Herndon stated that both approaches appear generally similar and consistent, with one difference being that ITRON's study applied measure savings to individual units of consumption. (EXH 172) Witness Herndon stated that Nexant does not believe this different approach would materially affect the outcome of their analysis. (EXH 172)

Witness Herndon stated that the DR TP was developed by focusing on “the end-uses available for curtailment during peak periods and the magnitude of load within each of these end-uses that is beyond existing DR enrollment for each utility.” (TR 328) Witness Herndon outlined the end-uses examined in Nexant’s analysis:

Nexant’s approach assumed that large C&I customers will forego virtually all electric demand temporarily if the financial incentive is large enough. For residential and small C&I customers, TP for DR is limited by the loads that can be controlled remotely at scale. For this study, it was assumed that summer DR capacity for residential customers was comprised of air conditioning (A/C), pool pumps and water heaters. For small C&I customers, summer capacity was based on A/C load. For winter capacity, residential DR capacity was based on electric heating loads, pool pumps, and water heaters. For small C&I customers, winter capacity was based on heating load.
(TR 329)

The result of Nexant’s EE and DR TP analysis for each FEECA Utility can be found in Table 1-1. For most utilities, summer and winter demand TP has increased from prior years. Staff believes the additional TP captured by the expanded measures list used in Nexant’s analysis most likely contributes to the increase. Annual energy TP has decreased for most utilities, reflecting the impacts of improvements in Codes and Standards. (TR 81; EXH 176)

Table 1-1
Technical Potential Changes (Energy Efficiency and Demand Response)

Utility	Summer Demand (MW)			Winter Demand (MW)			Annual Energy (GWh)		
	2014	2019	Diff.	2014	2019	Diff.	2014	2019	Diff.
FPL	9,215	16,298	7,083	6,802	13,314	6,512	31,468	26,747	(4,721)
DEF	3,657	6,246	2,589	2,468	6,294	3,826	12,073	9,431	(2,642)
TECO	1,809	3,537	1,728	1,251	2,901	1,650	5,961	4,483	(1,478)
Gulf	1,005	1,580	575	695	1,425	730	3,253	2,569	(684)
FPUC*	266	88	(178)	247	86	(161)	123	137	14
JEA	1,349	1,740	391	1,072	2,006	934	3,136	3,005	(132)
OUC*	419	479	60	273	192	(81)	1,808	1,754	(54)

Source: EXH 100, 126, 153, 167, 204, 228, 240

*FPUC and OUC provided 2009 TP values because both utilities were excused from 2014 filing requirements.

The result of Nexant’s DSRE TP analysis can be found in Table 1-2. Total summer and winter demand savings TP from DSRE measures has decreased from prior years, while annual energy savings potential has increased. Summer demand and annual energy savings TP from commercial and industrial DSRE measures have increased. (EXH 167)

Table 1-2
Technical Potential Changes (Demand-side Renewable Energy)

Utility	Summer Demand (MW)			Winter Demand (MW)			Annual Energy (GWh)		
	2014	2019	Diff.	2014	2019	Diff.	2014	2019	Diff.
FPL	14,055	3,992	(10,063)	2,274	9,400	7,126	38,136	48,274	10,138
DEF	5,054	3,061	(1,993)	827	242	(585)	13,736	21,690	7,954
TECO	2,931	2,215	(716)	448	619	171	7,899	12,266	4,367
Gulf*	89	363	274	326	147	(179)	2,072	2,195	123
FPUC**	117	78	(39)	110	0	(110)	659	477	(182)
JEA	1,526	482	(1,044)	246	0	(246)	4,142	2,965	(1,177)

Source: EXH 100, 126, 153, 167, 228, 240

*All responses, excluding Gulf's response, are for solar photovoltaic (PV) systems only.

**FPUC figures are from 2009, as the Utility was excused from the 2014 Goalsetting Proceeding.

***OUC responses are included in Table 1-1.

Response to Parties

SACE & LULAC's and OPC's arguments asserting Nexant's TP analysis inappropriately accounted for natural DSM by removing natural DSM from utility baseline forecasts are addressed in Issue 8. Their arguments concerning Nexant's TP analysis applying a free-ridership screen in the economic potential stage of the analysis are addressed in Issue 7.

SACE witness Grevatt argued that Nexant's TP analysis unreasonably limited estimates of savings potentials to a measure's natural turnover rate, as opposed to considering early retirement of measures. (TR 956) Witness Grevatt stated that there are some measures for which early retirement can be cost-effective and from which substantial savings can be realized. However, he acknowledged that it is usually true that the costs of efficiency savings are lower at the time of natural turnover of a measure than through early retirement. (TR 956) FEECA Utilities witness Herndon argued that early retirement measures are frequently not cost-effective. (TR 1112) In addition, witness Herndon stated that the effect of adding early retirement as a separate class of customers in the study would be negligible. (TR 1112)

The introduction of an additional population of "early retirement" customers would primarily create a shift between years (i.e., if a customer would have been in the natural replacement population in Year 2 but was included in an assumed early retirement population in Year 1, that customer would shift from Year 2 to Year 1), but the long-term 10-year potential would remain essentially the same because that customer would have been included in the study in either case. (TR 1110)

Staff agrees with witness Herndon, and recommends that the inclusion of early retirement measures, while potentially increasing the short-term TP of energy and demand measures, would not materially impact the long-term TP determined from Nexant's TP analysis. As such, staff recommends that Nexant's treatment of measure retirements in its TP analysis is appropriate for goalsetting purposes.

Conclusion

The FEECA Utilities retained the consulting firm Nexant to independently analyze each utility's energy and demand savings technical potential. Nexant employed the same methodology in the evaluation of each TP analysis and collaborated with the FEECA Utilities and SACE to develop a robust list of DSM measures for inclusion. Nexant's methodology adequately assesses the full amount of energy and demand savings technically feasible from implementation of those DSM measures considered.

Issue 2: Do the Company's proposed goals adequately reflect the costs and benefits to customers participating in the measure, pursuant to Section 366.82(3)(a), F.S.?

Recommendation: Yes. The FEECA Utilities properly considered the costs and benefits to customers participating in the measures included in their goals by utilizing the Participants Test, pursuant to Section 366.82(3)(a), F.S. (Morgan)

Position of the Parties:

- FPL:** Yes. In developing its proposed DSM Goals, FPL used the Participant screening test to analyze the potential cost-effectiveness of DSM measures. The Participant screening test fully accounts for all potential benefits and costs that are received and/or incurred by a potential participant in a DSM measure. Only those measures which pass the Participant screening test have been included in FPL's proposed Goals.
- GULF:** Yes. The measures included in the development of Gulf's goals adequately reflect the costs and benefits to participating customers. This was accomplished by performing the Participant's Test and requiring that all measures included in the goals pass this test.
- FPUC:** Yes. The Company's proposed goals adequately reflect the costs and benefits to participating customers as reflected by the outcome of Nexant's cost-effectiveness evaluation, which included an analysis of the costs and benefits to FPUC's customers through the application of the Participants test.
- DEF:** Yes. The proposed goals are based on measures that pass the Participant Cost Test. This test compares the incremental cost to participants to the participant benefits (bill savings). This ensures that the measures provide net benefits to participants.
- OUC:** Yes. OUC's proposed goals are based on a full consideration of Nexant's Participant Test analyses, and those analyses adequately and reasonably reflect the costs and benefits to customers who might participate in the DSM measures and programs studied. Thus, OUC's proposed goals adequately reflect the costs and benefits to participating customers.
- JEA:** Yes. JEA's proposed goals adequately reflect the costs and benefits to customers participating in the measure. JEA's proposed goals are based on forecasts of achievable potential driven primarily by measure-level assessments of cost-effectiveness to customers. Specifically, customer cost-effectiveness is assessed using the Participant Test, where benefits are calculated based on customer bill savings and costs are based on participant costs of acquiring and installing the energy efficiency measure (net of utility program incentives).

TECO: Yes. Tampa Electric utilized the Participant Cost Test (“PCT”) as delineated in Rule 25-17.008, F.A.C., to adequately reflect the costs and benefits to customers participating in a DSM measure thereby adhering to the requirement of Section 366.82(3)(a), F.S.

OPC: No. The companies’ proposed goals do not fully and adequately reflect costs and benefits to participating customers since no TRC measures have been used to establish DSM goals. The FEECA utilities’ sole reliance on RIM to establish the DSM goals have significantly reduced if not eliminated establishing any numeric DSM goals over prior years. Therefore, the results of the TRC test along with the RIM test and low-income programs should be considered to establish the current DSM goals.

FDACS: The goals proposed by the FEECA Utilities appear to adequately reflect the costs and benefits to customers participating in the measures pursuant to Section 366.82(3)(a), F.S. The Commission should continue to balance the goal of energy efficiency and conservation with the impact of the costs and benefits of these measures and programs on rates and overall bills of all of the FEECA Utilities’ rate payers.

SACE & LULAC: No. Among other things, by placing the economic potential of many measures at zero even when they are cost-effective, the utilities underestimate the benefits of many measures. By narrowly focusing on the Lost Sales test and inflating certain labor and administrative costs, the utilities do not properly consider the benefits to the ratepayers as a whole and especially low income communities.

PCS: Yes.

WALMART: No position.

FIPUG: In answering this question, the Commission must balance the goal of conservation with the impact of the cost of conservation programs on rates. The Commission must not overlook rate impact when conservation goals and programs are evaluated.

Parties’ Arguments

The FEECA Utilities agree that the Participants Test is the appropriate test to reflect the costs and benefits to participating customers, and that the Test was applied correctly in the calculation of the DSM goals. (FPL BR 9; DEF BR 13; TECO BR 16; Gulf BR 11; OUC BR 20; JEA BR 6) FDACS also agreed that the costs and benefits to participants were adequately reflected in the goals. (FDACS BR 8) FIPUG and PCS did not provide arguments directly related to the Participants Test.

OPC and SACE & LULAC stated that costs and benefits to participants were not adequately reflected in the goals. OPC argued that the results of the TRC Test, along with RIM and low-income programs, should be considered to establish the DSM goals. (OPC BR 4) SACE & LULAC asserted that benefits to many customers were understated due to a narrow focus on the RIM Test¹² and the inflation of certain labor and administrative costs. (SACE & LULAC BR 8)

Analysis

Section 366.82(3)(a), F.S., requires that the costs and benefits to customers participating in the measure are considered in the establishment of DSM goals. According to FPL witness Whitley, the intent of the Participants Test is to determine if it makes economic sense for an individual customer to participate in a specific DSM measure. (TR 159) The witness further states that the Participants Test compares the incremental costs associated with a DSM measure against the benefits associated with that DSM measure. (TR 161) The Participants Test was applied to all of the measures included in the energy efficiency and demand savings goals proposed by the FEECA Utilities as part of the Economic Potential analysis. (EXH 6, 28, 29, 30, 31, 32, 63)

The benefits to participants included in the Participants Test are bill savings, incentives received, and tax credits received. The Participants Test weighs those benefits against participant incremental costs, including capital and O&M costs. (EXH 7) Generally, bill savings are calculated by multiplying each measure's energy savings by the applicable electric rate; incentives were set at the maximum level to keep the measure passing RIM or to bring the simple payback to two years, whichever amount is lower. (EXH 101, BSP 69, TR 168-169; EXH 124, BSP 1438; EXH 151, BSP 2104; EXH 168, BSP 2353; EXH 194, BSP 2658; EXH 218, BSP 3014; EXH 241, BSP 3278)

Staff observes that no party took issue with the use of the Participants Test as an input in establishing goals. Staff further notes that Issue 2 is limited to the scope of Section 366.82(3)(a), F.S., which requires consideration of the costs and benefits to customers participating in the measures. The Commission found that the Participants Test met this statutory requirement in Order No. PSC-09-0855-FOF-EG (2009 Goalsetting Order), and the following was restated in the 2014 Goalsetting Order:

We find that the Participants Test, as used by the utilities in this proceeding, satisfies the requirements of Section 366.82(3)(a), F.S. As described in Rule 25-17.008, F.A.C., the Participants Test measures the impact of the program on the participating customers. Based on the evidence in the record, as well as existing Commission Rules, we find that the Participants Test must be considered when establishing conservation goals in order to satisfy Section 366.82(3)(a), F.S. (EXH 111, BSP 621)

In addition, staff notes that the Participants Test is an additional test, rather than an alternative, to the RIM or TRC tests when determining cost-effectiveness. The RIM and TRC tests do not address the statutory requirements of Section 366.82(3)(a), F.S., and are discussed in Issue 3.

¹²In its brief, SACE & LULAC referred to the RIM Test as the Lost Sales test.

Conclusion

The FEECA Utilities properly considered the costs and benefits to customers participating in the measures included in their goals by utilizing the Participants Test, pursuant to Section 366.82(3)(a), F.S.

Issue 3: Do the Company's proposed goals adequately reflect the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions, pursuant to Section 366.82(3)(b), F.S.?

Recommendation: Yes. Staff recommends that consideration of the RIM and TRC Tests is necessary to fulfill the requirements of Section 366.82(3)(b), F.S., since neither Test includes both utility incentives and participant contributions. Furthermore, consideration of the RIM and TRC Tests is consistent with the 2009 and 2014 Goalsetting Orders. (Wooten)

Position of the Parties:

- FPL:** Yes. FPL's proposed goals reflect the RIM 352 MW Summer MW portfolio as measures that passed the RIM screening test and the Participants test, accounting for all of the benefits and costs by all of FPL's customers, both participants and nonparticipants alike. The costs and benefits to the general body of customers are also assessed through FPL's subsequent Integrated Resource Planning ("IRP") work, resulting in the lowest levelized system average electric rate for all customers.
- GULF:** Yes. By passing the RIM test, Gulf's proposed goals reflect the costs (including incentives) and benefits that minimize overall rate impacts for the general body of customers, whether or not they participate in one of the resulting conservation programs. In addition, by only including measures that also pass the Participant's Test, these proposed goals adequately consider participant contributions as a component of overall customer impact.
- FPUC:** Yes. FPUC's proposed goals are consistent with the outcome of Nexant's cost effectiveness evaluation of the achievable potential of DSM measures on FPUC's system, which included consideration of the benefits to the general body of FPUC ratepayers through application of the Participants test and Ratepayer Impact Measure (RIM) test.
- DEF:** Yes, the proposed goals do adequately reflect the costs and benefits to the general body of ratepayers, as a whole, because the goals are based on measures that pass both the Rate Impact Measure (RIM) and Participant tests. The Participant and RIM tests, in tandem with each other, effectively ensure both participants and non-participants benefit.
- OUC:** Yes. OUC's proposed goals adequately and reasonably reflect the costs and benefits of potential customer-funded DSM measures to the general body of OUC's ratepayers considered as a whole, including consideration of utility incentives and participant contributions. In summary, OUC's proposed zero goals are specifically appropriate for OUC's general body of customers because only one measure, which would provide negligible energy savings – 6,000 *kilowatt*-hours total over the ten-year goals period – passed the RIM test.

- JEA:** Yes. JEA's proposed goals are based on achievable potential that included consideration of the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions, through use of the RIM and Participant tests.
- TECO:** Yes. Tampa Electric utilized the cost-effectiveness methodologies as delineated in Rule 25-17.008, F.A.C., to adequately reflect the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions.
- OPC:** No. The companies' proposed goals only consider the rate impact to the general body of ratepayers (RIM) but do not utilize other benefits (TRC) that affect the general body of ratepayers, thus they do not achieve the full intent of FEECA. The FEECA utilities' sole reliance on RIM to establish the DSM goals have significantly reduced, if not eliminated, establishing any numeric DSM goals when compared to prior years. Therefore, the Commission should consider using the results of the TRC test along with the RIM test and low-income programs to establish the current DSM goals.
- FDACS:** The goals proposed by the FEECA Utilities appear to adequately reflect the costs and benefits to the general body of rate payers as a whole, including utility incentives and participant contributions, as required by Section 366.82(3)(b), F.S. More and more customers are installing energy efficient measures and renewable energy technologies to reduce their electric consumption without incentive from utility-sponsored programs. The Commission should continue to balance the goal of energy efficiency and conservation with the impact of the costs and benefits of these programs on the rates and overall bills of all the FEECA Utilities' rate-payers.
- SACE & LULAC:** No. By improperly focusing on the Lost Sales test, the utilities ignore the real costs and benefits to the general body of ratepayers as a whole. The Lost Sales test treats lost sales, i.e., bill savings, as a cost. Total system costs and benefits are reflected in the Bills test, which thus best meets the requirements of the statute. Additionally, measures that assist low income communities are improperly screened out by the Lost Sales test.
- PCS:** Yes.
- WALMART:** No position.
- FIPUG:** In answering this question, the Commission must balance the goal of conservation with the impact of the cost of conservation programs on rates. The Commission must not overlook rate impact when conservation goals and programs are evaluated.

Parties' Arguments

The FEECA Utilities contend that while the RIM and TRC Tests should be considered, the TRC Test does not account for all factors required by FEECA. (FPL BR 16; Gulf BR 12-13; FPUC BR 12; DEF BR 4-5; OUC BR 17, 21-22; JEA BR 8; TECO BR 5) The FEECA Utilities further argue that RIM in conjunction with the Participants Test adequately reflects the cost and benefits to the general body of ratepayers. (FPL BR 19; Gulf BR 14; FPUC BR 13; DEF BR 4-5; OUC BR 30; JEA BR 8-9; TECO BR 6-7)

OPC asserts that both the RIM and TRC Tests should be used in conjunction to set DSM goals, which would maximize DSM goals while minimizing rate impact. (OPC BR 9) OPC further asserts that not considering the RIM and TRC Tests does not achieve the full intent of FEECA. (OPC BR 9)

SACE & LULAC argue that the TRC Test best represents the interests of low-income ratepayers and results in the most cost-effective energy savings. (SACE & LULAC BR 4) SACE & LULAC further state the TRC Test's importance has been recognized by the Commission and includes all costs, both utility and participants. (SACE & LULAC BR 38)

FIPUG states that pursuing conservation programs is important. However, this must be balanced against the cost and rate impact on ratepayers. (FIPUG BR 1) PCS agrees that DEF's proposed goals adequately reflect the costs and benefits to the general body of ratepayers as a whole. (PSC BR 2) FDACS and Walmart did not provide arguments directly related to the information discussed in this issue.

Analysis

Section 366.82(3)(b), F.S., requires the Commission in establishing goals to consider the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions. The Order Establishing Procedure, in this proceeding, required the electric FEECA Utilities to provide, as part of their pre-filed testimony and exhibits, the achievable potential for both a RIM and TRC based evaluation. Staff reviewed the FEECA Utilities' exhibits and recommends that they meet the requirements of the Commission's procedural order. (EXH 4, 28, 30, 31, 32, 35, 63)

RIM and TRC

Rule 25-17.008(3), F.A.C., adopts and incorporates by reference the publication "Florida Public Service Commission Cost Effectiveness Manual For Demand Side Management Programs and Self-Service Wheeling Proposals" (DSM Manual), which describes the RIM and TRC Tests. FPL witness Whitley testified that both the RIM and TRC Tests use the same benefits. (TR 162) However, the RIM and TRC Tests evaluate the cost to the general body of ratepayers from different viewpoints. Gulf witness Floyd and OUC witness Noonan noted that the RIM Test evaluates the rate impact from the viewpoint of customers who are not participating in DSM programs. (TR 441, 676) Because of this concentration on non-participants, the RIM Test is commonly referred to as the "no losers test." (TR 441, 1288) Witness Floyd further testified that the TRC Test evaluates the cost from the viewpoint of all customers within a utility's service area. (TR 441) Witness Grevatt testified that using the RIM Test as the primary test ignored cost-effective benefits provided by the TRC Test. (TR 977) The record indicates that parties have

advocated for the use of either the RIM or TRC Test, but as seen in Table 3-1, neither Test fully satisfies the requirement of Section 366.82(3)(b), F.S., alone. The TRC Test does not include utility incentives, and the RIM Test does not include participant contributions. Therefore, staff recommends that the results from both Tests are necessary to fulfill the Commission's statutory requirement under Section 366.82(3)(b), F.S. In the 2014 Goalsetting Order, the Commission found that "...consideration of both the RIM and TRC is necessary to fulfill the requirements of Section 366.82(3)(b), F.S."

Table 3-1
Summary of Cost-Effectiveness Test Components

	TRC	RIM
<i>Benefits</i>		
Bill Savings	-	-
Incentives	-	-
Tax Credits	-	-
Avoided Generation	Yes	Yes
Avoided Energy	Yes	Yes
<i>Costs</i>		
Participant Contributions	Yes	-
Equipment	Yes	Yes
Administrative	Yes	Yes
Incentives	-	Yes
Lost Revenues	-	Yes

Source: DSM Manual

Conclusion

Staff recommends that consideration of the RIM and TRC Tests is necessary to fulfill the requirements of Section 366.82(3)(b), F.S., since neither Test includes both utility incentives and participant contributions. Furthermore, consideration of the RIM and TRC Tests is consistent with the 2009 and 2014 Goalsetting Orders.

Issue 4: Do the Company's proposed goals adequately reflect the need for incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems, pursuant to Section 366.82(3)(c), F.S.?

Recommendation: Yes. Staff recommends that the FEECA Utilities' methodologies of applying customer incentives for the purpose of establishing goals in this proceeding are adequate. Staff also recommends that performance incentives for FEECA Utilities are not necessary at this time. (Thompson, Vogel)

Position of the Parties:

- FPL:** Yes. Cost-effective incentives for participating customers are reflected in FPL's proposed Goals because they are included and considered in the Participant and RIM screening tests. There is no need to establish incentives for utilities in this proceeding.
- GULF:** Yes. Gulf's proposed goals were developed utilizing the RIM and Participant's tests. In practice, these tests provide incentives to participating customers through the payment of rebates, to the general body of customers by preventing cross-subsidization between DSM program participants and non-participants, and to the utility by ensuring that incorporation of DSM in the resource planning process results in net benefits that put downward pressure on rates.
- FPUC:** Yes. The Company's proposed goals adequately reflect that, in today's environment, there is little need for incentives to promote energy efficiency and demand-side renewable systems.
- DEF:** Yes. DEF does not believe there is currently a need for incentives to promote demand-side renewable energy systems as the demand-side renewable market has continued to mature, and there has been significant growth in customer sited demand-side renewable energy systems. In 2018, DEF customers added an average of over 400 net metered customers each month, and through April 2019, that number has grown to over 700 net metered customers each month.
- OUC:** Yes. OUC's proposed goals adequately reflect the need for incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems.
- JEA:** Yes. JEA has comprehensively analyzed customer-owned energy efficiency measures and none were found to be cost-effective. JEA's load forecast reflects the impacts of net metering associated with customer-owned rooftop solar photovoltaic systems, and this load forecast was used as the basis for the cost-effectiveness analysis. As such, incentives to promote customer-owned demand-side renewable energy systems are adequately reflected in JEA's proposed goals.

Utility-owned energy efficiency and renewable energy systems are supply-side issues.

TECO: Yes. For measures that remained cost-effective after taking into account administrative costs but with no incentives, and after the two-year payback screen, Tampa Electric chose incentive levels that would maximize the achievable potential. Demand side renewable systems remained non-cost effective. Furthermore, Tampa Electric does not believe incentives for demand side renewable systems are necessary under a RIM-based goals model due to the large amount of naturally occurring installations of these systems.

OPC: No. The proposed goals ostensibly address the need for incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems but may not adequately reflect the full extent of that need.

FDACS: The goals proposed by the FEECA Utilities appear to adequately reflect the need for incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems, pursuant to Section 366.82(3)(c), F.S.

SACE & LULAC: No. The utilities' analysis to arrive at their proposed goals are deeply flawed and arbitrarily stop at a two-year payback, artificially limiting available market penetration and energy efficiency, including for low income communities.

PCS: No position.

WALMART: No position.

FIPUG: In answering this question, the Commission must balance the goal of conservation with the impact of the cost of conservation programs on rates. The Commission must not overlook rate impact when conservation goals and programs are evaluated.

Parties' Arguments

FPL, Gulf, FPUC, OUC, JEA, and TECO argue that incentives are adequately reflected in their proposed DSM goals. (FPL BR 24; Gulf BR 15; FPUC BR 15; OUC BR 25; JEA BR 11; TECO BR 6) FPL and Gulf assert that utility incentives are not needed at this time. (FPL 25-26; Gulf BR 15) However, Gulf argues that if the Commission were to adopt the recommendations of SACE, the consideration of utility performance incentives may be warranted. (Gulf BR 15) DEF did not provide arguments directly related to the information discussed in this issue.

OPC recommends that the Commission should determine whether the FEECA Utilities' proposed goals, especially related to the need for incentives, adequately safeguard all interests of

the general body of ratepayers, including program participants, against undue rate impacts while achieving the intent of FEECA. (OPC BR 11) OPC argues that if the Commission relies upon the FEECA Utilities' proposed RIM goals, there should not be any rewards for exceeding those goals. (OPC BR 17) FDACS contends that the Commission must consider the impact of Codes and Standards in determining whether the proposed goals reflect the need for incentives. (FDACS BR 9) SACE & LULAC argue that all of the FEECA Utilities arbitrarily limit incentives to a two-year payback horizon. (SACE & LULAC BR 34) FIPUG did not provide arguments directly related to the information discussed in this issue. PCS and Walmart took no position on this issue.

Analysis

Customer Incentives

In establishing DSM goals, Section 366.82(3)(c), F.S., requires the Commission to consider whether incentives are needed to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems. Regarding customer incentives, each FEECA Utility's filing included evaluations based on the Participants Test paired with the RIM and TRC Tests. (TR 151, 334-335, 446; EXH 167, 240) The Participants Test takes into consideration incentives to customers, and staff found no evidence in the record opposing the use of the Participants Test as a means to reflect the need for customer incentives. Therefore, staff recommends that the use of the Participants Test adequately reflects the need for customer incentives. SACE witness Grevatt argued that all of the FEECA Utilities arbitrarily limit incentives to a two-year payback horizon. (TR 935) The appropriateness of a two-year payback period is addressed in Issue 7; however, staff notes that customer incentives are considered at the program approval phase, which follows the goalsetting proceeding. In the 2009 Goalsetting Order, which was echoed in the 2014 Goalsetting Order, the Commission stated the following:

With regard to customer-owned energy-efficiency and demand-side renewable energy systems, incentives are typically provided through each DSM program. Our staff evaluates each program proposed by a utility prior to making a recommendation as to whether it should be approved. Part of our staff's evaluation process includes an analysis of the cost-effectiveness tests performed by the utility, including the appropriateness of any incentives the utility proposes to offer to customers taking advantage of a particular program as well as the cost and benefits to all customers. Therefore, in our view, a mechanism for providing customers with incentives is already in place and we should continue to make decisions about customer incentives on an individual program basis.¹³

The appropriateness of utility-proposed program incentives for customers continues to be evaluated at the program approval phase. Therefore, staff recommends that a mechanism for providing customers with incentives is already in place, and the Commission should continue to make decisions about customer incentives on an individual program basis. As discussed in Issue 10, each FEECA Utility offers customers net metering as an incentive to develop DSRE systems.

¹³2014 Goalsetting Order, page 14.

Utility Incentives

Section 366.82(8), F.S., states:

The commission may authorize financial rewards for those utilities over which it has rate setting authority that exceed their goals and may authorize financial penalties for those utilities that fail to meet their goals, including, but not limited to, the sharing of generation, transmission, and distribution cost savings associated with conservation, energy efficiency, and demand-side renewable energy systems additions.

No investor-owned utility or intervenor expressed the need to establish utility incentives. Gulf witness Floyd specifically argued that reliance on the RIM Test in goalsetting obviates the need for utility incentives. (TR 455) In the 2009 Goalsetting Order, which was reiterated in the 2014 Goalsetting Order, the Commission recognized that such incentives would be a cost to ratepayers and stated the following:

We believe establishing incentives during this proceeding would unnecessarily increase costs to ratepayers at a time when consumers are already facing financial challenges. Increasing rates in order to provide incentives to utilities is more appropriately addressed in a future proceeding after utilities have demonstrated and we have evaluated their performance.¹⁴

As in the previous goalsetting Orders, it is still the case that establishing utility incentives during this proceeding would unnecessarily increase costs to ratepayers. Therefore, staff recommends that no utility incentives are needed.

Conclusion

Staff recommends that the FEECA Utilities' methodologies of applying customer incentives for the purpose of establishing goals in this proceeding are adequate. As discussed in Issue 8, staff also recommends that performance incentives for FEECA Utilities are not necessary if DSM goals based on the RIM Test are established.

¹⁴2014 Goalsetting Order, page 14.

Issue 5: Do the Company's proposed goals adequately reflect the costs imposed by state and federal regulations on the emission of greenhouse gases, pursuant to Section 366.82(3)(d), F.S.?

Recommendation: Yes. Currently there are no costs imposed by state and federal regulations on the emissions of greenhouse gases (GHG). Consistent with Section 366.82(3)(d), F.S., and the Order Establishing Procedure, the Utilities filed base case analyses for goals that did not include costs associated with CO₂ emissions. (Salvador, Higgins, Breman)

Position of the Parties:

- FPL:** Yes. FPL accounted for forecasted CO₂ compliance costs in a sensitivity screening analysis. Forecasted CO₂ compliance costs are currently projected to be zero until the late 2020s when non-zero costs begin to appear and then gradually increase over time. FPL's sensitivity screening analysis demonstrated that the number of measures passing changed only slightly when CO₂ compliance costs were included. Accordingly, FPL's proposed Goals adequately reflect these forecasted costs.
- GULF:** Yes. Gulf is not incurring costs associated with state or federal regulations on the emission of greenhouse gases. Therefore, Gulf has not included assumptions for costs of greenhouse gas emissions in the development of its proposed goals. Gulf's DSM evaluations are consistent with the statute's directive and with the assumptions used in determining the next generating unit identified in the Company's 2019 Ten Year Site Plan.
- FPUC:** Yes, to the extent that FPUC has been unable to identify any costs that it incurs as a result of state or federal regulation of the emission of greenhouse gases.
- DEF:** Yes. Given the uncertainty of future carbon regulation, it is reasonable to exclude the cost of carbon emissions in this goal setting process.
- OUC:** Yes. Even though there are no current or pending state or federal regulations applicable to greenhouse gas emissions, OUC's proposed goals are based on cost-effectiveness analyses, conducted by Nexant, that include the projected costs of carbon dioxide ("CO₂") emissions regulation based on the projected timing of CO₂ regulation and the projected CO₂ emissions prices, in dollars per ton, used by FPL and DEF in their cost-effectiveness analyses for these consolidated goals dockets.
- JEA:** Yes. There currently are no costs imposed by State and Federal regulations on the emissions of greenhouse gases (GHG). While there is much speculation on the potential for GHG regulations, it would be inappropriate to establish DSM goals that would increase customer rates based on speculation related to yet-to-be defined potential regulations of GHG emissions.

- TECO:** Yes. Currently there are no state or federal regulations on the emissions of greenhouse gases nor is there any time horizon established on which any such regulation may be enacted. Therefore, the appropriate greenhouse gas emissions cost utilized by Tampa Electric in the determination of its proposed DSM goals was zero.
- OPC:** Currently, there are no costs imposed by state or federal regulations on the emission of greenhouse gases. It appears that the companies have not included any costs for greenhouse gases in their analyses used to establish the conservation goals.
- FDACS:** The goals proposed by the FEECA Utilities appear to adequately reflect the costs imposed by state and federal regulations *currently* in existence, on the emission of greenhouse gases over the past five years, pursuant to Section 366.82(3)(d), F.S.
- SACE & LULAC:** No. Given the climate crisis, and a bi-partisan bill currently pending in Congress on carbon fees, some cost for greenhouse gas emissions over the ten-year planning horizon should be assumed.
- PCS:** No position.
- WALMART:** No position.
- FIPUG:** The cost of greenhouse gas regulation should be based on regulations currently in effect, not regulations that may or may not be implemented at some point in the future.

Parties' Arguments

Several FEECA Utilities state that since there are no current state or federal regulations on the emissions of GHG, their proposed goals appropriately reflect a zero cost for CO₂ in the base case scenario. (FPL BR 26; TECO BR 17; Gulf BR 15; JEA BR 11; FPUC BR 2; OUC BR 26) FPL's sensitivity screening analysis demonstrates that the number of measures passing the RIM Test and the TRC Test changed only minimally when projected CO₂ compliance costs were included. (FPL BR 27) DEF and OUC assert that there is considerable uncertainty associated with CO₂ costs. (DEF BR 13; OUC BR 25-26) JEA states that it would be inappropriate to establish DSM goals that would increase customer rates based on speculation related to yet-to-be defined potential regulation of GHG. (JEA BR 11) FPUC asserts that it does not own generation assets and it does not incur any direct costs as a result of any state and federal regulations on GHG emissions. (FPUC BR 15)

OPC asserts that currently there are no costs imposed by state or federal regulations on the emission of GHG, and that it is therefore appropriate that the Utilities have not included any costs for GHG in their analyses used to establish the conservation goals. (OPC BR 11) FDACS

states that the goals proposed by the FEECA Utilities appear to adequately reflect the costs imposed by state and federal regulations currently in existence, on the emission of GHG over the past five years. (FDACS BR 9) FIPUG argues that the cost of GHG regulation should be based on regulations currently in effect, not regulations that may or may not be implemented at some point in the future. (FIPUG BR 3) SACE & LULAC state that given the climate crisis, and a bi-partisan bill currently pending in Congress on carbon fees, some cost for GHG emissions over the ten-year planning horizon should be assumed. (SACE & LULAC BR 8) PCS and Walmart take no position on this issue.

Analysis

When establishing conservation goals, Section 366.82(3)(d), F.S., requires the Commission to consider the costs currently imposed by state and federal regulations on the emission of GHG. There are no current state or federal GHG emissions regulations in place that affect the FEECA Utilities. Therefore, according to the minimum filing requirements outlined in the OEP, the FEECA Utilities were required to propose goals that excluded costs associated with CO₂ emissions. The FEECA Utilities were permitted to include a sensitivity analysis that included a cost for CO₂ emissions, provided it was consistent across all FEECA Utilities. Accordingly, none of the FEECA Utilities included a cost of CO₂ compliance in the base case when developing their respective proposed goals. FPL, DEF, and OUC were the only FEECA Utilities that conducted sensitivity analyses including costs for CO₂ emissions, which was consistent across the three utilities. (TR 168, 592, 654) The FEECA Utilities' approach to considering state and federal GHG regulations in this proceeding is also consistent with the approach approved in the 2014 Goalsetting Proceeding.

Regulation of Greenhouse Gases

On July 8, 2019, the Environmental Protection Agency (EPA) published the final Affordable Clean Energy (ACE) rule consisting of emission guidelines for GHG emissions from existing electric utility generating units. (EXH 107 BSP 00135-00137) ACE establishes CO₂ emission requirements for coal-fired electric steam generating units. Both FPL and DEF state that there are no existing environmental regulations that will cause them to incur CO₂ emission compliance costs during the next ten years. (TR 282; EXH 107 BSP 00139, 175 BSP 02449) Based on the forgoing, staff concludes the ACE compliance costs for GHG emissions from existing electric utility generating units are reasonably expected to be zero during the term that the new FEECA goals will be in place. Therefore, staff recommends that it is speculative to incorporate CO₂ costs at this time, and that the Commission has the authority and ability to respond appropriately should CO₂ costs occur.

Utilities with CO₂ Sensitivity

FPL, DEF, and OUC provided additional information describing how the costs for CO₂ emissions were developed for a sensitivity to the base case as instructed by the OEP. (TR 168, 592, 654) The three utilities provided sensitivity analyses using the same composite CO₂ compliance cost forecast, which can be found in Table 5-1. The composite CO₂ cost forecast was based on separate CO₂ cost forecasts from FPL and DEF. This composite is a simple average developed by adding the annual CO₂ compliance cost values from FPL's and DEF's current CO₂ cost forecasts and dividing by two. (TR 168, 592, 654) DEF's CO₂ cost is consistent with the

assumptions included in DEF's 2019 Ten-Year Site Plan. (TR 592) FPL's CO₂ cost was based on the environmental compliance cost forecast that FPL received in 2018 from an independent consultant, ICF International. (TR 155-156, 219; EXH 21) Given the uncertainty of future CO₂ regulation, forecasted compliance costs remain highly speculative.

Table 5-1
Composite CO₂ Costs Forecast (FPL & DEF)

CO ₂ Costs Forecast (Nominal \$/Ton)	
2019	\$0.00
2020	\$0.00
2021	\$0.00
2022	\$0.00
2023	\$0.00
2024	\$0.00
2025	\$2.50
2026	\$4.26
2027	\$5.92
2028	\$7.88
2029	\$9.60
2030	\$11.66

Source: EXH 10, 43, 49

Impact of CO₂ Sensitivity

Nexant conducted the CO₂ cost sensitivity analysis for DEF and OUC. (TR 336) Nexant's CO₂ cost sensitivity economic and achievable potential analyses indicated that there were no meaningful achievable potential energy savings for OUC. (TR 658) No additional measures passed the RIM Test for DEF or OUC. (EXH 28, 31) Only two additional measures passed the RIM Test for FPL. (EXH 8-9) Staff summarizes the economic potential impacts of these sensitivities in Table 5-2. The Table uses the average percentage change of the non-zero proposed goals for each cost-effectiveness test pathway. Based on this review, it appears that carbon emissions sensitivity results in a small increase for both the RIM and TRC portfolios.

Table 5-2
Economic Potential CO₂ Sensitivities – Average Percent Change

Test	Goal	CO ₂
RIM	Summer (MW)	2.08%
	Winter (MW)	3.27%
	Energy (GWh)	2.75%
TRC	Summer (MW)	4.00%
	Winter (MW)	3.52%
	Energy (GWh)	5.61%

Source: EXH 9, 176, 204

Based on the analysis above, staff concludes that the impact of the costs for CO₂ emissions was relatively small for DEF, OUC, and FPL. Section 366.82(6), F.S., allows the Commission on its own motion to change the DSM goals for a reasonable cause.

Conclusion

Section 366.82(3)(d), F.S., requires the Commission to consider costs imposed by state and federal regulations on the emission of GHG. Currently, there are no costs imposed by state and federal regulations on the emissions of GHG. Consistent with the Order Establishing Procedure, the Utilities filed base case goals analyses that did not include costs associated with CO₂ emissions. Therefore, staff recommends that the Utilities' proposed goals adequately reflect the costs imposed by state and federal regulations on the emission of GHG. Additionally, the Commission has the authority to re-evaluate and modify FEECA goals if costs are imposed in the future.

Issue 6: What cost-effectiveness test or tests should the Commission use to set goals, pursuant to Section 366.82, F.S.?

Recommendation: The Participants Test, the RIM Test, and the TRC Test should be considered to set goals in this proceeding. (Ellis, Lewis)

Position of the Parties:

- FPL:** In addition to the Participant test, the Commission should use the RIM economic screening test to set goals pursuant to Section 366.82, F.S., consistent with its prior decisions and rationale for doing so. FPL's proposed goals minimize rate impacts to customers and avoid cross subsidies between non-participants and participants. FPL's proposed Goals are projected to result in the lowest levelized system average electric rates.
- GULF:** The Commission should use the combination of RIM and Participant's tests to set goals for Gulf Power. This combination of tests is consistent with longstanding Commission precedent and the language contained within section 366.82(3)(b), Florida Statutes. These tests provide an appropriate balance between participating and non-participating customer benefits and ensure downward pressure on overall electric rates. The TRC test, on the other hand, does not reflect all costs to the general body of ratepayers.
- FPUC:** The Commission should use the results of the RIM Test as the threshold for setting DSM goals for new measures. If the results of the RIM test indicate a DSM measure may be cost-effective, then it should also be required to pass both the TRC test and the Participants test.
- DEF:** The Commission should establish goals based on measures that are cost effective based on both the RIM and Participant tests.
- OUC:** The PSC should base any goals that it establishes for OUC on the RIM test, to ensure that any required measures must be cost-beneficial to OUC's general body of customers. This is particularly important because it will minimize or eliminate any cross-subsidization of participating customers by non-participating customers, and it is also important because the PSC does not have rate setting jurisdiction over OUC.
- JEA:** The Commission should use the RIM and Participant tests in setting goals. When used in conjunction, these tests fulfill the Commission's statutory obligations. Specifically, the Participant test includes all of the benefits and costs that a customer who is considering participating in a DSM measure would consider; whereas the RIM test includes all of the benefits and costs that the utility's customers as a whole would incur if the utility implements a particular measure.

- TECO:** The Commission should use the RIM test in conjunction with the PCT test to establish DSM goals. As history has proven, these tests allow the accomplishment of significant DSM development without placing undue upward pressure on rates or creating winners and losers by the cross-subsidization among participants and non-participants.
- OPC:** The FEECA utilities' sole reliance on RIM to establish the DSM goals have significantly reduced, if not eliminated, establishing any numeric DSM goals when compared to prior years. Goals should be set based upon the required consideration of both TRC and RIM.
- FDACS:** The Commission's current practice of setting goals based on measures that take into consideration various tests, such as the Participant's, Total Resource Cost (TRC), and Rate Impact Measure (RIM) Tests, should continue. The use of multiple tests allows for a better perspective of the cost-effectiveness of the energy efficiency and conservation programs. The Commission should continue to balance the goal of energy efficiency and conservation with the impact of the costs and benefits of these programs on the rates and overall bills of all the FEECA Utilities' rate-payers.
- SACE & LULAC:** The Bills test and the Participant test. The Bills test focuses on ratepayers as a whole by considering the total cost of implementing the efficiency measure compared to its benefits, including avoided generation, transmission, and distribution costs. The Bills test focuses on reducing the average bills of all customers. This is especially important for low income communities, as people struggle to pay monthly energy *bills*, not monthly energy rates.
- PCS:** PCS Phosphate supports the use of the Participant Test and the Rate Impact Measure ("RIM") test to evaluate the costs and benefits of specific DSM measures.
- WALMART:** No position.
- FIPUG:** The Commission should give significant weight to the RIM test to determine cost-effectiveness. Regardless of which cost-effectiveness test the Commission approves, what is most important is that the Commission encourage conservation programs that strike a reasonable balance between the advantages of the programs to program participants and other rate payers and that these conservation programs are fairly evaluated. Further, in the use of the RIM test, the Commission should be sure that all utilities are conducting the test in the same way and that "lost revenue" for clause "losses" is not included.

Parties' Arguments

The FEECA Utilities suggest goals are based primarily on the achievable potential of measures passing the RIM Test, which mitigates upward rate pressure for all customers, and avoids cross-subsidies between participating and non-participating customers. The FEECA Utilities argue that the implementation of the proposed goals based on the RIM and Participants Tests will ensure that all customers, including low-income customers, will not be harmed by their costs. (DEF BR 14; FPL BR 27; FPUC BR 15; GULF BR 2-3; JEA BR 2; OUC BR 3; TECO BR 4)

OPC's concern is that the FEECA Utilities' primary use of the RIM Test results in proposed goals that only consider "no rate impacts" to the general body of ratepayers, and do not reflect other benefits that affect the general body of ratepayers. OPC argues the FEECA Utilities' sole reliance on RIM to establish the DSM goals has significantly reduced most of the numeric DSM goals when compared to prior years. OPC contends that the proposed goals do not achieve the full intent of FEECA because the Utilities did not consider any measure that passed TRC. (OPC BR 2)

FDACS encourages the Commission to continue the current practice of setting goals based on measures that take into consideration various tests, such as the Participant, TRC, and RIM Tests. FDACS asserts the use of multiple tests allows for a better perspective of the cost-effectiveness of the energy efficiency and conservation programs. (FDAC BR 15)

SACE & LULAC propose that a "partially-corrected TRC" analysis be used to set conservative ten-year goals for the Utilities. Furthermore, SACE & LULAC argue that their proposed goals are cost-effective under the TRC Test and they are achievable. (SACE & LULAC BR 6).

PCS supports the usage of the RIM and Participants Tests to set goals. (PCS BR 2). FIPUG advocates for the use of the RIM Test to determine cost-effectiveness. Further, FIPUG argues that in using the RIM Test, the Commission should be sure that all utilities are conducting the cost-effectiveness tests in the same way and that "lost revenue" from clause "losses" are not included. (FIPUG BR 3) Walmart took no position on this issue.

Analysis

Pursuant to Section 366.82(3)(b), F.S., when establishing DSM goals, the Commission shall take into consideration the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions. Several of the parties' arguments expressed support for a specific test or tests upon which goals should be established. Staff notes that the specific basis for establishing the recommended goals is discussed in Issue 8 of this recommendation. The analysis in this Issue relates to the costs and benefits that the Commission should consider when establishing goals.

By Rule 25-17.008(3), F.A.C., which implements Section 366.82(1)-(5), F.S., the Commission adopted the DSM Manual to determine the cost-effectiveness of programs. The DSM Manual outlines the components of the Participants Test, RIM Test, and the TRC Test. Table 6-1, provides an illustration of the costs and benefits, as presented in Rule 25-17.008, F.A.C., assessed under each Test.

Table 6-1
Summary of Cost-Effectiveness Test Components

	Participants	Total Resource Cost	Rate Impact Measure
<i>Benefits</i>			
Bill Savings	Yes	-	-
Incentives	Yes	-	-
Tax Credits	Yes	-	-
Avoided Generation	-	Yes	Yes
Avoided Energy	-	Yes	Yes
<i>Costs</i>			
Participant Contributions	Yes	Yes	-
Equipment	-	Yes	Yes
Administrative	-	Yes	Yes
Incentives	-	-	Yes
Lost Revenues	-	-	Yes

Source: DSM Manual

As explained by FPL witness Whitley, these tests are designed to provide preliminary economic screening information regarding the individual DSM measures being evaluated. He further explained that the intent of the Participants Test is to determine if a measure makes economic sense for an individual customer, the intent of the RIM Test is to evaluate the effect of a measure on rates which impact both participants and non-participants, and the intent of the TRC Test is to measure the total cost of a DSM measure against its benefits. (TR 159; TR 161)

Although the FEECA Utilities have proposed goals based on the RIM and Participants Tests, FEECA Utilities witness Deason stated that the DSM Manual does not prescribe the use of one test to the exclusion of another. Witness Deason further provided that the DSM Manual gives the Commission the discretion to evaluate the various tests and use them accordingly. (TR 1049) SACE witness Grevatt testified that the FEECA Utilities' goals should be based on a properly applied TRC Test; however, he acknowledged that potential rate impacts should be considered. (TR 934) As previously discussed, the RIM Test evaluates the effect of a measure on rates.

It is staff's view that the testimony cited above recognizes that all three tests in the DSM Manual should be considered when establishing goals. Consideration of all three tests is consistent with past Commission decisions and comports with Section 366.82(3), F.S. In the 2009 Goalsetting Proceeding, the Commission interpreted Section 366.82(3), F.S., to require use of multiple tests. Specifically, the 2009 Goalsetting Order, states:

. . . consideration of both the RIM and TRC Tests is necessary to fulfill the requirements of Section 366.82(3)(b), F.S. Both the RIM and the TRC Tests address costs and benefits beyond those associated solely with the program participant. By having the RIM and TRC results, we can evaluate the most cost-

effective way to balance the goals of deferring capacity and capturing energy savings while minimizing rate impacts to all customers.

In the 2014 Goalsetting Order, the Commission states “that consideration of both the RIM and TRC is necessary to fulfill the requirements of Section 366.82(3)(b), F.S.”

Based on the record in this proceeding, staff recommends that a combination of the Participants Test, the RIM Test, and the TRC Test should be considered to set goals in this proceeding. Having reviewed the testimony and exhibits provided by the FEECA Utilities, staff recommends that the Commission has the necessary information to comply with the statutory requirement to consider costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions.

Conclusion

Staff recommends that a combination of the Participants Test, the RIM Test, and the TRC Test should be considered to set goals in this proceeding.

Issue 7: Do the Company's proposed goals appropriately reflect consideration of free-riders?

Recommendation: Yes. The two-year payback screen is a reasonable method to account for free riders in determining conservation goals in this proceeding. Each utility should continue in their education and outreach efforts for all ratepayers, with an emphasis on low-income communities. These efforts should educate all customer groups on energy efficiency opportunities, with a specific emphasis on behavioral changes and efficiency measures with a payback period of two years or less. (Redda, Morgan)

Position of the Parties:

- FPL:** Yes. FPL's proposed Goals reflect consideration of free riders, as required by Rule 25-17.0021(3), F.A.C., by using a screening process in which only DSM measures for which the participant's costs are not fully recovered in two years without an incentive payment pass. This process helps protect FPL's general body of customers from paying incentives to program participants that would already be economically motivated to participate in the program without incentives (*i.e.*, "free riders").
- GULF:** Yes. As required by Rule 25-17.0021, Florida Administrative Code, the goals established in this proceeding must account for the effects of free ridership. Consistent with long-standing Commission precedent, Gulf utilized a two-year payback criterion to account for free ridership. The two-year payback criterion is an objective, reasonable and efficient method of addressing free ridership during the goal-setting process as required by Commission rule.
- FPUC:** Yes, the cost-effectiveness review conducted by Nexant on behalf of FPUC included the analysis of several free ridership scenarios. FPUC's proposed goals are reflective of the outcomes of the analysis of those scenarios.
- DEF:** Yes. The proposed goals are based on measures that have greater than a two-year payback period. A two-year payback period is a reasonable time period in which to limit measures and assume that customers will adopt them absent a utility incentive. This time period has been recognized by the Commission in past proceedings as a reasonable proxy to eliminate free riders.
- OUC:** Yes. OUC's proposed goals appropriately reflect consideration of free riders by application of the two-year payback screen that the Commission has approved for the past 25 years. The two-year screen strikes a reasonable balance between the desire for greater energy conservation and the desire to avoid the adverse economic effects of free ridership, *i.e.*, that free riders cause all customers to pay more than necessary to achieve conservation benefits and to subsidize free riders.
- JEA:** Yes. The screening criteria were based on simple payback to the customer (2 years or less) and were designed to remove measures from the achievable

potential forecasts that exhibit the key characteristic most associated with high levels of free-ridership in utility rebate programs. The sensitivity of total achievable potential to this particular screening criterion was tested using alternative simple payback screening values (1 year and 3 years).

TECO: Yes. Tampa Electric utilized a longstanding Commission practice, initially approved in the 1994 DSM goals proceeding, of screening out measures having a payback period of two years or less without any incentive. This two-year payback criterion is the appropriate means to apply to minimize free ridership as required by the Commission's rule.

OPC: No. The double application of naturally occurring efficiency in the technical potential stage and free-ridership screen in the economic potential stage of the analysis of FEECA inappropriately reduces the potential DSM goals to be established by the Commission. Low-income programs should continue even though they do not pass RIM or are eliminated under the two-year payback standard. In addition, as stated in the previous issue, the utilities' over-reliance on the RIM test improperly weights the utilities' lost revenues as a cost to the general body of ratepayers as a whole and, therefore, possibly overestimates the effect of free riders.

FDACS: The goals proposed by the FEECA Utilities appear to appropriately reflect consideration of free riders. In considering whether the Companies' proposed goals appropriately reflect free riders, however, the Commission should consider policy options that take into account the payback period of the proposed program measures.

**SACE &
LULAC:** No. Among other things, the load forecasts used by Nexant in its analysis already included naturally occurring energy efficiency. As such, the possibility of free riders had already been accounted for at the Technical Potential stage of the analysis. Furthermore, the completely arbitrary two-year screen used by the utilities is not backed by any empirical evidence and improperly screens out measures that are especially important to low income communities.

PCS: No position.

WALMART: No position.

FIPUG: No position at this time.

Parties' Arguments

As it relates to DSM program participation, a free rider is a customer who receives an incentive for a utility-sponsored program that they would have installed without a financial incentive. (DEF BR 8) The FEECA Utilities contend that free-ridership has been addressed by using a two-year payback criterion, and unanimously state this is the appropriate method to identify and screen free-ridership, which is required by Rule 25-17.0021(3), F.A.C. (FPL BR 32-34; DEF BR 8; TECO BR 10; Gulf BR 21; FPUC BR 17; JEA BR 15; OUC BR 34)

Several FEECA Utilities assert that some variation of a two-year payback screen has been used in prior DSM goalsetting proceedings since 1994. (FPL BR 32-34; DEF BR 8; TECO BR 10; Gulf BR 21; TR 554; JEA BR 15; OUC BR 34) FPL notes that in the 2009 Goalsetting Proceeding, the Commission used a modified two-year payback criterion in which a selected number of measures failing the two-year payback screen were allowed to be recognized for goalsetting. However, FPL states that this deviation from the historical screen was one of the reasons why the 2009 DSM Goals rate impacts were later deemed to be too large. (FPL BR 32)

SACE & LULAC argue for the removal of the two-year payback screen for free-ridership on the basis that applying the two-year payback screen in the economic potential stage in addition to naturally-occurring efficiency savings in the TP stage, results in the double counting of free riders. (SACE & LULAC BR 16) Also, SACE & LULAC argue no empirical evidence was cited by the FEECA Utilities to support their use of a two-year payback screen. (SACE & LULAC BR 16) In addition, SACE witness Grevatt argues that financial and non-financial market barriers, such as lack of capital for the initial DSM investment and lack of DSM program awareness, hinders customers, specifically low-income customers, from investing in measures that have less than a two-year payback period. (TR 946-948)

OPC argues that the FEECA Utilities overstated free-ridership in the setting of goals due to the impact of the naturally-occurring DSM adjustment in the TP stage being coupled with the two-year payback screen in the economic potential stage, amounting to a double application or adjustment for free riders. (OPC BR 15-16) OPC also argues that low-income programs should be available to customers even if the programs do not pass RIM or have a payback period less than two years. (OPC BR 15)

FDACS argues that the goals the FEECA Utilities proposed appear to reflect the consideration of free riders appropriately. (FDACS BR 10) FDACS states the Commission should require the FEECA Utilities to maintain and develop EE and conservation programs targeted to low-income customers and require that cost and savings for these programs be reported to the Commission. (FDACS BR 7, 11) PCS, Walmart, and FIPUG took no position on this issue.

Analysis

Evaluating whether the FEECA Utilities' proposed goals appropriately reflect consideration of free riders is a specific requirement of Rule 25-17.0021(3), F.A.C., which states in part:

In a proceeding to establish or modify goals, each utility shall propose numerical goals for the ten-year period and provide ten-year projections, based upon the

utility's most recent planning process, of the total, cost-effective, winter and summer peak demand (K.W.) and annual energy (K.W.H.) savings reasonably achievable in the residential and commercial/industrial classes through DSM. Each utility's projection shall reflect consideration of overlapping measures, rebound effects, free riders, interactions with building codes and appliance efficiency standards, and the utility's latest monitoring and evaluation of conservation programs and measures.

A free rider is a customer who receives an incentive for a utility-sponsored program that he/she would have installed without a financial incentive. (TR 67-68) The FEECA Utilities asserted that the Commission has addressed free-ridership in prior DSM goalsetting dockets by having used some form of a two-year payback screen since 1994. (TR 92, 500, 554, 594, 708, 795, 833) The FEECA Utilities asserted that although they tested longer and shorter payback periods around the two-year mark, the two-year threshold was selected because it represented a balanced approach. (TR 67, 459, 554, 629, 733-734, 759, 864; EXH 100, 126, 153, 167, 194, 220, 241) The Commission allowed a deviation from the straight line two-year payback screen in 2009, when it adopted a modified two-year payback criterion, in which a selected number of measures that had been traditionally screened out were allowed to be recognized for goalsetting. (TR 1063) FEECA Utilities witness Deason stated that, in 2014, when the Commission again used the two-year pack criterion to identify free riders, the Commission determined that two years provides sufficient economic incentive to convince a customer to participate in a given EE program. (TR 1063)

Two-Year Payback Screen

The FEECA Utilities maintain universal customer adoption is not assumed to occur if the payback period is less than two years, but the two-year payback period reasonably serves as a point of differentiation to predict when customers are more likely to adopt a measure based on the measure's economic attractiveness without an economic incentive. (TR 1065-1067) The FEECA Utilities stated that they did not consider alternative methods for addressing free-ridership other than the two-year payback period, due to the Commission's long-standing historical acceptance of some form of a two-year payback screen to address residential and commercial/industrial free-ridership. (TR 112-113, 478, 554, 629; EXH 194, 218, 241) The FEECA Utilities also stated that they have historically included measures in programs that either have shorter payback periods or do not pass the RIM Test to encourage low-income participation. (TR 84, 501, 550-554, 610-611, 708, 768, 897)

SACE witness Grevatt argued that Nexant accounted for naturally-occurring efficiencies at the TP stage, which in effect, removed the effects of free-ridership. Thus, according to witness Grevatt, the two-year payback screen at the economic potential stage constituted a redundant adjustment for free riders. (TR 947) On rebuttal, FEECA Utilities witness Herndon explained that the naturally-occurring efficiency evident in the FEECA Utilities' baseload forecasts in the TP stage reflects certain EE measures that customers install on their own (i.e. without the benefit of a utility DSM program), such as a heat pump water heater. (TR 1104) DEF reports that its load forecasts capture efficiency adoption "above the baseline" by modeling historical sales, and such historical sales impact the Company's load forecasts. (EXH 181) The TP accounts for the net penetration rates for efficiency adoptions, which it describes as the difference between the

anticipated adoption of efficiency measures resulting from DSM efforts and the “business as usual” adoption rates absent DSM intervention. (EXH 26) According to witness Herndon, Nexant aligned its DSM measure saturation assumptions, based on forecasted trends, with the utility’s forecast assumptions, based on historical saturation rates, so that the TP is applied only to customers who have not installed those particular DSM measures. (TR 1103-1104) Witness Herndon argued that aligning forecast assumptions in this way “does not address the likelihood of future free-ridership for those remaining customers in a utility sponsored DSM program.” (TR 1105)

Staff is persuaded that the DSM saturation level adjustment to account for naturally-occurring efficiencies in no way addresses the free-ridership potential for customers who are not yet participants in the DSM program in question. Logically, a separate adjustment to account for free riders in the achievable potential stage is required to effect a removal of energy and demand related to those measures which would be adopted, without the need for any incentive, by those customers who do not yet have the measures installed. The basis for these two separate adjustments by the FEECA Utilities demonstrates that double counting of free-ridership alleged by SACE & LULAC and OPC is not evident in this proceeding.

SACE witness Grevatt testified that the FEECA Utilities do not use or cite to any empirical evidence or data that supports a two-year payback screen as the most appropriate method for considering free riders. (TR 946-947) Witness Deason argued it would be impossible to provide empirical evidence to demonstrate results not assumed or even envisioned by the two-year payback screen. (TR 1067) The FEECA Utilities have cited precedent as their chief argument when it comes to keeping the two-year payback screen, with all of the FEECA Utilities testifying that they did not consider any other method as an alternative to measuring free-ridership. (TR 92, 112-113, 478-479, 500, 554, 594, 629, 708, 795, 834; EXH 194) OUC witness Noonan indicated that a two-year payback equates to a fifty percent return on an investment, and he speculates that a reasonable person would make that investment on their own without needing an incentive. (TR 744) JEA witness Wucker expressed a similar sentiment in stating that “a 50 percent return is a very attractive return.” (TR 795) At hearing, staff inquired whether the FEECA Utilities considered methods of acquiring more specific information about free-ridership, such as customer surveys. FPL, JEA, and TECO witnesses responded that collecting such information would be complex, costly, and controversial. (TR 111, 798, 910-911) Staff agrees that the use of empirical evidence would be difficult to establish a suitable free rider screen, and the traditional two-year payback approach strikes a balance between promotion of EE and minimization of free-ridership. Staff notes that no intervenor posited any alternative methodology to identify free riders.

Witness Grevatt testified that market barriers such as customers’ lack of DSM awareness and customers’ competing demand for financial resources prevent many customers from investing in measures with a payback of less than two years (TR 946-948). SACE witness Grevatt described financial and non-financial market barriers that preclude a customer from participating in a DSM program. (TR 946-948) In his rebuttal testimony, witness Deason testified that the premise for fulfilling FEECA’s purpose is to determine and implement the most efficient and cost-effective programs. He argued that neither FEECA nor Rule 25-17.0021(3), F.A.C., requires the

elimination of market barriers or even mentions it. (TR 1067-1068) According to witness Deason, if goals were implemented to eliminate market barriers by offering incentives where they are not needed, the cost passed onto customers becomes an undue burden. (TR 1067-1069) Staff agrees that the stated purpose of the FEECA statutes centers on establishing cost-effective efficiency goals rather than eliminating market barriers.

SACE witness Grevatt stated that measures passing TRC with a payback period longer than two years were rejected by FPL because the company assumed most customers would not participate at the level of incentives that would be offered. (TR 946-951) SACE witness Grevatt argued that this contradicts the premise that customers would install a measure only if it has a two-year payback period or less. (TR 946-951). FPL witness Koch explained that the two-year payback screen at the economic potential stage is used to screen out measures with a payback period shorter than two years, while measure elimination at the achievable potential stage with payback periods greater than two years is based on expected participation rates under conditions of limited incentives. (TR 1155-1156) Witness Koch argued the level of potential participation in a given measure is related to how much payback improvement a participant will realize from receiving the utility's maximum cost-effective incentive. (TR 1155-1156) Staff is persuaded that the two adjustments in the economic potential and achievable potential stage address different, but valid, concerns.

Payback Sensitivities

Pursuant to the OEP, the FEECA Utilities were required to test free-ridership by performing potential economic testing at higher and lower free-ridership payback screens. The FEECA Utilities addressed this requirement by performing one- and three-year sensitivities, with the two-year mark considered as the base case. (EXH 100, 126, 153, 167, 194, 220, 241) Each of the FEECA Utilities provided such sensitivities at the economic potential level. The impact on energy and demand savings resulting from such sensitivities is summarized across FEECA Utilities in Table 7-1.¹⁵ (TR 816-817; EXH 29, 35) Moving to a one-year payback period screen under the TRC portfolio increases demand and energy savings by a significant margin, but much less so under the RIM portfolio. Similarly, moving to a three-year payback period screen under the TRC portfolio decreases demand and energy savings by a significant margin, but much less so under the RIM portfolio. These sensitivities suggest that the potential for material changes in energy savings for free-ridership screens is highly dependent upon the cost-effectiveness test used.

¹⁵Table 7-1 shows the average percentage change of the non-zero proposed goals for each cost-effectiveness test pathway. TECO and Gulf payback period data were excluded due to response errors (TECO) and baseline values not reflected in the remaining analysis (Gulf).

Table 7-1
Payback Period Sensitivities at the Economic Potential Level
(Average Percent Change)

Test	Goal	Payback Period	
		3 Year	1 Year
RIM	Summer (MW)	-6.2%	1.4%
	Winter (MW)	-4.7%	4.2%
	Energy (GWh)	-5.5%	2.9%
TRC	Summer (MW)	-33.9%	39.2%
	Winter (MW)	-38.4%	65.0%
	Energy (GWh)	-43.2%	51.6%

Source: EXH 9, 159, 176, 204, 228

FPL maintained that a one-year payback period would increase the number of DSM measures that the Company would offer, consequently requiring the general body of customers to subsidize the participating customers due to increasing free-ridership rates, which would ultimately result in rate increases. (EXH 107) FPL also argued that a three-year threshold would adequately address free-ridership; however, it has the potential to eliminate measures where free-ridership is low. (EXH 107) OUC argued that the number of measures would increase with a shorter payback period criterion; however, the utility's costs would increase as well. (EXH 203) OUC stated that these higher costs, along with increases in lost revenue, would have a larger rate impact on non-participants. (EXH 203) OUC maintained that the opposite would be true if the three-year payback criterion was used. (EXH 203)

The results of these sensitivities demonstrate that the TRC portfolio is more sensitive to changes to the free rider screen. As discussed in Issue 8, goals based on the TRC test would also cause upward pressure on utility customer rates.

In summary, staff recommends that the evidence in this proceeding supports the continued use of the two-year payback criterion as a reasonable method for identifying potential free riders for the purpose of setting goals. No intervenor provided an alternative method, and naturally-occurring efficiency adjustments in the TP stage has been shown to be unrelated to free rider adjustments. As discussed, elimination of DSM measures with relatively low customer incentives in the achievable potential stage is unrelated to the adjustment for potential free riders at the economic potential stage. Based on the reasons stated above, staff believes the continued use of the two-year payback period criterion used to establish goals is reasonable. A separate analysis related to whether a different free-ridership criterion applicable to low-income customers is reasonable appears below.

Customer Education

Customer education has been, and continues to be, a critical component for promoting EE programs. Under direction from the Commission, all of the FEECA Utilities have maintained customer education programs since the 2014 Goalsetting Proceeding. (TR 603; EXH 108, 131, 203, 227, 249) SACE witness Grevatt argued that lack of awareness of DSM measures and the

related potential savings benefits acts as a non-financial market barrier that prevents customers from investing in EE and DSM measures. (TR 946-948) Staff believes education remains an integral part of promoting conservation and DSM programs for all customers. The FEECA Utilities should be encouraged to continue their educational efforts, including information on measures with paybacks of two years or less and behavioral changes that customers can follow to save energy.

Low-Income Customers

SACE witness Bradley-Wright contends that the use of a two-year payback screen impacts low-income customers because free ridership assumptions do not apply to this group of customers. (TR 1001) Witness Bradley-Wright argues that low-income customers, due to their financial constraints and housing conditions, have an effective payback period of zero or near zero. SACE witness Grevatt adds that low-income customers may not purchase EE measures with a two-year payback because of short-term or other financial pressures. (TR 946) Witness Bradley-Wright proposed the Commission evaluate the savings potential for low-income customers, in part, by removing the two-year payback screen used by the FEECA Utilities accounting for free riders. (TR 1008)

TECO witness Roche testified that one of the reasons he does not support SACE witness Bradley-Wright's alternative method for evaluating low-income DSM measures is because the removal of the free ridership screen would ignore Florida law. (TR 1376, 1386) Witness Roche states that, if the free ridership consideration were removed, the amount of cost-effective DSM goals would be inflated. (TR 1376)

Staff reviewed both the applicable statute and rule. Section 366.81, F.S., requires efficient and cost-effective renewable energy systems and conservation systems in order to protect the health, safety, and welfare of the state and its citizens. Rule 25-17.0021, F.A.C., requires projection of energy and demand savings which reflect the consideration of free riders. As a means of addressing this statute and rule, the Commission has applied a two-year payback screen to eliminate free rider measures since 1994. (TR 69) SACE may be correct, in staff's view, that low-income customers have a shorter payback period than two years, but there is no evidence in this proceeding suggesting what that payback period is for each DSM measure, or how a payback screen to account for such differentiated payback periods should be implemented. Staff agrees with witness Roche that eliminating a free rider screen for low-income customers is not consistent with the cost-effectiveness mandate of FEECA as it pertains to goalsetting. Staff recommends that the two-year payback screen, applied to all cost-effective DSM measures and across all customers, low-income and otherwise, is a reasonable means of addressing free ridership for the purpose of goalsetting.

Beyond the argument for elimination of the two-year payback screen, witness Bradley-Wright posited that separate energy efficiency goals or targets for low-income customers should be established as part of the FEECA goalsetting process in this proceeding. Witness Bradley-Wright makes this argument based upon his assessment of the scale of the need within this population group. (TR 997) He estimated approximately 5 million households, or 36.7 percent of all households in the FEECA Utilities' combined service areas, have incomes at or below 200 percent of the federal poverty line. He explained that such households have high energy burdens

relative to median energy burden households. (TR 997-998) He stated energy efficiency is widely recognized as the best solution to address high energy burdens. (TR 999) Witness Bradley-Wright indicates low-income energy efficiency was a key energy policy priority in the 2014 FEECA Goalsetting proceeding, and FEECA Utilities have all pledged their support of low-income energy efficiency programs going forward. (TR 995) In order to address energy efficiency for this customer group, he suggested establishing utility efficiency programs using the TRC Test rather than the RIM Test, eliminating the two-year payback screen altogether, and setting achievable potential at 50 percent of economic potential (TR 1008). The EE goals or targets witness Bradley-Wright proposes include ten-year targets for energy savings for each of the FEECA Utilities except FPUC. (TR 1011)

FPL witness Koch disputed witness Bradley-Wright's testimony regarding DSM goals for low-income customers, arguing that separate goals or targets established for low-income customers is procedurally inappropriate. He stated that only six goals (energy, summer demand, and winter demand for residential and commercial industrial classes) are to be established per Rule 25-17.0021, F.A.C., all of which are based on totals for those respective classes. (TR 1139) Witness Koch also expressed his concern that high energy burden data for low-income households used by witness Bradley-Wright is incompatible with the central concern addressed in this proceeding, electric utility DSM goals. In this regard, he argued that the data witness Bradley-Wright relies upon contains all sources of household energy and transportation, and is based on national rather than regional data sets. (TR 1135) Witness Koch stated that witness Bradley-Wright lacks support for his statement that energy efficiency is widely recognized as the best solution to address high energy burdens. He further stated that potential actions to raise rates resulting from the adoption of non-cost effective DSM would be of concern to low-income customers and would not constitute a "best" strategy. (TR 1138) He disagreed as well with witness Bradley-Wright's estimate of the number of low-income households, stating that the percentage of households meeting the federal poverty guidelines for FPL is closer to 20 percent rather than 37 percent. (TR 1145) Witness Koch testified that witness Bradley-Smith's proposed low-income goals would result in a significant increase in customer ECCR rates, including increasing the energy burden on the majority of low-income customers (non-participants). (TR 1144-1145)

Staff agrees with FPL witness Koch that the current rule does not contemplate separate goals for low-income customers, which represents a procedural issue for adopting such goals. Rule 25-17.0021(1), F.A.C., states, in part, "Overall Residential KW and KWH goals and overall Commercial/Industrial KW and KWH goals shall be set by the Commission for each year over a ten-year period." The rule clearly indicates that the goals to be established by the Commission apply to the entire customer class rather than a subset of the class. In addition, the testimony in this case regarding the impact of SACE's low-income goals indicates that establishing low-income goals can be expected to result in higher rates overall for the general body of ratepayers, including low-income customers who do not participate in DSM programs. Staff recommends that SACE's argument for establishing separate goals for low-income customers is inconsistent with the Commission's rule and can negatively impact customer rates and is, therefore, not persuasive.

Conclusion

Staff recommends that the two-year payback screen is a reasonable method to account for free riders in determining conservation goals in this proceeding. Further, staff recommends the Commission direct each utility to continue in their education and outreach efforts for all ratepayers, with an emphasis on low-income communities. These efforts should educate all customer groups on energy efficiency opportunities, with a specific emphasis on behavioral changes and efficiency measures with a payback period of two years or less.

Issue 8: What residential summer and winter megawatt (MW) and annual Gigawatt-hour (GWh) goals should be established for the period 2020-2029?

Recommendation: The Commission should establish residential numeric conservation goals based upon a cost-effectiveness analysis that allows all ratepayers, both participants and non-participants, to benefit from DSM measures. The annual conservation goals should be based upon the RIM and Participants Tests, as this combination addresses concerns regarding subsidies between those who can participate in DSM measures and those who cannot, such as renters and low-income households. Consistent with staff's recommendations in Issues 5 and 7, the goals should use no cost for carbon emissions and a two-year payback as a free-ridership screen should be included. As goals are RIM Test based, the FEECA Utilities should not be eligible for rewards for exceeding their goals. (Doehling, Ellis, Higgins, Wooten, Wu)

Position of the Parties:

FPL: The Commission should approve the following residential Goals for the period 2020-2029:

Year	Summer MW		Winter MW		Annual MWh	
	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative
2020	24.0	24.0	20.7	20.7	12	12
2021	24.0	48.1	20.7	41.5	12	23
2022	24.0	72.1	20.7	62.2	12	35
2023	24.0	96.1	20.7	82.9	12	47
2024	24.0	120.1	20.7	103.7	12	58
2025	24.0	144.2	20.7	124.4	12	70
2026	24.0	168.2	20.7	145.1	12	81
2027	24.0	192.2	20.7	165.9	12	93
2028	24.0	216.2	20.7	186.6	12	105
2029	24.0	240.3	20.7	207.4	12	116

GULF: The Commission should approve the Company's proposed goals totaling zero summer and winter MW and zero GWh for the period 2020-2029. Gulf's goals (i) reflect the Company's resource planning process; (ii) reflect all costs and benefits to participants and the general body of customers; (iii) account for free riders; and (iv) avoid cross-subsidization of participants by non-participants. Additionally, Gulf's goals properly reflect the evolving role for utilities in offering energy efficiency and diminishing cost-effectiveness results.

FPUC: The Commission should establish no annual goals, or goals of zero, for the period 2020-2029. The Company should, nonetheless, be allowed to file a DSM Plan to the extent any of its current programs, when updated, remain cost-effective under the Commission's Rule. To the extent an existing program may

remain cost-effective, continuation of such program would be consistent with FEECA.

DEF:

DUKE ENERGY FLORIDA - PROPOSED RIM GOALS 2020-2029			
	Winter Peak MWs	Summer Peak MWs	GWHs
Residential	78	108	115

OUC:

The PSC should establish goals of zero for OUC for residential summer and winter peak demand (“MW”) reductions and annual gigawatt-hour (“GWh”) savings.

JEA:

No residential DSM measures passed the RIM test. Accordingly, the Commission should establish goals of 0 MW (summer and winter) and 0 MWh (annual energy) for the residential class.

TECO:

Tampa Electric proposes the residential summer and winter Megawatt (MW) and annual Gigawatt-hour (GWh) goals in the chart below be established for the period 2020-2029:

Tampa Electric's 2020-2029 Proposed Residential DSM Goals at the Generator			
Year	Summer Demand (MW)	Winter Demand (MW)	Annual Energy (GWh)
	Incremental	Incremental	Incremental
2020	4.7	2.58	9.3
2021	4.9	2.57	9.6
2022	5.0	2.56	9.7
2023	5.2	2.56	10.0
2024	5.4	2.55	10.3
2025	5.6	2.54	10.7
2026	5.8	2.54	11.0
2027	6.0	2.53	11.3
2028	5.6	2.53	10.5
2029	6.0	2.52	11.3

The cumulative effect of these residential goals through 2029 would be a summer MW reduction of 54.0 MW, a winter MW reduction of 25.5 MW and cumulative energy savings of 103.6 GWh.

OPC:

The companies rely too heavily on the RIM test as the sole criteria for establishing the achievable potential for each company. The Commission should give some weight to and consider the TRC test results as well. If the

Commission relies upon the companies' proposed RIM goals or approves goals that are lower than the RIM-achievable potential, OPC submits there should be no rewards for exceeding those goals. The summer and winter megawatt and annual gigawatt-hour goals for residential customers should reflect these considerations, although OPC does not propose specific numeric amounts.

FDACS: The residential summer and winter megawatt (MW) and annual Gigawatt-hour (GWh) goals proposed by the FEECA Utilities for the 2020-2029 period appear appropriate. The Commission, however, should continue to balance the goal of energy efficiency and conservation with the impact of the costs and benefits of these programs on the rates and overall bills of all the FEECA Utilities' rate-payers, particularly low-income customers.

SACE & LULAC: The Commission should approve the corrected Bills test analysis goals contained within Witness Grevatt's testimony and additionally corrected for Florida Power & Light, and, as a subset of those goals, approve specific goals for low-income communities consistent with the testimony of Witness Bradley-Wright. These goals are presented below. As bills are driven by energy use, SACE and LULAC do not propose specific MW goals for low-income customers, only GWh goals.

Utility	Incremental Annual Energy Savings (GWh)										Total
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
FPL^	136	162	162	162	162	162	162	162	162	162	1,594
Duke	68	135	166	166	166	166	166	166	166	166	1,530
TECO	22	34	34	34	34	34	34	34	34	34	323
Gulf	15	31	42	42	42	42	42	42	42	42	381
Orlando	8	16	16	16	16	16	16	16	16	16	155
JEA	14	28	37	37	37	37	37	37	37	37	336

Utility	Summer Peak MW										Total
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
FPL^	59	70	70	70	70	70	70	70	70	70	689
Duke	29	59	72	72	72	72	72	72	72	72	663
TECO	4	7	7	7	7	7	7	7	7	7	64
Gulf	3	7	9	9	9	9	9	9	9	9	83
Orlando	2	4	4	4	4	4	4	4	4	4	37
JEA	3	7	9	9	9	9	9	9	9	9	80

Utility	Winter Peak MW										Total
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
FPL^	22	26	26	26	26	26	26	26	26	26	256
Duke	13	27	33	33	33	33	33	33	33	33	303
TECO	3	5	5	5	5	5	5	5	5	5	51
Gulf	3	6	9	9	9	9	9	9	9	9	79
Orlando	1	2	2	2	2	2	2	2	2	2	19
JEA	2	4	5	5	5	5	5	5	5	5	49

^All values are from Exhibit JMG-2, except for FPL which includes the addition of the 50% of the economic potential (representing the achievable potential) of the two-speed pool pump and SEER 21 ASHP vs electric resistance heat spread out over the ten-year period (63 GWh per year, 31 summer MW per year, and 11 winter MW per year)

Utility	Residential Low-Income Incremental Annual Energy Savings (GWh) Goals as a Subset of the Residential Goals (included in the total noted above) (from Table 4 of Forest Bradley-Wright Testimony)										10-Year Total
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
FPL	39.5	39.5	39.5	39.5	39.5	39.5	39.5	39.5	39.5	39.5	395
Duke	57.2	57.2	57.2	57.2	57.2	57.2	57.2	57.2	57.2	57.2	572
TECO	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7	117
Gulf	13.3	13.3	13.3	13.3	13.3	13.3	13.3	13.3	13.3	13.3	133
Orlando	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	67
JEA	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	125

PCS: Duke Energy Florida's proposed residential summer and winter megawatt and annual Gigawatt-hour goals for 2020-2029 are a reasonable balance of FEECA's express goals and costs and rate impacts to Florida consumers and should be approved.

WALMART: No position.

FIPUG: The Commission should set goals that balance the importance of pursuing conservation programs against their cost and the impact of that cost on rates.

Parties' Arguments

The FEECA Utilities propose goals based upon the achievable potential of those measures that pass both the RIM Test and the Participants Test. (FPL BR 37-38; DEF BR 5; TECO BR 3; GULF BR 3; FPUC BR 17; JEA BR 17; OUC BR 3) Gulf, FPUC, JEA, and OUC propose residential goals of zero based on the technical analysis performed. (Gulf BR 26; FPUC BR 7; JEA BR 17; OUC BR 3) Several FEECA Utilities argue that while the proposed conservation goals are lower than the prior goalsetting proceeding, this is reasonable due to reduced cost-effectiveness of measures and changes in Codes and Standards. (FPL BR 41; Gulf BR 1-2; FPUC BR 13; OUC BR 5) JEA and OUC state they will continue to offer DSM programs to customers, but argue that the Commission should impose RIM Test based goals to give them the flexibility to determine the level of investment desired by the local community. (JEA BR 2-3, 9; OUC BR 3-4)

The FEECA Utilities propose to continue and/or expand programs that target low-income customers. (FPL BR 38; DEF BR 10; TECO BR 14-15; GULF BR 27-28; FPUC BR 17-18; JEA BR 9; OUC 43) Several FEECA Utilities argue against the establishment of separate goals for low-income customers, as they contend it is unnecessary, is inconsistent with or beyond the scope of FEECA, may increase rates, or is unsupported by data in this proceeding. (FPL BR 4-5, 46-47; DEF BR 10-12; TECO BR 13-15; GULF BR 8, 28-30; JEA BR 17-18; OUC BR 40-44)

OPC contends that the FEECA Utilities' sole reliance on the RIM Test is improper because it reduces or eliminates numeric conservation goals compared to prior goalsetting proceedings. (OPC BR 6-7) OPC does not propose specific goals, but recommends the Commission use the results of both the RIM and TRC Tests to establish goals and consider low-income programs. (OPC BR 16-17) OPC proposed that if the Commission approves goals based on the RIM Test, then the FEECA Utilities should not be eligible for financial rewards for exceeding their goals. (OPC BR 17)

FDACS supports the FEECA Utilities' proposed residential goals. (FDACS BR 14) FDACS suggests the Commission require the FEECA Utilities to maintain and continue developing programs for customer education along with those targeted to low-income customers. (FDACS BR 14-15) FDACS further suggests that the FEECA Utilities increase data tracking of these program costs and savings. (FDACS BR 14-15)

SACE & LULAC argue that the FEECA Utilities cannot set conservation goals of zero or near zero, as they assert zero or near zero goals are not intended by the Legislature. (SACE & LULAC BR 2, 47-48) SACE & LULAC contend that the FEECA Statute does not allow the Commission to use the RIM Test, referred to as the "Lost Sales Test," to determine cost-effectiveness for goalsetting when it results in a zero value. (SACE & LULAC BR 12-13)

SACE & LULAC acknowledge that SACE witness Grevatt's proposed goal of 1.5 percent of energy savings is not based on a Florida-specific analysis. (SACE & LULAC BR 6) Therefore, SACE & LULAC propose goals based on witness Grevatt's attempted correction of the FEECA Utilities' TRC goals analysis. (SACE & LULAC BR 6) SACE & LULAC assert that while the TRC Test may result in upwards pressure on rates, customers will have an opportunity to participate in programs to reduce usage and therefore reduce bills. (SACE & LULAC BR 39-40)

SACE & LULAC also propose that the FEECA Utilities have separate goals established for low-income customers to meet the particular needs of those customers. (SACE & LULAC BR 6-7) SACE & LULAC further contend that FEECA Utilities with zero or near zero goals may not be able to legally recover costs for low-income programs if they do not have specific goals for low-income achievements. (SACE & LULAC BR 22-23)

PCS supports DEF's proposed residential goals. (PCS BR 2, 4). FIPUG does not propose any specific goals, but supports cost-effective measures, especially DR. (FIPUG BR 5) Walmart took no position regarding the residential goals to be established.

Analysis

Section 366.81, F.S., states in part that:

The Legislature finds and declares that it is critical to utilize the most efficient and cost-effective demand-side renewable energy systems and conservation systems in order to protect the health, prosperity, and general welfare of the state and its citizens. Reduction in, and control of, the growth rates of electric consumption and of weather-sensitive peak demand are of particular importance.

The FEECA Statute then goes on to task the Commission with the responsibility to establish appropriate goals and require the FEECA Utilities to develop and implement plans and programs to accomplish these goals. As outlined in Section 366.82(3), F.S., and Rule 25-17.0021(3), F.A.C., the Commission must consider multiple factors when determining the FEECA Utilities' annual numeric conservation goals, including those discussed in Issues 1 through 7.

Goal Development

Pursuant to FEECA, the Commission is tasked with establishing appropriate and cost-effective conservation goals. As with the 2009 and 2014 Goalsetting Proceedings, this is accomplished by a review of the technical potential, economic potential, and achievable potential of each FEECA Utility. As required by 366.82(3), F.S., and discussed in Issue 1, the FEECA Utilities first developed the technical potential, which represents the theoretical maximum conservation possible without consideration of economics. Next, pursuant to the OEP, each of the FEECA Utilities developed economic potential values for the RIM and TRC Tests pathways, similar to the methodology used in the 2009 and 2014 Goalsetting Proceedings. FEECA Utilities witness Herndon defined economic potential as follows:

[Economic Potential] is a subset of [Technical Potential], which assumes every identified potential end-use measure is installed everywhere it is "economically" feasible to do so, regardless of customer acceptance, or any other real-world constraints (such as product availability, contractor/vendor capacity, normal equipment replacement rates, or customer preferences).
(TR 334)

Last, the achievable potential was developed, which represents the inclusion of all factors, including projected customer participation rates at given incentive levels, and represents the amount that can be cost-effectively achieved by voluntary measure adoption. (TR 74-78, 337-

339, TR 869-873) Nexant performed the economic and achievable potential analyses for all utilities excluding FPL and TECO, which performed their own analyses after the technical potential. (TR 321) DEF and Gulf conducted their own measure screening and provided Nexant with the results, which it used to determine the final achievable potential values. (TR 321)

Factors Influencing DSM Goals

Utility DSM represents an alternative resource to supply-side generation to meet customer needs, but must be evaluated while considering the economics and reliability impacts for Florida's FEECA Utilities. (TR 54) FPL witness Koch acknowledged that as utility DSM programs will ultimately be funded by the general body of ratepayers, they should be cost-effective to ensure fairness for all customers, including both DSM participants and non-participants. (TR 54) DSM program savings are determined by voluntary customer participation, which may be driven by multiple factors, unlike efficiency through Codes and Standards which affects all customers. (TR 56, 76)

Multiple utility witnesses asserted that there has been a decrease in the cost-effectiveness and availability of DSM for most utilities since the 2014 Goalsetting Proceeding. (TR 212-213, 431, 603-604, 828-829). Specific areas that have reduced the current cost-effectiveness of DSM measures include Codes and Standards (Issue 1), GHG emissions (Issue 5), load forecasts, and a reduction in avoided costs for generation and fuel. A majority of these factors are beyond any individual utility's control, and may represent outside market forces or regulatory requirements. More stringent Codes and Standards reduce the incremental savings available for the FEECA Utilities. Lower avoided costs reduce the savings of measures, decreasing the amount of incentives that can be offered or making the measure not cost-effective. The impact of these changes reduce the potential for utility-sponsored DSM in Florida as compared to the 2014 Goalsetting Proceeding. No intervenors offered evidence contrary to the decline in DSM cost-effectiveness and staff recommends the evidence provided demonstrates that cost-effectiveness has declined.

Load Forecast

The FEECA Utilities' load forecast served as the foundation of all seven FEECA Utilities' DSM goalsetting analyses. (EXH 26-32) Section 366.82(3), F.S., requires "[i]n developing the goals, the commission shall evaluate the full technical potential of all available demand-side and supply-side conservation and efficiency measures, including demand-side renewable energy systems." Therefore, as discussed in Issue 1, the first step in the DSM goals development process is to analyze the TP so as to identify the theoretical limit to reducing summer and winter electric peak demand and energy. (TR 325) The TP is derived from utility load forecasts and DSM measure impacts (energy and demand savings). (TR 322) FEECA Utilities witness Herndon indicated that TP for DR is effectively the total of customer loads that could be curtailed during conditions when utilities need capacity reductions. (TR 325, 328). The results of the load forecasts exhibit the direct impact Codes and Standards have on the final DSM goals developed. For example, FPL's recent annual net energy for load (NEL) forecasts have been lower than they otherwise would have been due to the improved Codes and Standards. (TR 227) This means that FPL will be serving fewer MWh annually, thus, less opportunity exists to apply kWh reductions

from utility DSM to FPL's system, further lowering the potential benefits of kWh reductions from utility DSM. (TR 227)

For the instant goals proceeding, the FEECA Utilities collectively retained Nexant to conduct the TP analysis. FEECA Utilities witness Herndon of Nexant indicated that he had performed a high level review of documents from the 2009 and 2014 FEECA Goalsetting Proceedings and the 2009 TP studies developed by ITRON. (EXH 101, 125, 152, 170, 196, 219, 242) Witness Herndon claimed that the overall approach Nexant used for preparing the Market Potential Study Report in the current FEECA goals proceeding for each utility is generally similar to what was used by ITRON in developing the TPs in the 2014 goals proceeding. (EXH 101, 125, 152, 170, 196, 219, 242) Both of these studies based each utility's TP (except FPUC and OUC) in part on its base load forecast.^{16,17} (EXH 101) Nexant used each utility's 2017 Ten-Year Site Plan (TYSP) as its primary data source for the load forecasts.¹⁸ (TR 326; EXH 152) The 2017 TYSPs were used because they were the most current site plans available at the time the Market Potential Studies of the utilities were initiated. (TR 326, 367; EXH 26) Nexant then supplemented the TYSP data with existing secondary data to create a disaggregated utility load forecast broken out by customer-class, end-use, and equipment type.¹⁹ (EXH 101) This disaggregated forecast forms the basis for the development of market potential.²⁰ (TR 320-322; EXH 101, 125, 152, 170, 196, 219, 242)

Witness Herndon asserted that Nexant's approach for load disaggregation to identify DR opportunities is more advanced than what is used for most potential studies. (TR 328) Typically, only consumption or peak demand values from billing data will be disaggregated to identify DR opportunities. In contrast, Nexant disaggregates the load for every hour of the year using Advanced Metering Infrastructures data. Witness Herndon claimed that this more precise approach is superior because the loads available at times when needed can vary substantially. (EXH 101, 125, 152, 170, 196, 219, 242) Staff recommends that Nexant's approach is appropriate to be used in the instant proceeding.

With respect to NEL forecasts provided to Nexant for TP analyses, the majority of the FEECA Utilities have projected lower levels of NEL compared with their projections in the 2014 goals proceeding. Collectively, the total NEL of the FEECA Utilities, excluding FPUC and OUC, forecasted in the current goals proceeding is reduced over the current goals period, as shown in Table 8-1. (EXH 157, 202) For the 2014 proceedings, both FPUC and OUC requested to use, and the Commission approved their use of, a proxy methodology in goals development; thus, these

¹⁶2014 Goalsetting Order, Pp. 4-5.

¹⁷A primary difference noted between the two studies appears to be that the ITRON study applied measure savings to individual units of consumption (e.g., end-use appliance), while the Nexant study applied measure savings as a percentage of the baseline energy consumption (e.g., residential class) for the disaggregated utility load forecast.

¹⁸FPUC does not develop a TYSP. Nexant relied on the then-currently available load forecast provided by FPUC in response to Nexant's data request in October 2017.

¹⁹Secondary data included Energy Information Administration (EIA) end-use modeling, EIA Commercial Building Energy Consumption Survey and EIA Manufacturing Energy Consumption Survey that was used when the utility did not have data available for a portion of the forecast disaggregation.

²⁰Nexant only considered the baseline load forecast contained in the utility TYSP in developing the disaggregated load forecast for 2020, which is the first year of the 2020-2029 DSM goals study period.

utilities did not prepare NEL forecasts. Consequently, there are no baselines against which to make a comparison of load forecasts for FPUC and OUC.

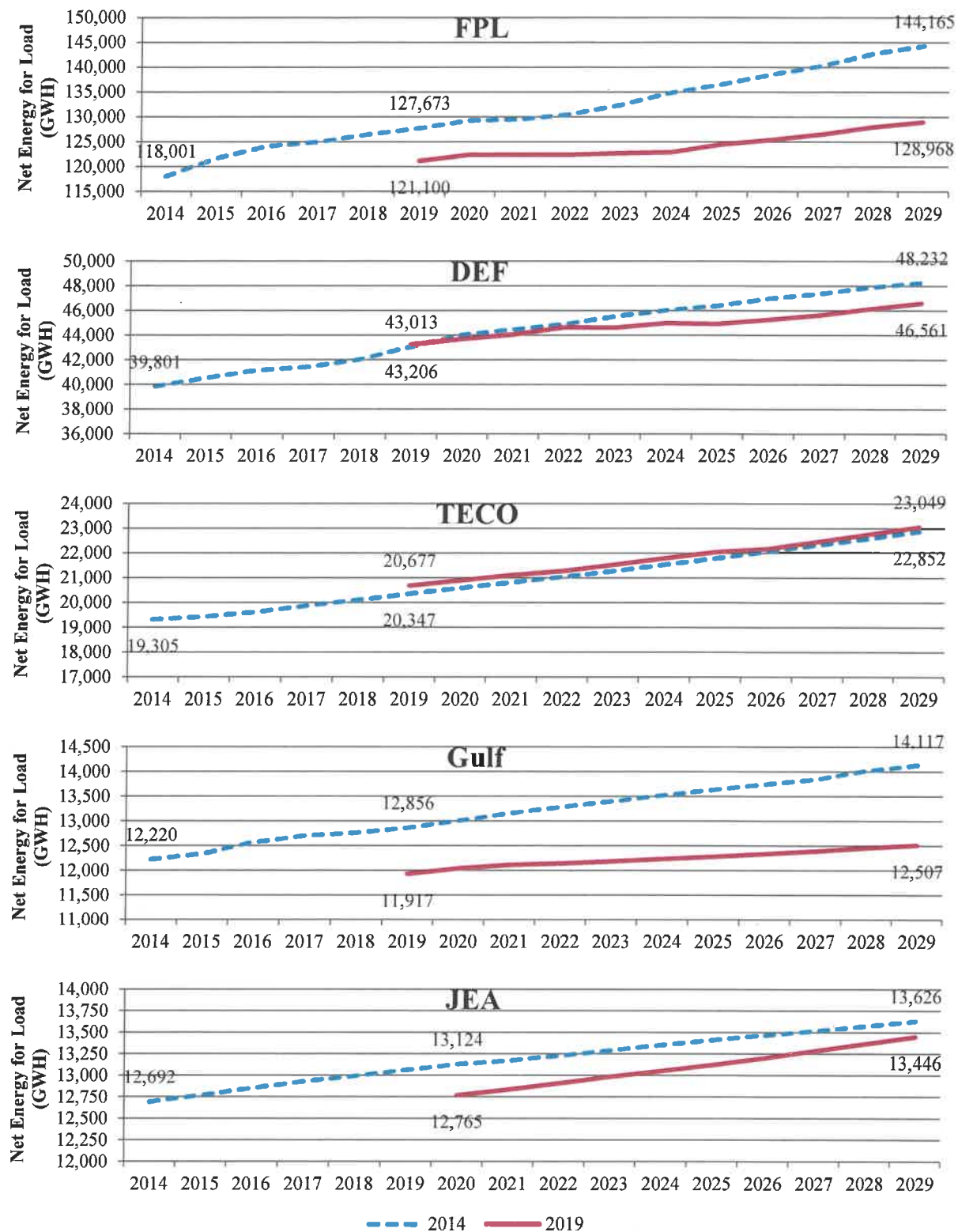
Table 8-1
Comparison of the Total Net Energy for Load (GWh)
Forecasts of FPL, Gulf, DEF, JEA and TECO

Year	Forecast Used in 2014 Goals Proceeding	Forecast Used in Current Goals Proceeding	Difference
2024	229,225	214,871	-14,354
2029	242,992	224,531	-18,461

Source: EXH 106, 130, 174, 226, 246

Figure 8-1 further depicts the trends of NEL that the FEECA Utilities, excluding FPUC and OUC, projected in the 2014 and the current goals proceedings. As can be seen, NEL forecasts of FPL, DEF, Gulf, and JEA are all lower than what the utilities presented in the 2014 goals proceeding; only TECO proffered a slightly higher forecast for the instant proceeding.

Figure 8-1 - Load Forecast Comparison



Source: EXH 106, 130, 174, 226, 246

In response to staff's discovery, FPL explained that, for the 2020-2030 forecast period, NEL as well as summer and winter peak demand forecasts filed in the current goals proceeding have smaller compound growth rates than the forecasts filed in the 2014 goals proceeding, and the decline in forecast growth rates began following the 2007-2009 Great Recession. (EXH 106) FPL stated that the lower NEL is the result of the continuing impact of Codes and Standards, particularly more efficient air conditioning and LED lighting. (EXH 106) In general, lower projected NEL leads to lower benefits for DSM measures, since lower NEL leads to lower overall system variable costs and reduces the impact of these costs from DSM. (TR 224-229; EXH 106)

DEF indicated that the current load forecast incorporates the history of the recovery from the Great Recession which, while long and sustained, has been slower than the economic expansion which preceded 2008. DEF asserted that the last ten years have exhibited lower customer usage rates for both energy and peak demand due to increasing energy efficiency and changes in customer behavior over that period, and these trends are more fully captured in the current load forecast. (EXH 174) DEF also stated that the lower expected growth in NEL leads to a lower value for DSM program goals in the current proceeding compared to the goals presented in the 2014 goals proceeding. (EXH 174)

Gulf projected slower growth in NEL, summer peak demand, and winter peak demand compared to Gulf's growth rates in the 2014 goals proceeding. Gulf averred that the decreased load forecast affects the proposed DSM goals in two ways: reducing the potential energy and demand reductions available from utility-sponsored DSM initiatives, and decreasing the cost-effectiveness of DSM measures. (EXH 130)

JEA's forecast of NEL was lower than the forecast adopted in the 2014 goals proceeding, although JEA's current forecast of NEL yields an annual growth rate of NEL to be slightly higher (0.58 percent versus 0.42 percent for the instant and 2014 proceedings, respectively) over the 2020 through 2030 period. (EXH 226) JEA indicated that all else being equal, the trends in JEA's NEL, as well as summer and winter peak loads, would reduce the amount of cost-effective conservation and energy efficiency measures. (EXH 226)

For TECO, the annual growth rate of NEL was 0.1 percent lower than that of the 2014 goals proceeding, and the growth rates for summer and winter peak demands are 0.2 percent higher than that of the 2014 proceeding. (EXH 246) TECO explained that the cause for the slower growth in NEL in the current proceeding is primarily due to projected declines in phosphate loads, and the slightly stronger growth in the peak demand is primarily due to a stronger customer growth projection. (EXH 246) TECO also indicated that the trends for slower growth in NEL would cause the conservation and energy efficiency measures to be slightly less cost-effective, while the slightly stronger growth in peak demands would cause a slight increase in cost-effectiveness. (EXH 246)

SACE witness Grevatt asserted that "[i]n developing estimates of technical potential [...] Nexant already accounted for naturally-occurring efficiency." (TR 947) The load forecasting process relies upon historic customer energy usage to predict future energy consumption. Historic customer behavior reflects the naturally occurring efficiency adoption, thus, the load forecasts'

estimates of future energy consumption include the impact of naturally occurring efficiency adoption above baseline Codes and Standards. (EXH 118) Staff notes that all the utilities indicated such impact is included in their load forecasts, with an emphasis that the impact is implicitly, not explicitly, captured in their load forecasts.²¹ (EXH 117, 118, 142, 143, 181, 182, 312, 327, 238, 257, 258)

Staff notes that the load forecasts utilized by the FEECA Utilities in the current goals proceeding are identical with those provided in the utilities' 2017 TYSPs. Staff has reviewed the information presented in this proceeding including the forecasting methods, major assumptions, key data sources, and the criteria utilized to develop and evaluate the forecasts. Staff has also reviewed the changes, and/or improvements, between the forecasts adopted in the 2014 and the current proceedings, and among the more recent TYSPs and other Commission dockets. (TR 145-151, 155, 156, 224-226, 320, 326; EXH 26, 32, 101, 104, 106, 111, 114, 117, 118, 125, 130, 135, 142, 143, 152, 157, 162, 169, 170, 174, 181, 182, 196, 202, 208, 213, 214, 219, 226, 231, 237, 238, 242, 244, 246, 252, 257, 258) Based on the record and the discussion above, staff recommends that load forecasts utilized by the FEECA Utilities in the current proceeding are appropriate for the purpose of DSM goalsetting.

Avoided Generation, Transmission and Distribution

With reduced load forecasts there is a potential for delayed avoided generation. DEF witness Cross notes that an avoided unit further out is a primary influence on cost-effectiveness. (TR 605) The record shows that there is an even split of natural gas-fired combined cycle (CC) avoided units and natural gas-fired combustion turbine (CT) avoided units. Table 8-2 illustrates the-in-service date, type, and capacity of the avoided units in this goals proceeding and the 2014 Goalsetting Proceeding.

Table 8-2
Avoided Units

Company	FPL	DEF	TECO	Gulf	OUC	JEA
2019 Proceeding (2020 – 2029)	2026 CC (1,886 MW)	2027 CT (233 MW)	2023 CT (229 MW)	2024 CC (595 MW)	2032 CC (650 MW)	2029 CT (223 MW)
Years from Start	6 Years	7 Years	3 Years	4 Years	12 Years	9 Years
2014 Proceeding (2015 – 2024)	2019 CC (1,269 MW)	2015 CT (214 MW)	2019 CT (190 MW)	2023 CC (750 MW)	N/A	2036 CT (193 MW)
Years from Start	4 Years	0 Years	4 Years	8 Years	N/A	21 Years

Source: TR 442; EXH 100, 167, 194, 220, 240; 2014 Goalsetting Order

Whereas fuel prices were down universally across the FEECA Utilities, avoided generation is more variable. The avoided units for FPL and DEF are further delayed beyond their initial

²¹Utilities that provided the load forecast to Nexant for TP analysis.

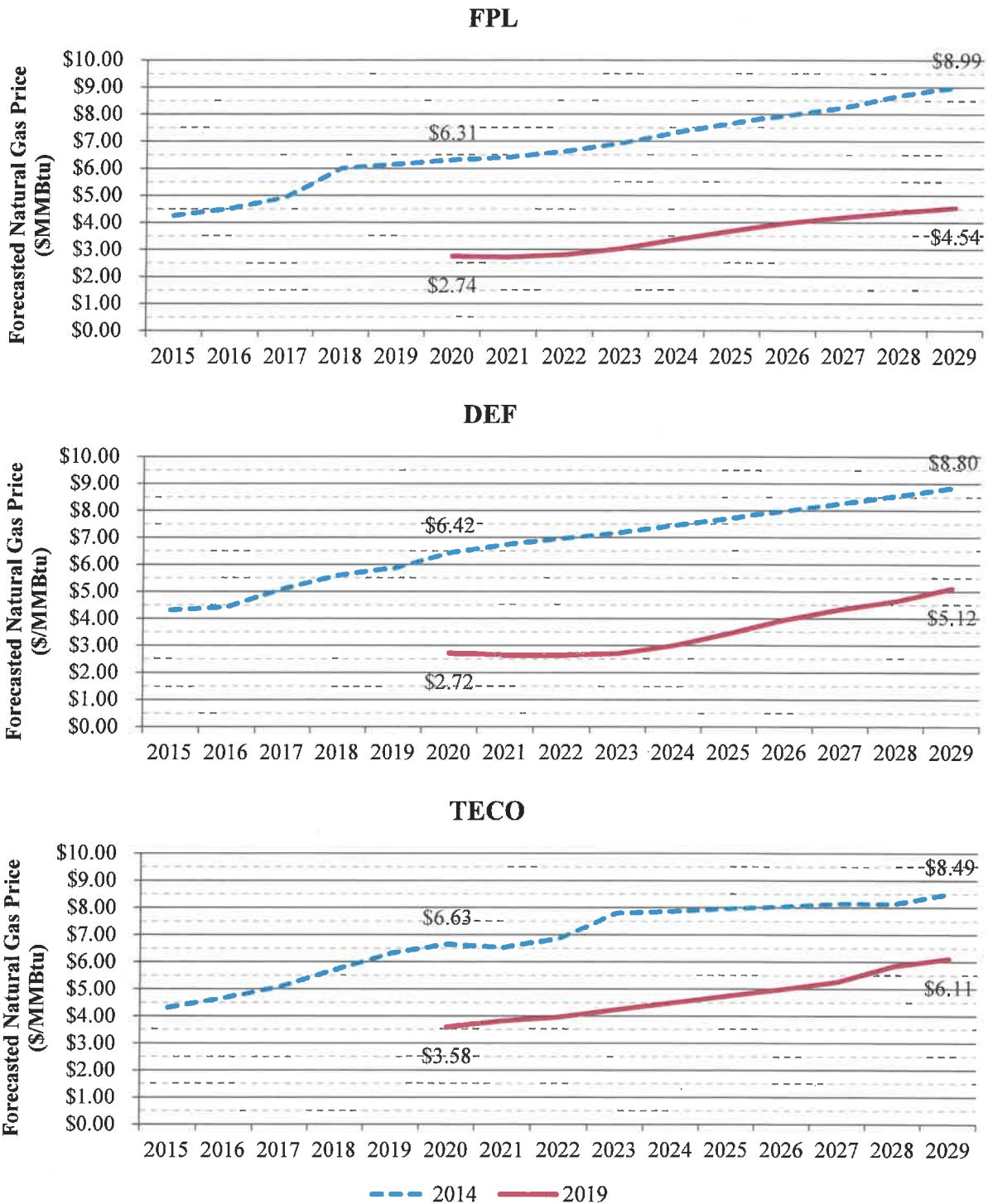
planning from the 2014 Goalsetting Proceeding, by 2 and 7 years, respectively, lessening their potential DSM impact. (EXH 100, 167) DEF's initial unit is seven years from the start of the analysis period, and later units are delayed further outside of the scope of this current proceeding. (EXH 167) The projected in-service date for OUC's avoided unit is outside of the goalsetting period, but no avoided unit was determined in 2014 as the Commission approved a proxy methodology for the 2014 Goalsetting Proceeding. (EXH 194) FPL witness Sim stated that there are decreased capital costs for avoided units in this proceeding when compared to the previous goals proceeding, which decreases the cost-effectiveness of DSM. (TR 232; EXH 23) TECO, Gulf, and DEF echoed the statement of decreased capital costs reducing cost-effectiveness of DSM. (EXH 130, 174, 246) Consequently, the delayed avoided generation and lowered avoided generation costs leads to reduced potential for cost-effective goals.

Avoided transmission and distribution costs are a supply-side factor with an effect on potential goals. TECO witness Roche testified that one of the factors elevating the potential demand goals is an increase in avoided transmission and distribution costs. (TR 831-832) Similarly, FPL witness Sim stated that the increased avoided transmission and distribution costs are projected to increase the cost-effectiveness of DSM. (TR 236-237) TECO, DEF and FPL had forecasted increased avoided transmission and distribution costs when compared to the previous goals proceeding. (EXH 24, 42, 240) OUC asserted that proposed goals are not affected by transmission and distribution costs because the only cost is that of interconnecting the avoided unit to the existing transmission. (EXH 194, 203) Likewise, the only anticipated transmission and distribution costs JEA expected are associated with connecting the avoided unit to the existing system, but the Company affirmed that an increase of costs would increase cost-effectiveness of DSM. (EXH 225) FPUC acknowledged that changes in cost of transmission and distribution have no impact on its goals. (EXH 157) Despite these increases in avoided transmission and distribution costs placing an upwards pressure on goals, the full analyses still show lowered goals for most of the FEECA Utilities, as other factors had a greater impact.

Fuel Forecast

Figure 8-2 displays the applicable system-wide average nominal natural gas price forecasts from the 2014 Goalsetting Proceeding and those used in the current proceeding for FPL, DEF, and TECO. Due to confidentiality, Gulf's forecast was not included. As illustrated in Figure 8-2, current forecasted natural gas prices for years 2020-2029 are substantially lower than those forecasted for use in the 2014 Goalsetting Proceeding. (EXH 20, 43, 107, 175, 247) FPL witness Sim noted that while a decline in fuel prices is beneficial to ratepayers, it reduces the fuel savings associated with reduced energy consumption. (TR 219) As a result, utility DSM measures focusing on energy consumption are less cost-effective, reducing potential goals.

**Figure 8-2
 Comparison of Natural Gas Price Forecasts By Utility**



Source: EXH 20, 43, 107, 175, 247

During the hearing, a number of FEECA Utility witnesses were cross-examined by FIPUG and SACE & LULAC concerning the accuracy of prior fuel price forecasts. Such prior forecasts were used for company planning as well as past Commission proceedings. (TR 98, 250, 481, 623, 661) The cross-examination primarily focused on the forecast error rates of projected 2016, 2017, and 2018 natural gas prices. The projections were performed in years 2011 through 2015. Thus each projection spanned a five-year period. In general, the results showed a clear trend of over-forecasting natural gas prices for all FEECA Utilities with the exception of FPUC. Over-forecasted gas prices would tend to improve the cost-effectiveness of incremental utility DSM. FPUC was not probed for historical accuracy due to it being a non-energy generating utility. (EXH 101, 124, 168, 194, 218, 241) The methodology for calculating forecast error was not performed consistently by the FEECA Utilities. (EXH 101, 124, 168, 194, 218, 241) The primary difference was whether the forecasted price, or the actual price, represented the denominator in the rate calculation.

A review of the FEECA Utilities' (with the exception of FPUC) historic fuel forecasts regarding what likely drove the forecast errors over the recent past yielded a common theme that domestic U.S. natural gas supply had greatly increased over the relevant period (forecasts made in 2011-2015), which resulted in historically-low pricing now being experienced. (EXH 20, 43, 107, 168, 175, 247) The increased U.S. domestic supply can primarily be attributed to advancements in, and broad application of, fracking and/or horizontal drilling techniques. (EXH 20, 43, 107, 168, 175, 247)

With the exception of TECO and not including FPUC, all remaining FEECA Utilities showed improvement (i.e. closer to zero) in five-year-out error rates as the analysis bands move closer to present. (EXH 20, 43, 107, 175, 247) For example, forecasts of year 2018 which were performed in 2013, show improved error rates over forecasts of year 2017 performed in 2012. Similar patterns exist for five-year-prior forecasts of 2017 relative to five-year-prior forecasts of 2016. In other words, the error rates of more recent, equal-duration forecasts appear to be improving.

With respect to the 2019 Goalsetting Proceeding, FPL, DEF, TECO, and Gulf employed essentially the same fuel price forecasting methodology as in the 2014 Goalsetting Proceeding. (EXH 101, 124, 168, 241) JEA has utilized a similar fuel forecasting methodology for several years, but the specific methodology used for the 2019 Goalsetting Proceeding has not been previously used by JEA. (EXH 218) While OUC has utilized a similar fuel price forecast methodology for "several years." (EXH 194)

In reviewing both the methodologies and results (i.e. estimated future fuel price values) of the fuel price forecasts filed in this proceeding, staff recommends this information is suitable for the purposes of estimating the future fuel costs of electric generation for the utilities and their respective customers. (EXH 20, 101, 168, 184, 194, 218, 241, 251)

Administrative Costs

Pursuant to the DSM Manual, administrative costs are an estimated screening component that are included in the economic analysis for both the RIM and TRC Tests. SACE witness Grevatt argues that the FEECA Utilities made assumptions about average program costs per measure, which were unreasonable and resulted in inflated administrative costs in relation to the measure.

(TR 962-963) DEF, with assistance from Nexant, developed a residential and commercial cost per kWh (\$/kWh) based on the sum of actual administrative costs divided by kWh achievements. (EXH 167) FPL and TECO based administrative costs on historic administrative cost and similar measures that did not have an analog in the current measure portfolio. (EXH 100, 240) With the assistance of Nexant, Gulf estimated administrative costs using existing program costs from other FEECA Utilities and national utility program data. (EXH 126) JEA, OUC and FPUC administrative costs were exclusively calculated by Nexant, which used program cost estimates based on electric FEECA Utilities DSM programs and regional utility program data. (EXH 153, 194, 220) Gulf witness Floyd argues that the administrative costs are used for the goalsetting procedure, but are not representative of actual program administrative costs. (TR 490) OUC witness Noonan echoes this argument and states that final program administrative costs may or may not equal the estimated administrative costs used in the goals proceeding, but are used for the purpose of analysis. (TR 719) FEECA Utilities witness Herndon further clarified that administrative costs are not related to the cost of the measure. (TR 359) Because administrative costs are estimates, more refined administrative costs will be determined in the program approval proceeding. Staff has reviewed the administrative costs estimates and recommends that, based on the record, the estimates are reasonable for the purpose of setting goals.

Resulting Residential Goal Levels **FEECA Utilities**

The FEECA Utilities proposed to establish annual numeric conservation goals based upon a combination of the RIM and Participants Tests. (TR 78, 430, 541, 586-7, 676-7, 755, 826-7). While the proposed conservation goals are RIM-based, staff notes many of the measures included also pass the TRC Test, as the FEECA Utilities evaluated RIM, TRC, and Participants Tests for all measures in each of the cost-effectiveness pathways. (EXH 100 BSP 00025, 167 BSP 02333-4, 240 BSP 03240) As discussed in Issues 5 and 7, no FEECA Utility included carbon costs and each FEECA Utility also adopted a two-year payback screen to address free-ridership.

For four utilities, Gulf, FPUC, JEA, and OUC, the cost-effectiveness analysis yields values of zero in one or more categories. (EXH 35, 149, 204, 228). While investor-owned utilities have proposed constrained goals before due to concerns of generation planning, this is the first instance of the cost-effectiveness analysis resulting in a value of zero for investor-owned utilities.²² Regarding whether zero goals are appropriate under FEECA, FPL witness Sim testified that zero goals are appropriate when the cost-effectiveness analysis demonstrates that no measures are cost-effective. (TR 312) The Commission has previously assigned zero goals to both JEA and OUC when no measures were found to be cost-effective under the RIM Test.²³ As supported by the record, the RIM-based goals proposed by the FEECA Utilities are based on a

²²Order No. PSC-94-1313-FOF-EG, issued October 25, 1994, in Docket No. 19930548-EG; Order No. PSC-14-0696-FOF-EU.

²³Order No. PSC-04-0768-PAA-EG, issued August 9, 2004, in Docket No. 20040030-EG, *In re: Petition for approval of numeric conservation goals by JEA*, Order No. PSC-04-0767-PAA-EG, issued August 9, 2004, in Docket No. 20040035-EG, *In re: Petition for approval of numeric conservation goals by Orlando Utilities Commission*.

technical review of a measure-by-measure analysis taking into account numerous factors in a bottom-up approach, without a dictated end point.

SACE witness Grevatt argued that the RIM Test is not a cost-effectiveness test, and should not solely be relied upon for determining conservation goals. (TR 934) FEECA Utilities witness Deason testified that cross-subsidization and rate impact concerns have encouraged the use of the RIM Test to establish goals before, and it has been utilized in every goalsetting proceeding except one since 1994. (TR 1047-1048) JEA witness Wucker argued that relying on RIM eliminates DSM goal-related upward pressure on customer rates that would affect municipal utilities and allow local government the latitude to determine the level of investment in DSM desired. (TR 1344) SACE witness Grevatt testified that no other state relies on the RIM Test as the sole or primary test for cost-effectiveness. (TR 944-945) FEECA Utilities witness Deason argued that other states may be subject to laws and rules that differ from FEECA, and are therefore not germane to the discussion of what goals should be established pursuant to FEECA. (TR 1054-1055) Gulf witness Floyd asserted that each state has unique circumstances and methods for establishing DSM goals, and that other states still consider the RIM Test in the goalsetting process. (TR 1289) Based on the record above, staff recommends that the RIM Test, as outlined in the DSM Manual, is an adequate cost-effectiveness test to determine whether customer rates will be impacted and that an outcome of zero for the measures evaluated should not eliminate its usage in Florida for goalsetting.

In its post-hearing brief, SACE & LULAC argue that FEECA does not allow the use of the RIM Test to determine goals if the RIM Test goals are calculated to be zero. (SACE & LULAC BR 12-13) Further, SACE & LULAC argue that zero goals themselves are inappropriate and not allowed by FEECA. (SACE & LULAC BR 47-48) On cross-examination, witnesses were asked whether a goal value of zero meets the intent of FEECA. (TR 312, 509-510) FPL witness Sim stated that values of zero are within the intent of FEECA as it uses the terms “appropriate” and “cost-effective” to refer to the goals. (TR 312) Gulf witness Floyd asserted that the zero value was the outcome of the process to determine goals based on what is cost-effective and reasonably achievable. (TR 509-510) On cross-examination, witnesses were also asked whether the companies would still achieve energy savings if their goal was zero. (TR 504, 1090) Gulf Witness Floyd responded that energy savings would still occur from energy-audits which educate customers on conservation, but that those savings are not counted towards the numeric energy goals. (TR 504) FEECA Utilities witness Deason testified that there is a continued need for the FEECA Utilities to engage in customer outreach and education efforts. (TR 1090) Further, witness Deason stated that in determining appropriate goals the Commission should consider cost-effectiveness. (TR 1093-1094) Staff agrees that goal values of zero are sometimes appropriate, as the Commission must consider all the factors required by Section 366.82(3)(a) through (d), F.S. By continuing customer education through energy audits and other means, the FEECA Utilities meet the intent of FEECA.

Intervenor Proposals

SACE & LULAC jointly proposed alternative annual numeric energy goals.²⁴ SACE witness Grevatt critiqued how the FEECA Utilities conducted the TRC Tests, which he argued fails to properly account for all utility and participant impacts and therefore understates the amount of conservation savings. (TR 967-968) SACE witness Grevatt proposed two potential sets of annual numeric conservation goals if the Commission does not require the FEECA Utilities to redo their TRC analysis pursuant to his recommendations. (TR 968)

SACE witness Grevatt's recommendation was for the Commission to establish energy savings goals based on the 2018 achievements of two utilities in the Carolinas and Arkansas, Duke Energy Carolinas (DEC) and Entergy Arkansas (EA), with demand goals to be set in a later proceeding. (TR 968, 973-974) Witness Grevatt proposes goals based upon a percentage of NEL, ramping up to annual savings of 1.5 percent of NEL. Such a proposal would yield a goal of 46,782 GWh. By comparison, DEF and OUC had combined retail energy sales in 2018 of 45,913 GWh. (EXH 183, 207) FPL witness Koch and DEF witness Cross argued DEC and EA are not comparable peer utilities and that the NEL percentages for DEC are atypical for that utility, and the savings primarily represent behavioral programs not considered in this proceeding. (TR 1150-1154, 1307-1308) In its brief, SACE & LULAC also do not support witness Grevatt's 1.5 percent of NEL goals as they are not the result of Florida-specific data. (SACE & LULAC BR 6) Staff agrees with the FEECA Utilities and SACE & LULAC, that as the proposal is not based on Florida-specific data; it is not comparable and should not be used for goalsetting.

SACE witness Grevatt also provided another potential set of DSM goals, which he referred to as the "partially-corrected" TRC achievable potential (Modified TRC Goals), based on the FEECA Utilities' TRC economic potential analyses. Witness Grevatt made modifications with the intent of removing the effects of the two-year payback and assuming that 50 percent of the economic potential value represents the achievable potential. (TR 970-972) SACE witness Grevatt argued that this represents a partial correction of the FEECA Utilities' analyses; therefore, his NEL proposal, as discussed above, should be used. (TR 972) Nevertheless, SACE & LULAC adopt the Modified TRC Goals as their proposed goals for this proceeding in their brief. (SACE & LULAC BR 6)

FEECA Utilities witness Herndon, Gulf witness Floyd, and DEF witness Cross argued that the Modified TRC Goals are analytically unsound because they use a simple percentage from a single utility to apply to all utilities, use a ratio of economic potential to achievable potential based on non-Florida studies, and remove consideration of free-ridership. (TR 1115-1116, 1280, 1311-1312) FEECA Utilities witness Deason, Gulf witness Floyd, and TECO witness Roche stated that other factors such as climate, population, state building codes, rates, utility planning practices, regulatory guidelines and requirements, and historic achievements may affect utilities in other states. (TR 1098, 1278, 1373) Staff agrees with the concerns expressed by the FEECA Utilities' witnesses regarding SACE & LULAC's Modified TRC Goals, as it is based on applying non-Florida specific achievements to the percent of economic potential that is achievable potential, and does not consider free-ridership.

²⁴SACE & LULAC propose goals for all FEECA Utilities excluding FPUC, as they did not intervene in Docket No. 20190017-EG.

Staff's Recommendation

Staff recommends that the Commission establish numeric conservation goals based upon a cost-effectiveness analysis that allows all ratepayers, both participants and non-participants, to benefit from DSM measures. Therefore, staff recommends that the annual conservation goals be based upon the RIM and Participants Tests as this combination addresses concerns regarding subsidies between those who can participate in DSM measures and those who cannot, such as renters and low-income households. As discussed in Issue 5, there is no existing carbon legislation and none is anticipated within the ten-year goalsetting horizon of the current docket. As discussed in Issue 7, a two-year payback period is reasonable to address free-ridership and should be used in the analysis. This recommendation is similar to the 2014 Goalsetting Order.

Staff recognizes that these recommended goals result in zero residential goals for several of the FEECA Utilities, including two investor-owned and two municipal electric utilities. The Commission has previously approved goals of zero before for municipal utilities.²⁵ The reasoning for the Commission's prior acceptance of zero goals was that no measures passed a cost-effectiveness analysis using a combination of the RIM and Participants Tests. This is also the case in some of the current proceeding's utility proposals. Staff therefore recommends the zero residential goals for Gulf, FPUC, JEA, and OUC in this proceeding based on the technical analysis presented using the RIM and Participants Tests.

Although Section 366.82(8), F.S., authorizes financial rewards for utilities that exceed their goals, Gulf witness Floyd testifies that using RIM based goals eliminates the need for utility incentives for DSM achievements, as RIM Test based programs put downward pressure on rates. (TR 455) TECO witness Roche testified that with goals based on the RIM and Participants Tests, there is no reason for a utility to come in for a reward, as both participants and non-participants receive benefits. (TR 925) Staff agrees with witnesses Floyd and Roche regarding the lack of need for utility incentives, and staff recommends that the FEECA Utilities receive no reward for meeting goals based on the RIM and Participants Tests. Basing conservation goals on the RIM Test represents the most cost-effective option for both the FEECA Utilities and the general body of ratepayers.

The cumulative results of each utility's proposal, the achievable potential based on the RIM and TRC scenarios, the proposed goals by SACE & LULAC, and staff's recommendation are provided in Table 8-3. A breakdown of the residential annual goals are included in Attachment A for each utility.

²⁵Order No. PSC-04-0768-PAA-EG, issued August 9, 2004, in Docket No. 20040030-EG, *In re: Petition for approval of numeric conservation goals by JEA*, and Order No. PSC-04-0767-PAA-EG, issued August 9, 2004, in Docket No. 20040035-EG, *In re: Petition for approval of numeric conservation goals by Orlando Utilities Commission*.

Table 8-3
Residential Cumulative Goal Proposals

Summer Peak Demand (MW)					
Utility	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC*	Staff Recom.
FPL	257.3	240.3	240.3	689.0	240.3
DEF	122.0	108.0	108.0	663.0	108.0
TECO	124.2	54.0	54.0	64.0	54.0
Gulf	20.0	0.0	0.0	83.0	0.0
FPUC	0.1	0.0	0.0	N/A	0.0
JEA	10.7	0.0	0.0	80.0	0.0
OUC	8.7	0.0	0.0	37.0	0.0

Winter Peak Demand (MW)					
Utility	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC*	Staff Recom.
FPL	236.8	207.4	207.4	256.0	207.4
DEF	89.0	78.0	78.0	303.0	78.0
TECO	48.1	25.5	25.5	51.0	25.5
Gulf	19.0	0.0	0.0	79.0	0.0
FPUC	0.1	0.0	0.0	N/A	0.0
JEA	10.3	0.0	0.0	49.0	0.0
OUC	6.9	0.0	0.0	19.0	0.0

Annual Energy Consumption (GWh)					
Utility	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC*	Staff Recom.
FPL	46.1	0.1	0.1	1,594.0	0.1
DEF	194.0	115.0	115.0	1,530.0	115.0
TECO	322.5	103.6	103.6	323.0	103.6
Gulf	98.0	0.0	0.0	381.0	0.0
FPUC	0.2	0.0	0.0	N/A	0.0
JEA	86.1	0.0	0.0	336.0	0.0
OUC	67.5	0.0	0.0	115.0	0.0

*SACE & LULAC did not intervene in the FPUC docket.

Source: EXH 4-5, 35, 40-41, 63, 65, 69, 149, 204, 228, 248

DSM Plan Considerations

Pursuant to Rule 25-17.0021(4), F.A.C., each of the FEECA Utilities will file a DSM Plan to meet the goals established by this proceeding within 90 days of the Final Order. Pursuant to Section 366.82(11), F.S., all the FEECA Utilities, including those with zero goals, will continue to offer residential energy audits. These energy audits will help educate customers both about voluntary measures they can take to reduce their energy consumption as well as potential utility DSM programs that may be developed. As discussed in Issue 7, the FEECA Utilities should

continue to offer programs to educate all customer groups on energy efficiency opportunities broadly, and should consider offering education on energy efficiency targeted specifically to low-income customers.

As stated by witness Herndon, the DSM goals are based on measures using high level estimates, not the specifics used to design programs. (TR 399) In that future Commission proceeding, the FEECA Utilities will offer specifics on their DSM program offerings in their DSM Plans. While the FEECA goals are set based on a calculation of the sum of standalone measures, the FEECA Utilities will not be limited to strictly those measures, but instead utility DSM programs may come in a variety of forms and combine measures that would not individually be cost-effective. DEF witness Cross testified that by bundling measures that are not cost-effective under the RIM Test, or by including some measures that were screened out by the two-year payback period, along with measures that pass the RIM Test, a program can be cost-effective as a whole. (TR 633) As the DSM Plan will be evaluated on a program basis instead of an individual measure basis, the cost-effectiveness analysis may change to allow some programs to pass the RIM Test and produce additional savings for the general body of ratepayers.

Staff recommends that the Commission encourage the FEECA Utilities to be flexible with their program design, potentially bundling cost-effective measures with others, as well as other techniques which may improve the energy efficiency savings compared to the individual measure evaluations in the current goalsetting proceeding. The Commission should further encourage the FEECA Utilities to address all market segments to allow for the maximum opportunity for customer participation. For those proposed programs that do not pass the RIM Test, the Commission should require the FEECA Utilities to demonstrate why they are in the public interest in order to seek cost recovery. This will give the Commission an opportunity to consider the rate impact of these programs and make the ultimate determination whether they should be eligible for recovery through the Energy Conservation Cost Recovery Clause.

Conclusion

The Commission should establish residential numeric conservation goals based upon a cost-effectiveness analysis that allows all ratepayers, both participants and non-participants, to benefit from DSM measures. The annual conservation goals should be based upon the RIM and Participants Tests, as this combination addresses concerns regarding subsidies between both those who can participate in DSM measures and those who cannot, such as renters and low-income households. Consistent with staff's recommendations in Issues 5 and 7, the goals should use no cost for carbon emissions and a two-year payback as a free-ridership screen should be included. As goals are RIM Test based, the FEECA Utilities should not be eligible for rewards for exceeding their goals with these programs.

Issue 9: What commercial/industrial summer and winter megawatt (MW) and annual Gigawatt hour (GWh) goals should be established for the period 2020-2029?

Recommendation: As discussed in Issue 8, staff recommends that annual commercial/industrial conservation goals should be based upon the RIM and Participants Tests. Consistent with staff's recommendations in Issues 5 and 7, the goals should use no cost for carbon emissions and a two-year payback as a free-ridership screen should be included. (Doehling, Ellis, Higgins, Wooten, Wu)

Position of the Parties:

FPL: The Commission should approve the following commercial/industrial Goals for the period 2020-2029:

Year	Summer MW		Winter MW		Annual MWh	
	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative
2020	11.2	11.2	5.1	5.1	91	91
2021	11.2	22.4	5.1	10.3	91	181
2022	11.2	33.6	5.1	15.4	91	272
2023	11.2	44.7	5.1	20.6	91	363
2024	11.2	55.9	5.1	25.7	91	453
2025	11.2	67.1	5.1	30.8	91	544
2026	11.2	78.3	5.1	36.0	91	635
2027	11.2	89.5	5.1	41.1	91	725
2028	11.2	100.7	5.1	46.2	91	816
2029	11.2	111.9	5.1	51.4	91	906

GULF: The Commission should approve the Company's proposed goals totaling 15 MW (summer) 11 MW (winter) and 0 GWh. Gulf's goals (i) reflect the Company's resource planning process; (ii) reflect all costs and benefits to participants and the general body of customers; (iii) account for free riders; and (iv) avoid cross-subsidization of participants by non-participants. Additionally, Gulf's goals properly reflect the evolving role for utilities in offering energy efficiency and diminishing cost-effectiveness results.

FPUC: The Commission should establish no annual goals, or goals of zero, for the period 2020-2029. The Company should, nonetheless, be allowed to file a DSM Plan to the extent any of its current programs, when updated, remain cost-effective under the Commission's Rule. To the extent an existing program may remain cost-effective, continuation of such program would be consistent with FEECA.

DUKE ENERGY FLORIDA - PROPOSED RIM GOALS 2020-2029			
	Winter Peak MWs	Summer Peak MWs	GWHs
DEF: (Cross)	121	135	51

OUC: The PSC should establish goals of zero for OUC for commercial and industrial summer and winter peak demand reductions and annual energy savings.

JEA: No commercial/industrial DSM measures passed the RIM test. Accordingly, the Commission should establish goals of 0 MW (summer and winter) and 0 MWh (annual energy) for the commercial/industrial class.

TECO: Tampa Electric proposes the commercial/industrial summer and winter Megawatt (MW) and annual Gigawatt-hour (GWh) goals in the chart below be established for the period 2020-2029:

Tampa Electric's 2020-2029 Proposed Commercial/Industrial DSM Goals at the Generator			
Year	Summer Demand (MW)	Winter Demand (MW)	Annual Energy (GWh)
	Incremental	Incremental	Incremental
2020	2.7	1.9	5.5
2021	2.5	1.7	6.5
2022	2.4	1.6	5.5
2023	2.9	2.0	6.5
2024	2.4	1.6	5.6
2025	2.5	1.8	6.7
2026	2.8	1.9	5.8
2027	2.6	1.8	6.8
2028	2.4	1.7	5.8
2029	2.6	1.8	6.8

The cumulative effect of these commercial/industrial goals through 2029 would be a summer MW reduction of 25.8 MW, a winter MW reduction of 17.8 MW and cumulative energy savings of 61.4 GWh.

OPC: The companies rely too heavily upon the RIM test as the sole criteria for establishing the achievable potential for each company. The Commission should give some weight to and consider TRC results as well. If the Commission relies upon the companies' proposed RIM goals or approves goals that are lower than the RIM-achievable potential, OPC submits there should be no rewards for

exceeding those goals. The summer and winter megawatt and annual gigawatt-hour goals for commercial/industrial customers should reflect these considerations, although OPC does not propose specific numeric amounts.

FDACS: The commercial/industrial summer and winter megawatt (MW) and annual Gigawatt hour (GWh) goals proposed by the FEECA Utilities for the 2020-2029 period appear to be appropriate. The Commission, however, should continue balance the goal of energy efficiency and conservation with the impact of the costs and benefits of these programs on rates and overall customer bills.

SACE & LULAC: The Commission should approve the corrected Bills test analysis goals contained within Witness Grevatt's testimony. These goals are presented below and offer a conservative goal of what is economically achievable for each of the utilities.

Utility	Incremental Annual Energy Savings (GWh)										Total
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
FPL	253	346	346	346	346	346	346	346	346	346	3,367
Duke	46	93	114	114	114	114	114	114	114	114	1,052
TECO	36	56	56	56	56	56	56	56	56	56	538
Gulf	17	34	46	46	46	46	46	46	46	46	422
Orlando	12	24	25	25	25	25	25	25	25	25	238
JEA	21	43	55	55	55	55	55	55	55	55	507

Utility	Summer Peak MW										Total
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
FPL	55	76	76	76	76	76	76	76	76	76	738
Duke	10	19	24	24	24	24	24	24	24	24	217
TECO	6	10	10	10	10	10	10	10	10	10	93
Gulf	3	6	8	8	8	8	8	8	8	8	76
Orlando	2	4	4	4	4	4	4	4	4	4	38
JEA	3	6	8	8	8	8	8	8	8	8	76

Utility	Winter Peak MW										Total
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
FPL	38	52	52	52	52	52	52	52	52	52	510
Duke	7	14	17	17	17	17	17	17	17	17	156
TECO	5	8	8	8	8	8	8	8	8	8	77
Gulf	2	5	6	6	6	6	6	6	6	6	56
Orlando	2	3	3	3	3	3	3	3	3	3	31
JEA	2	5	6	6	6	6	6	6	6	6	57

PCS: Duke Energy Florida's proposed commercial/industrial summer and winter megawatt and annual Gigawatt-hour goals for 2020-2029 are a reasonable balance of FEECA's express goals and costs and rate impacts to Florida consumers and should be approved.

WALMART: No position.

FIPUG: The Commission should set goals that balance the importance of pursuing conservation programs against their cost and the impact of that cost on rates.

Parties' Arguments

The FEECA Utilities propose goals based upon a combination of those measures which pass both the RIM and Participants Tests. (FPL BR 37; DEF BR 8; TECO BR 4; Gulf BR 3; FPUC BR 18; JEA BR 12; OUC BR 33) FPUC, JEA, and OUC propose zero commercial/industrial goals for all categories, while Gulf proposes zero annual GWh goals based on the technical analysis performed. (Gulf BR 32; FPUC BR 7; JEA BR 18; OUC BR 3) Several FEECA Utilities acknowledge that the proposed conservation goals are lower than the prior goalsetting proceeding, but that this is reasonable due to reduced cost-effectiveness of measures and changes in Codes and Standards. (FPL BR 41; Gulf BR 1-2; FPUC BR 13; OUC BR 5) JEA and OUC state they will continue to offer DSM programs to customers, but argue that the Commission should base goals on the RIM Test to give them the flexibility to determine the level of investment desired by the local community. (JEA BR 2-3, 9; OUC BR 3-4)

FPL, DEF, TECO, and Gulf assert that SACE's argument that the RIM Test cannot be used to establish goals ignores prior Commission precedent and rulings from the Florida Supreme Court. (FPL BR 18; DEF BR 3; TECO BR 5-6; Gulf BR 18-19) The FEECA Utilities argue that relying on the TRC Test to establish goals would increase cross-subsidies between participating customers and non-participants and would increase rates overall. (FPL BR 28-29; DEF BR 3-4; TECO BR 5-7; Gulf BR 19; FPUC BR 15-16; JEA BR 13-14; OUC BR 10-11) DEF, Gulf and OUC argue that SACE & LULAC's Modified TRC Goals cannot be relied upon because they are arbitrarily set at 50 percent of the TRC economic potential, include measures screened out by the two-year payback, inappropriately apply one utility's analysis results to others, or do not reflect any analysis of the measures themselves. (DEF BR 12; Gulf BR 28-29; OUC BR 40)

SACE & LULAC argue that the FEECA Utilities cannot set conservation goals of zero or near zero, as they assert zero goals are not intended by the Legislature. (SACE & LULAC BR 2, 47-48) SACE & LULAC state that the Commission has never set a zero goal for investor-owned utilities. (SACE & LULAC BR 48-49) SACE & LULAC assert that FEECA does not allow the Commission to use the RIM Test to determine cost-effectiveness for goalsetting when it results in a zero value. (SACE & LULAC BR 12-13) SACE & LULAC contend that other states do not use the RIM Test primarily to set goals, and that non-FEECA Utilities have greater savings than those proposed by several FEECA Utilities. (SACE & LULAC BR 13-14)

SACE & LULAC state that SACE witness Grevatt initially proposed a goal of 1.5 percent of net energy for load, which they acknowledge is not based on a Florida-specific analysis. (SACE &

LULAC BR 6) Therefore, SACE & LULAC propose goals based on witness Grevatt's attempted correction of the FEECA Utilities' TRC Test analysis. (SACE & LULAC BR 6) SACE & LULAC argue that the FEECA analysis is rife with errors and cannot be adequately corrected in this proceeding. (SACE & LULAC BR 5-6) SACE & LULAC propose the Commission should rely on witness Grevatt's partially corrected TRC Test, referred to as the "Bills Test," to set goals. (SACE & LULAC BR 4) SACE & LULAC assert that while the TRC Test may result in upward pressure on rates, customers will have an opportunity to participate in programs to reduce usage and therefore reduce bills. (SACE & LULAC BR 39-40) SACE & LULAC contend that if FEECA Utilities offer accessible programs, cross-subsidies between participants and non-participants would only occur if customers choose not to participate. (SACE & LULAC BR 42)

OPC does not propose specific goals, but recommends the Commission use the results of both the TRC Test along with the RIM Test. (OPC BR 18) OPC states if the Commission relies upon the FEECA Utilities' proposed RIM goals, then there should be no rewards for exceeding those goals. (OPC BR 18) FDACS supports the FEECA Utilities commercial/industrial goals and recommends that the Commission should balance concerns regarding rates with the goal of energy efficiency. (FDACS BR 15)

PCS, addressing DEF specifically, recommends the Commission should approve DEF's proposed goals as a reasonable balance of FEECA's express requirements and the cost and rate impacts to Florida consumers. (PCS BR 5) FIPUG does not propose any specific goals, but supports cost-effective measures, especially DR. (FIPUG BR 5) Walmart took no position regarding commercial/industrial goals to be established.

Analysis

The same factors discussed in Issue 8 influence the FEECA Utilities' commercial/industrial annual numeric DSM goals. Unlike the residential goals, Gulf and OUC are proposing goals lower than their RIM achievable potential. For Gulf, witness Floyd stated that Gulf did not elect to include all energy efficiency measures in its achievable potential because several of the passing measures were limited to certain customer types and had low projected participation rates. (TR 448-449) Inclusion of these measures would result in a non-zero number for commercial/industrial energy of 6 GWh and an increase in the summer demand goals by 5 MW and winter demand goals by 2 MW. (TR 448) For OUC, witness Noonan outlined that a single energy efficiency measure passed for the RIM achievable potential for OUC, but that the 6 MWh savings associated with it were over the ten-year period. (TR 676-677)

As discussed in Issue 8, staff recommends that the annual numeric conservation goals be based upon the RIM and Participants Tests, as the combination addresses concerns regarding cross-subsidies between those who can participate in DSM measures and those who cannot. While Gulf and OUC's modifications to their achievable potential are intended to reflect low potential participation levels, both are the result of the technical analysis and should not be rejected, even if the value is small. As discussed in Issue 8, neither company would be required to offer these specific measures as programs, and should be flexible in the program design process. Consistent with staff's recommendations in Issues 5 and 7, the goals should be established with no cost for carbon emissions and using a two-year payback free-ridership screen. The cumulative results of each utility's proposal, the achievable potential based on the RIM and TRC scenarios, the

proposed goals by SACE & LULAC, and staff's recommendation are provided in Table 9-1. A breakdown of the potential commercial and industrial annual goals are included in Attachment B for each utility.

Table 9-1
Commercial & Industrial Cumulative Goal Proposals

Summer Peak Demand (MW)					
Utility	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC*	Staff Recom.
FPL	193.7	111.9	111.9	738.0	111.9
DEF	172.0	135.0	135.0	217.0	135.0
TECO	41.7	25.8	25.8	93.0	25.8
Gulf	36.0	20.0	15.0	76.0	20.0
FPUC	0.2	0.0	0.0	N/A	0.0
JEA	23.0	0.0	0.0	76.0	0.0
OUC	10.2	0.0	0.0	38.0	0.0

Winter Peak Demand (MW)					
Utility	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC*	Staff Recom.
FPL	82.1	51.4	51.4	510.0	51.4
DEF	131.0	121.0	121.0	156.0	121.0
TECO	32.9	17.8	17.8	77.0	17.8
Gulf	36.0	13.0	11.0	56.0	13.0
FPUC	0.2	0.0	0.0	N/A	0.0
JEA	13.7	0.0	0.0	57.0	0.0
OUC	2.5	0.0	0.0	31.0	0.0

Annual Energy Consumption (GWh)					
Utility	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC*	Staff Recom.
FPL	149.8	0.9	0.9	3,367.0	0.9
DEF	238.0	51.0	51.0	1,052.0	51.0
TECO	92.1	61.4	61.4	538.0	61.4
Gulf	124.0	6.0	0.0	422.0	6.0
FPUC	1.7	0.0	0.0	N/A	0.0
JEA	175.8	0.0	0.0	507.0	0.0
OUC	69.8	0.006	0.0	238.0	0.006

*SACE & LULAC did not intervene in the FPUC docket.

Source: TR 676-677; EXH 4-5, 31, 35, 40-41, 63, 65, 149, 204, 228, 248

Conclusion

As discussed in Issue 8, staff recommends that annual commercial/industrial conservation goals should be based upon the RIM and Participants Tests. Consistent with staff's recommendations in Issues 5 and 7, the goals should use no cost for carbon emissions and a two-year payback as a free-ridership screen should be included.

Issue 10: What goals, if any, should be established for increasing the development of demand-side renewable energy systems, pursuant to Section 366.82(2), F.S.?

Recommendation: Staff recommends as a goal, that each of the FEECA Utilities continue to promote net metering throughout their service territories. Net metering is an effective means of encouraging the development of DSRE systems that allow participants to offset their energy usage. (Vogel, Roberts)

Position of the Parties:

- FPL:** Goals of zero should be established for demand-side renewable energy systems because such systems are not cost-effective for FPL's customers. They fail both the RIM and the TRC economic screening tests. A Goal level of zero would best protect the general body of customers and minimize cross-subsidies between participants and non-participants.
- GULF:** All demand-side renewable energy systems were evaluated using the same cost-effectiveness standards as other energy efficiency measures. No renewable measures are cost-effective under either the RIM or TRC cost-effectiveness tests and, therefore, none are reflected in Gulf's achievable potential results. Therefore, no goals should be established for demand-side renewable energy systems.
- FPUC:** The Commission should not establish separate goals for FPUC for demand-side renewable energy systems. All conservation goals for FPUC should be established to promote cost-effective DSM without any bias towards any particular technology or program. If, however, further analysis demonstrates that certain demand-side renewable energy systems are cost effective, FPUC should have the flexibility to include such systems as part of its DSM Plan.
- DEF:** Given that renewable systems were not deemed cost effective under the RIM test, it would not be appropriate to establish goals for demand-side renewable systems in this goal setting proceeding. Demand-side renewable systems were evaluated using the same criteria as were used for other energy efficiency measures. Programs that provide incentives to customers who install renewable systems would result in cross subsidies between participants and non-participants and increase rates to all customers.
- OUC:** The PSC should set goals of zero for OUC to increase its development of demand-side renewable energy systems. None of the demand-side renewable energy measures evaluated by Nexant, including solar photovoltaic, battery storage, and Combined Heat & Power ("CHP") measures, passed the RIM test for OUC. OUC has already implemented and operates substantial demand-side and supply-side renewable energy measures using solar and landfill gas renewable energy technologies.

- JEA:** The cost-effectiveness analysis of demand-side renewable energy systems shows that they are not cost-effective. Therefore, no goals should be established for demand-side renewable systems.
- TECO:** Goals should not be established for increasing the development of demand-side renewable energy systems as they continue to be non-cost effective. If any goals are set, they should be set at zero, as these measures are not cost-effective.
- OPC:** Since none of the renewables pass TRC and RIM, OPC takes no position on what, if any, goals should be established for increasing the development of demand-side renewable energy systems, pursuant to Section 366.82(2), F.S.
- FDACS:** The Legislature has declared that it is critical to utilize the most efficient and cost-effective demand-side renewable energy systems. The Commission should encourage the FEECA Utilities to seek out innovative research and development programs to develop new measures and programs that assist customers with conserving their energy consumption while enabling utilities to shifting peak energy demand.
- SACE & LULAC:** Goals should be established to create pilot programs at schools that also serve as storm shelters along with solar plus battery storage in order to increase resiliency and offset peak demand.
- PCS:** No position.
- WALMART:** No position.
- FIPUG:** No position at this time.

Parties' Arguments

The Commission is required to set appropriate DSRE goals for the seven electric utilities subject to FEECA. The FEECA Utilities all agree that no goals or goals of zero should be established because no DSRE system measure proved to be cost-effective. (FPL BR 49; Gulf BR 6, 32; FPUC BR 4, 7; Duke BR 14; OUC BR 3-4, 48; JEA BR 19; TECO BR 19) FPL witness Koch argues that the goals for the DSRE systems should be set at zero because none of the DSRE measures proved to be cost-effective in either the RIM or TRC tests. (TR 82) TECO witness Roche also testified that “[t]he residential and commercial renewable energy systems were both screened out without any program administration or incentive costs so they will not pass cost-effectiveness as a DSM program.” (TR 885) FPL argues that this is consistent with the Commission’s decision in the 2014 DSM Goals docket. (FPL BR 49)

SACE & LULAC argue that zero is not a goal for DSRE. (SACE & LULAC BR 47) SACE & LULAC propose “the utilities adopt a pilot program investing in [PV] solar installations coupled

with battery storage at schools that are designated as storm shelters.” (SACE & LULAC BR 7) According to SACE & LULAC “[s]olar plus battery storage allows a facility, like a school that is designated as a shelter, to generate its own power, independent of the grid, allowing it to provide power for critical needs, such as medical equipment, cooling, lighting, and charging cell phones.” (SACE & LULAC BR 45-46)

OPC does not take a position on what goals should be established for increasing the development of DSRE systems, given none of the renewables pass TRC and RIM. (OPC BR 19) OPC asserts “[t]he companies’ proposed goals should adequately safeguard the interests of the general body of ratepayers against undue rate impacts while achieving the intent of [FEECA].” (OPC BR 2)

In its brief, FDACS states “[t]he Legislature has declared that it is critical to utilize the most efficient and cost-effective demand-side renewable energy systems.” FDACS continues, “[t]he Commission should encourage the FEECA Utilities to seek out innovative research and development programs to develop new measures and programs that assist customers with conserving their energy consumption while enabling utilities to shifting [sic] peak energy demand.” (FDACS BR 15) PCS, Walmart, and FIPUG took no position on this issue.

Analysis

Section 366.81, F.S., states:

. . . [t]he Legislature finds and declares that it is critical to utilize the most efficient and cost-effective demand-side renewable energy systems and conservation systems in order to protect the health, prosperity, and general welfare of the state and its citizens.

Section 366.81, F.S., further states:

. . . [s]ince solutions to our energy problems are complex, the Legislature intends that the use of solar energy, renewable energy sources, highly efficient systems, cogeneration, and load-control systems be encouraged.

Section 366.82(2), F.S., requires the Commission to adopt appropriate goals for increasing the development of DSRE systems. In developing the goals, the Commission shall take into account the benefits and costs to the consumer participating in the DSRE measure and the benefits and costs to the general body of ratepayers. In the 2009 Goalsetting Order, the Commission stated the following:

We find that the amendments to Section 366.82(2), F.S., require us to establish goals for demand-side renewable energy systems. None of these resources were found to be cost-effective in the utilities’ analyses. However, we can meet the intent of the Legislature to place added emphasis on these resources, while protecting ratepayers from undue rate increases by requiring the IOUs to offer renewable programs subject to an expenditure cap. We direct the IOUs to file pilot programs focusing on encouraging solar water heating and solar PV technologies in the DSM program approval proceeding. Expenditures allowed for

recovery shall be limited to 10 percent of the average annual recovery through the Energy Conservation Cost Recovery clause in the previous five years as shown in the table below. Utilities are encouraged to design programs that take advantage of unique cost-saving opportunities, such as combining measures in a single program, or providing interested customers with the option to provide voluntary support.²⁶

In the 2014 Goalsetting Order, the Commission found that the pilot programs “are not cost-effective and experience gained since the last goals proceeding indicates that consumers have continued to install systems without any rebates.” In that Order, the Commission also stated the following:

Each of the IOUs should continue to implement the provisions of Rule 25-6.065, F.A.C., Interconnection and Net Metering of Customer-Owned Renewable Generation. The rule is an appropriate means to encourage the development of demand-side renewable energy, as it expedites the interconnection of customer-owned renewable energy systems and benefits participating customers through net metering.

The record in the current proceeding also indicates that DSRE systems are not cost-effective using either the RIM or the TRC test. However, the installation of DSRE systems continues to grow without any utility incentives. Such growth indicates that the Commission’s net metering rule is an appropriate mechanism to encourage the development of these systems.

Net Metering

Net metering is defined in Section 366.91(2)(c), F.S., as a “metering and billing methodology whereby customer-owned renewable generation is allowed to offset the customer’s electricity consumption on site.” Rule 25-6.065, F.A.C., Interconnection and Net Metering of Customer-Owned Renewable Generation (Net Metering Rule), sets forth the requirements of net metering.

The Net Metering Rule lays out the groundwork for implementing the net metering programs of the public utilities. Customers are able to use the energy they generate from solar PV panels to offset their energy usage. Excess energy produced is delivered to the utility’s grid and the customer receives credit toward the next month’s bill. At the end of the year, the utility is required to pay the customer for any unused energy credits.

Gulf witness Floyd testified, DSRE systems are growing tremendously in Gulf’s territory. (TR 510) Witness Floyd also stated, “customers are receiving the benefits of energy efficiency and

²⁶Order No. PSC-09-0855-FOF-EG, Issued December 30, 2009, in Docket No. 20080407-EG, *In re: Commission review of numeric conservation goals* (Florida Power & Light Company), in Docket No. 20080408-EG, *In re: Commission review of numeric conservation goals* (Progress Energy Florida, Inc.), in Docket No. 20080409-EG, *In re: Commission review of numeric conservation goals* (Tampa Electric Company), Docket No. 20080410-EG, *In re: Commission review of numeric conservation goals* (Gulf Power Company), in Docket No. 20080411-EG, *In re: Commission review of numeric conservation goals* (Florida Public Utilities Company), in Docket No. 20080412-EG, *In re: Commission review of numeric conservation goals* (Orlando Utilities Commission), in Docket No. 20080413-EG, *In re: Commission review of numeric conservation goals* (JEA).

demand-side renewables in the market in the most-efficient way without unnecessary incentives.” (TR 460) Witness Floyd asserted that, the net-metering rule creates a good, understood model for the customer. (TR 510-511) Witness Floyd stated, there are “more solar providers in Gulf’s service area,” which naturally creates competition. (TR 510) Witness Floyd stated, “[d]emand-side renewables have experienced tremendous growth since the end of the utility incentives in 2015.” (TR 460) DEF witness Cross stated in her testimony that “Florida currently ranks among the top ten states based on the cumulative amount of solar electric capacity installed.” (TR 595) Witness Cross agreed with other FEECA utilities that “[t]he cost to install solar has dropped significantly in recent years,” and with those costs declining utilities are “seeing continued growth in the number of customers installing [DSRE] systems on their own, without incentives from the utility.” (TR 595) As more households embrace renewable energy, the demand will stimulate more business competition and drive the cost of using or owning renewable energy, such as solar, down.

Since 2008, customer-owned solar PV installations have steadily increased throughout the state. As seen in Table 10-1, 23,120 customer-owned solar PV installations have been added by the four largest IOUs between 2017 and 2019. These solar installations are primarily from residential and business customers.

Table 10-1
Number of Solar PV Installations

Utility	2017	2018	2019*	Total
FPL	2,163	3,825	2,250	8,238
DEF	3,025	5,079	2,949	11,053
TECO	740	1,268	829	2,837
Gulf	382	297	313	992
Total	6,310	10,469	6,341	23,120

*2019 figures do not include a full year of data.

Source: EXH 105, 129, 173, 245

As reflected in the table 10-1, the current net metering rule has contributed to the increasing demand for customer-owned generation.

SACE & LULAC’s Pilot Program

Although no testimony was sponsored for this issue, in their brief, SACE & LULAC propose a DSRE goal; implemented through a five-year pilot program that they believe would meet the DSRE goal requirements of FEECA. The proposed pilot program is not included in the hearing record. The proposal does include solar PV and battery installations at schools and staff notes that witness Floyd testified that the cost of battery storage is still too high to be considered cost effective. (TR 513)

SACE & LULAC's proposal is lacking any competent and substantial evidence in the hearing record. Due to the lack of evidence in the record, staff does not recommend SACE & LULAC's proposed pilot program should be approved at this time.

Conclusion

As discussed in this issue, the DSRE systems were evaluated for each of the FEECA Utilities using the same criteria used for other energy efficiency measures. Based upon the evidence in the record, staff recommends measures to promote DSRE systems are not cost-effective. Evidence in the hearing record does show that net metering is an effective means of encouraging the development of DSRE systems that allow participants to offset their energy usage. Staff recommends the continued promotion of net metering is an appropriate goal in this proceeding, consistent with the Commission's decision in 2014.

Issue 11: Should these dockets be closed?

Recommendation: Yes. These dockets should be closed after the time for filing an appeal has run. Within 90 days of the issuance of the final order, each Utility should file a demand-side management plan designed to meet the Utility's approved goals. (Dziechciarz, Duval, Weisenfeld, Murphy, King)

Position of the Parties:

FPL: Yes. This docket should be closed upon the issuance of an appropriate order approving FPL's proposed numeric conservation Goals set forth in Ex. 5 (FPL Ex. TRK-4) for the years 2020-2029.

GULF: Yes. This docket should be closed upon the issuance of an appropriate order approving Gulf Power's proposed numeric conservation Goals for the years 2020-2029.

FPUC: Yes.

DEF: No position.

OUC: Yes. When the Commission's order approving OUC's goals has become final and is not subject to any appeals or reconsideration, these dockets, specifically including Docket No. 20190019-EG, should be closed.

JEA: Yes.

TECO: Yes, Tampa Electric's Docket No. 20190021-EG should be closed once the Commission's decisions on all of the issues in the docket have become final and the Commission has concluded that the docket has otherwise met the requirements for closure.

OPC: Yes.

FDACS: The dockets should be closed upon the Commission making a determination on all of the issues in the dockets and upon the Commission's Order issued in this proceeding becoming final.

SACE & LULAC: Yes, after the Commission has approved SACE's & LULAC's proposed goals for the utilities.

PCS: No position.

WALMART: No position.

FIPUG: Yes.

Analysis

These dockets should be closed after the time for filing an appeal has run. Within 90 days of the issuance of the final order, each Utility should file a demand-side management plan designed to meet the Utility's approved goals.

Conclusion

These dockets should be closed after the time for filing an appeal has run. Within 90 days of the issuance of the final order, each Utility should file a demand-side management plan designed to meet the Utility's approved goals.

Florida Power & Light Company - Residential Annual Goals

Summer Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	25.7	24.0	24.0	59	24.0
2021	25.8	24.0	24.0	70	24.0
2022	25.9	24.0	24.0	70	24.0
2023	26.0	24.0	24.0	70	24.0
2024	25.9	24.0	24.0	70	24.0
2025	25.8	24.0	24.0	70	24.0
2026	25.7	24.0	24.0	70	24.0
2027	25.6	24.0	24.0	70	24.0
2028	25.5	24.0	24.0	70	24.0
2029	25.5	24.0	24.0	70	24.0
Total*	257.3	240.3	240.3	689	240.3

Winter Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	25.1	20.7	20.7	22	20.7
2021	24.7	20.7	20.7	26	20.7
2022	24.4	20.7	20.7	26	20.7
2023	24.1	20.7	20.7	26	20.7
2024	23.8	20.7	20.7	26	20.7
2025	23.4	20.7	20.7	26	20.7
2026	23.1	20.7	20.7	26	20.7
2027	22.9	20.7	20.7	26	20.7
2028	22.7	20.7	20.7	26	20.7
2029	22.5	20.7	20.7	26	20.7
Total*	236.8	207.4	207.4	256	207.4

Annual Energy Consumption (GWh)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	4.349	0.012	0.012	136	0.012
2021	4.620	0.012	0.012	162	0.012
2022	4.989	0.012	0.012	162	0.012
2023	5.440	0.012	0.012	162	0.012
2024	5.072	0.012	0.012	162	0.012
2025	4.765	0.012	0.012	162	0.012
2026	4.508	0.012	0.012	162	0.012
2027	4.295	0.012	0.012	162	0.012
2028	4.120	0.012	0.012	162	0.012
2029	3.976	0.012	0.012	162	0.012
Total*	46.135	0.116	0.116	1,594	0.116

*Values Differ Due to Rounding
 Source: EXH 4, 5, 65

Date: October 24, 2019

Duke Energy Florida, LLC - Residential Annual Goals

Summer Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	16	14	14	29	14
2021	14	13	13	59	13
2022	13	12	12	72	12
2023	13	11	11	72	11
2024	12	11	11	72	11
2025	12	10	10	72	10
2026	12	10	10	72	10
2027	11	9	9	72	9
2028	10	9	9	72	9
2029	9	9	9	72	9
Total*	122	108	108	663	108

Winter Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	12	10	10	13	10
2021	10	9	9	27	9
2022	10	8	8	33	8
2023	9	8	8	33	8
2024	9	8	8	33	8
2025	9	8	8	33	8
2026	8	7	7	33	7
2027	8	7	7	33	7
2028	7	7	7	33	7
2029	7	6	6	33	6
Total*	89	78	78	303	78

Annual Energy Consumption (GWh)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	33	17	17	68	17
2021	27	15	15	135	15
2022	24	14	14	166	14
2023	21	12	12	166	12
2024	19	12	12	166	12
2025	18	11	11	166	11
2026	16	10	10	166	10
2027	14	9	9	166	9
2028	12	8	8	166	8
2029	10	7	7	166	7
Total*	194	115	115	1,530	115

*Values Differ Due to Rounding

Source: EXH 40, 41, 65,

Date: October 24, 2019

Tampa Electric Company - Residential Annual Goals

Summer Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	10.9	4.7	4.7	4	4.7
2021	11.2	4.9	4.9	7	4.9
2022	11.5	5.0	5.0	7	5.0
2023	11.9	5.2	5.2	7	5.2
2024	12.3	5.4	5.4	7	5.4
2025	12.7	5.6	5.6	7	5.6
2026	13.0	5.8	5.8	7	5.8
2027	13.5	6.0	6.0	7	6.0
2028	13.6	5.6	5.6	7	5.6
2029	13.6	6.0	6.0	7	6.0
Total*	124.2	54.0	54.0	64	54.0

Winter Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	4.9	2.6	2.6	3	2.6
2021	4.8	2.6	2.6	5	2.6
2022	4.8	2.6	2.6	5	2.6
2023	4.8	2.6	2.6	5	2.6
2024	4.8	2.6	2.6	5	2.6
2025	4.8	2.5	2.5	5	2.5
2026	4.8	2.5	2.5	5	2.5
2027	4.8	2.5	2.5	5	2.5
2028	4.8	2.5	2.5	5	2.5
2029	4.8	2.5	2.5	5	2.5
Total*	48.1	25.5	25.5	51	25.5

Annual Energy Consumption (GWh)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	27.3	9.3	9.3	22	9.3
2021	28.4	9.6	9.6	34	9.6
2022	29.3	9.7	9.7	34	9.7
2023	30.5	10.0	10.0	34	10.0
2024	31.7	10.3	10.3	34	10.3
2025	33.1	10.7	10.7	34	10.7
2026	34.6	11.0	11.0	34	11.0
2027	35.5	11.3	11.3	34	11.3
2028	35.9	10.5	10.5	34	10.5
2029	36.2	11.3	11.3	34	11.3
Total*	322.5	103.6	103.6	323	103.6

*Values Differ Due to Rounding
Source: EXH 63, 65, 248

Gulf Power Company - Residential Annual Goals

Summer Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	1	0	0	3	0
2021	1	0	0	7	0
2022	1	0	0	9	0
2023	2	0	0	9	0
2024	2	0	0	9	0
2025	2	0	0	9	0
2026	2	0	0	9	0
2027	3	0	0	9	0
2028	3	0	0	9	0
2029	3	0	0	9	0
Total*	20	0	0	83	0

Winter Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	1	0	0	3	0
2021	1	0	0	6	0
2022	1	0	0	9	0
2023	1	0	0	9	0
2024	2	0	0	9	0
2025	2	0	0	9	0
2026	2	0	0	9	0
2027	3	0	0	9	0
2028	3	0	0	9	0
2029	3	0	0	9	0
Total*	19	0	0	79	0

Annual Energy Consumption (GWh)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	5	0	0	15	0
2021	5	0	0	31	0
2022	6	0	0	42	0
2023	7	0	0	42	0
2024	9	0	0	42	0
2025	10	0	0	42	0
2026	12	0	0	42	0
2027	14	0	0	42	0
2028	15	0	0	42	0
2029	15	0	0	42	0
Total*	98	0	0	381	0

*Values Differ Due to Rounding
 Source: EXH 35, 65

Florida Public Utilities Company - Residential Annual Goals

Summer Peak Demand (MW)				
Year	TRC Achievable	RIM Achievable	Utility Proposal	Staff Recom.
2020	0.01	0	0	0
2021	0.01	0	0	0
2022	0.01	0	0	0
2023	0.01	0	0	0
2024	0.01	0	0	0
2025	0.01	0	0	0
2026	0.01	0	0	0
2027	0.01	0	0	0
2028	0.01	0	0	0
2029	0.01	0	0	0
Total*	0.10	0	0	0

Winter Peak Demand (MW)				
Year	TRC Achievable	RIM Achievable	Utility Proposal	Staff Recom.
2020	0.01	0	0	0
2021	0.01	0	0	0
2022	0.01	0	0	0
2023	0.01	0	0	0
2024	0.01	0	0	0
2025	0.01	0	0	0
2026	0.01	0	0	0
2027	0.01	0	0	0
2028	0.01	0	0	0
2029	0.01	0	0	0
Total*	0.10	0	0	0

Annual Energy Consumption (GWh)				
Year	TRC Achievable	RIM Achievable	Utility Proposal	Staff Recom.
2020	0.02	0	0	0
2021	0.02	0	0	0
2022	0.02	0	0	0
2023	0.02	0	0	0
2024	0.02	0	0	0
2025	0.02	0	0	0
2026	0.02	0	0	0
2027	0.02	0	0	0
2028	0.02	0	0	0
2029	0.02	0	0	0
Total*	0.20	0	0	0

*Values Differ Due to Rounding
 Source: EXH 159

JEA - Residential Annual Goals

Summer Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	0.68	0	0	3	0
2021	0.75	0	0	7	0
2022	0.88	0	0	9	0
2023	1.01	0	0	9	0
2024	1.14	0	0	9	0
2025	1.25	0	0	9	0
2026	1.30	0	0	9	0
2027	1.31	0	0	9	0
2028	1.25	0	0	9	0
2029	1.15	0	0	9	0
Total*	10.71	0	0	80	0

Winter Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	0.65	0	0	2	0
2021	0.72	0	0	4	0
2022	0.84	0	0	5	0
2023	0.96	0	0	5	0
2024	1.08	0	0	5	0
2025	1.18	0	0	5	0
2026	1.24	0	0	5	0
2027	1.25	0	0	5	0
2028	1.21	0	0	5	0
2029	1.12	0	0	5	0
Total*	10.26	0	0	49	0

Annual Energy Consumption (GWh)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	5.28	0	0	14	0
2021	5.80	0	0	28	0
2022	6.84	0	0	37	0
2023	7.94	0	0	37	0
2024	8.99	0	0	37	0
2025	9.85	0	0	37	0
2026	10.42	0	0	37	0
2027	10.70	0	0	37	0
2028	10.45	0	0	37	0
2029	9.80	0	0	37	0
Total*	86.08	0	0	336	0

*Values Differ Due to Rounding
 Source: EXH 65, 228

Orlando Utilities Commission - Residential Annual Goals

Summer Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	0.62	0	0	2	0
2021	0.64	0	0	4	0
2022	0.72	0	0	4	0
2023	0.80	0	0	4	0
2024	0.89	0	0	4	0
2025	0.96	0	0	4	0
2026	1.01	0	0	4	0
2027	1.04	0	0	4	0
2028	1.04	0	0	4	0
2029	1.01	0	0	4	0
Total*	8.72	0	0	37	0

Winter Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	0.44	0	0	1	0
2021	0.47	0	0	2	0
2022	0.54	0	0	2	0
2023	0.62	0	0	2	0
2024	0.70	0	0	2	0
2025	0.77	0	0	2	0
2026	0.82	0	0	2	0
2027	0.85	0	0	2	0
2028	0.86	0	0	2	0
2029	0.84	0	0	2	0
Total*	6.90	0	0	19	0

Annual Energy Consumption (GWh)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	4.09	0	0	8	0
2021	4.39	0	0	16	0
2022	5.18	0	0	16	0
2023	6.02	0	0	16	0
2024	6.85	0	0	16	0
2025	7.59	0	0	16	0
2026	8.16	0	0	16	0
2027	8.48	0	0	16	0
2028	8.50	0	0	16	0
2029	8.21	0	0	16	0
Total*	67.47	0	0	155	0

*Values Differ Due to Rounding
 Source: EXH 65, 204

Florida Power & Light Company - Commercial & Industrial Annual Goals

Summer Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	20.2	11.2	11.2	55	11.2
2021	20.7	11.2	11.2	76	11.2
2022	21.2	11.2	11.2	76	11.2
2023	21.7	11.2	11.2	76	11.2
2024	21.7	11.2	11.2	76	11.2
2025	21.7	11.2	11.2	76	11.2
2026	21.7	11.2	11.2	76	11.2
2027	21.7	11.2	11.2	76	11.2
2028	21.7	11.2	11.2	76	11.2
2029	21.7	11.2	11.2	76	11.2
Total*	193.7	111.9	111.9	738	111.9

Winter Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	7.1	5.1	5.1	38	5.1
2021	7.6	5.1	5.1	52	5.1
2022	8.0	5.1	5.1	52	5.1
2023	8.5	5.1	5.1	52	5.1
2024	8.5	5.1	5.1	52	5.1
2025	8.5	5.1	5.1	52	5.1
2026	8.5	5.1	5.1	52	5.1
2027	8.5	5.1	5.1	52	5.1
2028	8.5	5.1	5.1	52	5.1
2029	8.5	5.1	5.1	52	5.1
Total*	82.1	51.4	51.4	510	51.4

Annual Energy Consumption (GWh)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	8.291	0.091	0.091	253	0.091
2021	11.031	0.091	0.091	346	0.091
2022	13.760	0.091	0.091	346	0.091
2023	16.496	0.091	0.091	346	0.091
2024	16.556	0.091	0.091	346	0.091
2025	16.617	0.091	0.091	346	0.091
2026	16.678	0.091	0.091	346	0.091
2027	16.740	0.091	0.091	346	0.091
2028	16.802	0.091	0.091	346	0.091
2029	16.865	0.091	0.091	346	0.091
Total*	149.837	0.906	0.906	3,367	0.906

*Values Differ Due to Rounding
Source: EXH 4, 5, 65

Duke Energy Florida, LLC - Commercial & Industrial Annual Goals

Summer Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	22	16	16	10	16
2021	19	13	13	19	13
2022	17	11	11	24	11
2023	17	12	12	24	12
2024	18	14	14	24	14
2025	18	14	14	24	14
2026	16	13	13	24	13
2027	15	13	13	24	13
2028	15	14	14	24	14
2029	15	15	15	24	15
Total*	172	135	135	217	135

Winter Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	16	14	14	7	14
2021	14	13	13	14	13
2022	13	11	11	17	11
2023	14	12	12	17	12
2024	14	13	13	17	13
2025	14	13	13	17	13
2026	12	11	11	17	11
2027	11	11	11	17	11
2028	12	12	12	17	12
2029	11	11	11	17	11
Total*	131	121	121	156	121

Annual Energy Consumption (GWh)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	39	8	8	46	8
2021	37	8	8	93	8
2022	37	8	8	114	8
2023	34	8	8	114	8
2024	29	7	7	114	7
2025	22	5	5	114	5
2026	15	3	3	114	3
2027	11	2	2	114	2
2028	8	1	1	114	1
2029	6	1	1	114	1
Total*	238	51	51	1,052	51

*Values Differ Due to Rounding
 Source: EXH 40, 41, 65

Date: October 24, 2019

Tampa Electric Company - Commercial & Industrial Annual Goals

Summer Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	4.1	2.7	2.7	6	2.7
2021	4.1	2.5	2.5	10	2.5
2022	4.1	2.4	2.4	10	2.4
2023	4.1	2.9	2.9	10	2.9
2024	4.2	2.4	2.4	10	2.4
2025	4.2	2.5	2.5	10	2.5
2026	4.2	2.8	2.8	10	2.8
2027	4.2	2.6	2.6	10	2.6
2028	4.2	2.4	2.4	10	2.4
2029	4.4	2.6	2.6	10	2.6
Total*	41.7	25.8	25.8	93	25.8

Winter Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	3.3	1.9	1.9	5	1.9
2021	3.3	1.7	1.7	8	1.7
2022	3.3	1.6	1.6	8	1.6
2023	3.3	2.0	2.0	8	2.0
2024	3.3	1.6	1.6	8	1.6
2025	3.3	1.8	1.8	8	1.8
2026	3.3	1.9	1.9	8	1.9
2027	3.3	1.8	1.8	8	1.8
2028	3.3	1.7	1.7	8	1.7
2029	3.5	1.8	1.8	8	1.8
Total*	32.9	17.8	17.8	77	17.8

Annual Energy Consumption (GWh)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	9.0	5.5	5.5	36	5.5
2021	9.0	6.5	6.5	56	6.5
2022	9.0	5.5	5.5	56	5.5
2023	9.0	6.5	6.5	56	6.5
2024	9.1	5.6	5.6	56	5.6
2025	9.1	6.7	6.7	56	6.7
2026	9.1	5.8	5.8	56	5.8
2027	9.1	6.8	6.8	56	6.8
2028	9.1	5.8	5.8	56	5.8
2029	10.6	6.8	6.8	56	6.8
Total*	92.1	61.4	61.4	538	61.4

*Values Differ Due to Rounding

Source: EXH 63, 65, 248

Gulf Power Company - Commercial & Industrial Annual Goals

Summer Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	2	1	1	3	1
2021	3	1	1	6	1
2022	3	1	1	8	1
2023	3	2	1	8	2
2024	4	2	1	8	2
2025	4	2	2	8	2
2026	4	2	2	8	2
2027	4	2	2	8	2
2028	4	2	2	8	2
2029	4	2	2	8	2
Total*	36	20	15	76	20

Winter Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	2	1	1	2	1
2021	3	1	1	5	1
2022	3	1	1	6	1
2023	3	1	1	6	1
2024	4	1	1	6	1
2025	4	1	1	6	1
2026	4	1	1	6	1
2027	4	2	1	6	2
2028	4	2	1	6	2
2029	4	2	2	6	2
Total*	36	13	11	56	13

Annual Energy Consumption (GWh)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	9	0	0	17	0
2021	10	0	0	34	0
2022	12	1	0	46	1
2023	13	1	0	46	1
2024	15	1	0	46	1
2025	16	1	0	46	1
2026	15	1	0	46	1
2027	14	1	0	46	1
2028	11	0	0	46	0
2029	9	0	0	46	0
Total*	124	6	0	422	6

*Values Differ Due to Rounding
 Source: EXH 35, 65

Florida Public Utilities Company - Commercial & Industrial Annual Goals

Summer Peak Demand (MW)				
Year	TRC Achievable	RIM Achievable	Utility Proposal	Staff Recom.
2020	0.03	0	0	0
2021	0.03	0	0	0
2022	0.03	0	0	0
2023	0.03	0	0	0
2024	0.02	0	0	0
2025	0.02	0	0	0
2026	0.02	0	0	0
2027	0.02	0	0	0
2028	0.02	0	0	0
2029	0.02	0	0	0
Total*	0.24	0	0	0

Winter Peak Demand (MW)				
Year	TRC Achievable	RIM Achievable	Utility Proposal	Staff Recom.
2020	0.03	0	0	0
2021	0.03	0	0	0
2022	0.03	0	0	0
2023	0.03	0	0	0
2024	0.02	0	0	0
2025	0.02	0	0	0
2026	0.01	0	0	0
2027	0.01	0	0	0
2028	0.01	0	0	0
2029	0.01	0	0	0
Total*	0.20	0	0	0

Annual Energy Consumption (GWh)				
Year	TRC Achievable	RIM Achievable	Utility Proposal	Staff Recom.
2020	0.24	0	0	0
2021	0.25	0	0	0
2022	0.26	0	0	0
2023	0.20	0	0	0
2024	0.15	0	0	0
2025	0.12	0	0	0
2026	0.11	0	0	0
2027	0.12	0	0	0
2028	0.12	0	0	0
2029	0.13	0	0	0
Total*	1.70	0	0	0

*Values Differ Due to Rounding
 Source: EXH 159

JEA - Commercial & Industrial Annual Goals

Summer Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	2.12	0	0	3	0
2021	2.24	0	0	6	0
2022	2.50	0	0	8	0
2023	2.57	0	0	8	0
2024	2.57	0	0	8	0
2025	2.60	0	0	8	0
2026	2.58	0	0	8	0
2027	2.37	0	0	8	0
2028	1.97	0	0	8	0
2029	1.51	0	0	8	0
Total*	23.04	0	0	76	0

Winter Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	1.80	0	0	2	0
2021	1.79	0	0	5	0
2022	1.85	0	0	6	0
2023	1.69	0	0	6	0
2024	1.44	0	0	6	0
2025	1.26	0	0	6	0
2026	1.17	0	0	6	0
2027	1.06	0	0	6	0
2028	0.92	0	0	6	0
2029	0.76	0	0	6	0
Total*	13.74	0	0	57	0

Annual Energy Consumption (GWh)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	15.66	0	0	21	0
2021	16.81	0	0	43	0
2022	19.04	0	0	55	0
2023	20.05	0	0	55	0
2024	20.50	0	0	55	0
2025	20.83	0	0	55	0
2026	20.19	0	0	55	0
2027	17.81	0	0	55	0
2028	14.22	0	0	55	0
2029	10.69	0	0	55	0
Total*	175.79	0	0	507	0

*Values Differ Due to Rounding
 Source: EXH 65, 228

Orlando Utilities Commission - Commercial & Industrial Annual Goals

Summer Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	0.24	0	0	2	0
2021	0.31	0	0	4	0
2022	0.44	0	0	4	0
2023	0.62	0	0	4	0
2024	0.86	0	0	4	0
2025	1.17	0	0	4	0
2026	1.51	0	0	4	0
2027	1.76	0	0	4	0
2028	1.77	0	0	4	0
2029	1.50	0	0	4	0
Total*	10.18	0	0	38	0

Winter Peak Demand (MW)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	0.11	0	0	2	0
2021	0.12	0	0	3	0
2022	0.15	0	0	3	0
2023	0.18	0	0	3	0
2024	0.21	0	0	3	0
2025	0.26	0	0	3	0
2026	0.32	0	0	3	0
2027	0.37	0	0	3	0
2028	0.39	0	0	3	0
2029	0.36	0	0	3	0
Total*	2.46	0	0	31	0

Annual Energy Consumption (GWh)					
Year	TRC Achievable	RIM Achievable	Utility Proposal	SACE & LULAC	Staff Recom.
2020	2.24	0.0006	0	12	0.0006
2021	2.72	0.0006	0	24	0.0006
2022	3.64	0.0006	0	25	0.0006
2023	4.94	0.0006	0	25	0.0006
2024	6.42	0.0006	0	25	0.0006
2025	8.19	0.0006	0	25	0.0006
2026	10.05	0.0006	0	25	0.0006
2027	11.28	0.0006	0	25	0.0006
2028	11.09	0.0006	0	25	0.0006
2029	9.25	0.0006	0	25	0.0006
Total*	69.83	0.0060	0	238	0.0060

*Values Differ Due to Rounding
 Source: TR 676-677; EXH 65, 204

Item 9

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: October 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Guffey, Coston) *SKG* *ED* *9/24*
Office of the General Counsel (Schrader) *K* *SC*

RE: Docket No. 20190160-GU – Joint petition for approval of swing service rider rates for January through December 2020, by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.

AGENDA: 11/05/19 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 8-Month effective Date: 4/15/20 (60-day suspension date waived by the companies)

SPECIAL INSTRUCTIONS: None

Case Background

On August 16, 2019, Florida Public Utilities Company, Florida Public Utilities Company – Indiantown Division, and Florida Public Utilities Company – Fort Meade (jointly, FPUC), as well as the Florida Division of Chesapeake Utilities Corporation (Chesapeake) (jointly, companies), filed a petition for approval of a revised swing service rider tariff for the period January through December 2020. FPUC is a local distribution company (LDC) subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, Florida Statutes (F.S.). FPUC is a wholly-owned subsidiary of Chesapeake Utilities Corporation, which is headquartered in Dover, Delaware. Chesapeake is also an LDC subject to the Commission's jurisdiction under Chapter 366, F.S., and is an operating division of Chesapeake Utilities Corporation.

The Commission first approved the companies' swing service rider tariff in Order No. PSC-16-0422-TRF-GU (swing service order) and the initial swing service rider rates were in effect for the period March through December 2017.¹ As required in the swing service order, the companies submitted the instant petition with revised 2020 swing service rider rates for Commission approval by September 1, 2019. The swing service rider is a cents per therm charge that is included in the monthly gas bill of transportation customers. This is staff's recommendation on the 2020 swing service rider rates.

During its evaluation of the petition, staff issued a data request to the companies for which responses were received on September 24, 2019. On August 3, 2019, the companies waived their 60-day file and suspend provision via an e-mail, which has been placed in the docket file. The proposed revised tariff sheets are shown in Attachment A to the recommendation. The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, F.S.

¹ Order No. PSC-16-0422-TRF-GU, issued October 3, 2016, Docket No. 160085-GU, *In re: Joint petition for approval of swing service rider, by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.*

Date: October 24, 2019

Discussion of Issues

Issue 1: Should the Commission approve the companies' revised swing service rider rates for the period January through December 2020?

Recommendation: Yes. The Commission should approve the companies' swing service rider rates for the period January through December 2020. The costs included are appropriate and the methodology for calculating the swing service rider rates is consistent with the swing service order. (Guffey)

Staff Analysis: The companies incur intrastate capacity costs when they transport natural gas on intrastate pipelines (i.e., pipelines operating within Florida only). The companies have two types of natural gas customers: sales and transportation. The swing service rider allows the companies to recover the intrastate capacity costs directly from all transportation customers as intrastate pipeline projects benefit all customers.

Types of Natural Gas Customers

Sales customers are primarily residential and small commercial customers that purchase natural gas from an LDC and receive allocations of intrastate capacity costs through the Purchased Gas Adjustment (PGA)² charge. Of the joint petitioners in the instant docket, only Florida Public Utilities Company and Florida Public Utilities Company – Fort Meade have sales customers.

Transportation customers receive natural gas from third party marketers, also known as shippers³ and, therefore, do not pay the PGA charge to the LDC. The companies' transportation customers can be categorized as Transitional Transportation Service (TTS) or non-TTS. TTS program shippers purchase gas in aggregated customer pools for residential and small commercial customers, who do not contract directly with a shipper for their gas supply. Of the joint petitioners in the instant docket, only Florida Public Utilities Company – Indiantown Division (Indiantown) and Chesapeake have TTS customers.

TTS customers receive allocations of intrastate capacity costs through the swing service rider. Prior to the approval of the swing service rider, TTS customers received allocations of intrastate capacity cost through the Operational Balancing Account (OBA) mechanism. The OBA mechanism allowed Indiantown and Chesapeake to assign intrastate capacity costs to TTS shippers, who then passed the costs on to the TTS customers for whom they purchase gas. With the approval of the swing service rider, TTS customers are now charged directly for their allocated portion of the intrastate capacity costs (rather than Indiantown and Chesapeake charging the shippers who then passed the costs on to the TTS customers).

Non-TTS customers are primarily large commercial or industrial customers who contract directly with a shipper for their natural gas supply. Prior to the approval of the swing service rider, non-TTS customers were not paying a share of the intrastate capacity costs. The Commission approved a stepped implementation process for the swing service rider for non-TTS customers because the implementation of the swing service rider can have a significant financial impact on

² The PGA charge is set by the Commission in the annual PGA cost recovery clause proceeding.

³ The Commission does not regulate the shippers or their charges for the gas commodity.

Date: October 24, 2019

those customers who previously had not been allocated any portion of the intrastate capacity costs.

Specifically, the swing service order approved a five-year implementation period for non-TTS customers with a 20 percent per year stepped allocation. Accordingly, the 2019 swing service charges included a 60 percent allocation of intrastate capacity costs to the non-TTS customers; the instant petition includes an 80 percent allocation of intrastate capacity costs to the non-TTS customers.

Proposed Swing Service Rider Rates

The proposed 2020 swing service rider rates were calculated based on the same methodology approved in the swing service order. As shown in the companies' petition, the total intrastate capacity costs for the period July 2018 through June 2019 are \$12,357,380. The total intrastate capacity costs reflect payments by FPUC to intrastate pipelines for the transportation of natural gas, pursuant to Commission approved transportation agreements. In addition, the intrastate capacity costs include payments to outside contractors FPUC hired to provide expertise on the purchase of commodity and capacity.

Of these costs, \$5,045,570 will be billed directly to certain large special contract customers. The remaining costs of \$7,311,810 are allocated between sales and transportation customers.

The companies used actual therm usage data for the period July 2018 through June 2019 to allocate the intrastate capacity costs. Based on the usage data, the appropriate split for allocating the cost is \$5,286,466 (72.3 percent) to transportation customers and \$2,025,344 (27.7 percent) to sales customers. The sales customers' share of the cost is embedded in the PGA.

The transportation customers' share is allocated to the various transportation rate schedules in proportion with each rate schedule's share of the companies' total throughput. To calculate the swing service rider rates, the cost allocated to each rate schedule is divided by the rate schedule's number of therms.

As stated earlier, TTS customers are charged an allocated portion of the intrastate capacity costs, while non-TTS customers are subject to a phased implementation. Since non-TTS customers are allocated 80 percent of the total intrastate capacity costs in 2020, the swing service revenues the companies will receive is a total of \$4,328,730; the remaining \$957,736 (\$5,286,466 - \$4,328,730) of intrastate capacity costs allocated to transportation customers will be recovered through the PGA cost recovery clause from sales customers.

Credit to the PGA

The total intrastate capacity costs are embedded in the PGA with the projected 2020 swing service rider revenues incorporated as a credit in the calculation of the 2020 PGA. The amount credited to the 2020 PGA is \$4,328,730, plus \$5,045,570 received from special contract customers, for a total of \$9,374,300.⁴ At the end of the stepped implementation period in 2021, non-TTS customers will no longer receive a reduced allocation of the intrastate capacity cost. As

⁴ See direct testimony of Michelle D. Napier on behalf of FPUC, filed on August 9, 2019, Document No. 07322-2019, in Docket No. 20190003-GU, Exhibit No. MDN-1, Schedule E-1, line 8 on Page 1 of 6.

Date: October 24, 2019

a result, the credit to the PGA will increase and sales customers will no longer absorb a portion of the non-TTS intrastate capacity costs.

Conclusion

Based on its review of the information provided in the petition and in response to staff's data requests, staff recommends that the companies' proposed swing service rider is reasonable. Staff reviewed the total projected intrastate capacity costs and verified that the costs included are appropriate. The Commission should approve the proposed swing service rider rates for the period January through December 2020. The costs included are appropriate and the methodology for calculating the swing service rider rates is consistent with the swing service order.

Date: October 24, 2019

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Schrader)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

Florida Public Utilities Company
F.P.S.C. Gas Tariff
Third Revised Volume No. 1

Sixth Seventh Revised Sheet No. 35.6
Cancels Fifth Sixth Revised Sheet No. 35.6

BILLING ADJUSTMENTS

Swing Service Rider

Applicability

The bill for transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service Rider factors for the period from the first billing cycle for January 201920 through the last billing cycle for December 201920 are as follows:

<u>Rate Class</u>	<u>Rates Per Therm</u>
Rate Schedule GSTS-1	\$0.0 <u>19</u> 7501
Rate Schedule GSTS-2	\$0.0 <u>19</u> 1485
Rate Schedule LVTS	\$0.0 <u>18</u> 3480

Definitions

This surcharge allocates a fair portion of intrastate capacity costs to transportation customers in accordance with the PSC approved Swing Service Rider.

Issued by: Kevin Webber~~Jeffrey Householder~~, President

Effective:

Florida Public Utilities Company-Fort Meade
F.P.S.C. Gas Tariff
Original Volume No.

~~Second~~ Third Revised Sheet No. 64.1
Cancels ~~First~~ Second Revised Sheet No. 64.1

Swing Service Rider

Applicability

The bill for transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service factors for the period from the first billing cycle for January 2019~~20~~ through the last billing cycle for December 2019~~20~~ are as follows:

<u>Rate Class</u>	<u>Rates Per Therm</u>
Rate Schedule GSTS-1	\$0. 04 <u>94</u> 0472

Definitions

This surcharge allocates a fair portion of intrastate capacity costs to transportation customers in accordance with the PSC approved Swing Service Rider.

Issued by: Kevin Webber~~Jeffrey Householder~~, President

Effective:

Florida Public Utilities Company, Indiantown Division
Original Volume No. 2

~~Second~~ Third Revised Sheet No. 35.2
Cancels ~~First~~ Second Revised Sheet No. 35.2

BILLING ADJUSTMENTS

(Continued)

Swing Service Rider

Applicability

The bill for transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service factors for the period from the first billing cycle for January 2019~~20~~ through the last billing cycle for December 2019~~20~~ are as follows:

<u>Rate Class</u>	<u>Classification</u>	<u>Rates Per Therm</u>
Transportation Service 1	TS1	\$0.03 <u>21</u> 59 1
Transportation Service 2	TS2	\$0.03 <u>01</u> 55 2
Transportation Service 3	TS3	\$0.03 <u>22</u> 63 8
Transportation Service 4	TS4	\$0.0000

Definitions

This surcharge allocates a fair portion of intrastate capacity costs to transportation customers in accordance with the PSC approved Swing Service Rider.

Issued by: Kevin Webber Jeffrey Householder, President

Effective:

Florida Division of Chesapeake Utilities Corporation ~~Second~~ Third Revised Sheet No. 105.4
Original Volume No. 4 Cancels ~~First~~ Second Revised Sheet No. 105.4

RATE SCHEDULES
MONTHLY RATE ADJUSTMENTS

Swing Service Rider

Applicability

The bill for transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service factors for the period from the first billing cycle for January 201920 through the last billing cycle for December 201920 are as follows:

Rate Class	Classification	Rates Per Therm
Firm Transportation Service A	FTS-A	\$0.0 <u>3</u> 48636
Firm Transportation Service B	FTS-B	\$0.0 <u>3</u> 82648
Firm Transportation Service 1	FTS-1	\$0.0404684
Firm Transportation Service 2	FTS-2	\$0.0410748
Firm Transportation Service 2.1	FTS-2.1	\$0.0 <u>3</u> 92698
Firm Transportation Service 3	FTS-3	\$0.0 <u>3</u> 11578
Firm Transportation Service 3.1	FTS-3.1	\$0.0 <u>3</u> 08580
Firm Transportation Service 4	FTS-4	\$0.0190486
Firm Transportation Service 5	FTS-5	\$0.0196490
Firm Transportation Service 6	FTS-6	\$0.0186498
Firm Transportation Service 7	FTS-7	\$0.0203482
Firm Transportation Service 8	FTS-8	\$0.0190480
Firm Transportation Service 9	FTS-9	\$0.0185465
Firm Transportation Service 10	FTS-10	\$0.0175466
Firm Transportation Service 11	FTS-11	\$0.0176494
Firm Transportation Service 12	FTS-12	\$0.0176432

<u>Experimental Rate Class</u>	<u>Classification</u>	<u>Rates Per Bill</u>
Firm Transportation Service A	FTS-A	\$0.29895471
Firm Transportation Service B	FTS-B	\$0.58079846
Firm Transportation Service 1	FTS-1	\$0.87311.4766
Firm Transportation Service 2	FTS-2	\$1.79763.2767
Firm Transportation Service 2.1	FTS-2.1	\$5.977810.6425
Firm Transportation Service 3	FTS-3	\$6.969212.9458
Firm Transportation Service 3.1	FTS-3.1	\$19.466036.7220

Definitions

This surcharge allocates a fair portion of intrastate capacity costs to transportation customers in accordance with the PSC approved Swing Service Rider.

Issued by: Jeffrey Householder ~~Michael P. McMasters~~, President _____

Effective:

Chesapeake Utilities Corporation

Item 10

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: October 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Guffey) *SKG EJD DB ALM*
Division of Accounting and Finance (Hightower)
Office of the General Counsel (Lherisson) *BZ JSC*

RE: Docket No. 20190171-GU – Petition for approval of 2018 true-up, projected 2019 true-up, and 2020 revenue requirements and surcharges associated with cast iron/bare steel pipe replacement rider, by Peoples Gas System.

AGENDA: 11/05/19 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 8-Month Effective Date: 04/30/20 (60-day suspension date waived by the utility)

SPECIAL INSTRUCTIONS: None

Case Background

On August 30, 2019, Peoples Gas System (Peoples or utility) filed a petition for approval of its final 2018 true-up, projected 2019 true-up, and 2020 revenue requirement and surcharges associated with the cast iron/bare steel replacement rider (Rider CI/BSR or rider). The rider was originally approved in Order No. PSC-12-0476-TRF-GU (2012 order) to recover the cost of accelerating the replacement of cast iron and bare steel distribution pipes through a surcharge on customers' bills.¹ Peoples' current surcharges were approved in Order No. PSC-2018-0540-TRF-

¹ Order No. PSC-12-0476-TRF-GU, issued September 18, 2012, in Docket No. 110320-GU, *In re: Petition for approval of Cast Iron/Bare Steel Pipe Replacement Rider (Rider CI/BSR), by Peoples Gas System.*

GU.² In the 2012 order, the Commission found that “replacement of these types of pipelines is in the public interest to improve the safety of Florida’s natural gas infrastructure, and reduce the possibility of loss of life and destruction of property should an incident occur.”

In Order No. PSC-17-0066-AS-GU the Commission approved a comprehensive settlement agreement between Peoples and the Office of Public Counsel (OPC).³ The settlement agreement, in part, added problematic plastic pipe (PPP) installed in the company’s distribution system to eligible replacements under the rider. PPP was manufactured before 1983 and has significant safety concerns. In certain areas, the PPP is interspersed with, or connected to, the cast iron/bare steel pipe that is being replaced under the rider. As provided for in the settlement agreement, PPP replacements are included in the calculation of the 2020 rider surcharges.

On September 12, 2018, the Commission approved a settlement agreement between Peoples, OPC, and the Florida Industrial Power Users Group in Docket No. 20180044-GU addressing certain impacts of the Tax Cuts and Jobs Act of 2017 on Peoples.⁴ The settlement agreement provides for a reduction of Peoples’ 2019 depreciation expense of approximately \$10.3 million resulting from extending the lives of certain mains and service assets, which, consequently, reduces the depreciation expense collected through the rider. Additionally, the settlement agreement provides that Peoples’ revenue requirement calculations incorporate the lower federal income tax rate effective February 6, 2018.

In its petition, the utility waived its 60-day file-and-suspend provision of Section 366.06(3), Florida Statutes (F.S.). Peoples filed its response to staff’s first data request on September 27, 2019. With the responses, the company filed revised tariff Sheet No. 7.806 which is contained in Attachment B to the recommendation. On October 14, 2019, Peoples filed responses to staff’s second data request. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, F.S.

² Order No. PSC-2018-0540-TRF-GU, issued November 19, 2018, in Docket No. 20180173-GU, *In re: Petition for approval of 2017 true-up, projected 2018 true-up, and 2019 revenue requirements and surcharges associated with cast iron/bare steel pipe replacement rider, by Peoples Gas System.*

³ Order No. PSC-17-0066-AS-GU, issued February 28, 2017, in Docket No. 20160159-GU, *In re: Petition for approval of settlement agreement pertaining to Peoples Gas System’s 2016 depreciation study, environmental reserve account, problematic plastic pipe replacement, and authorized ROE.*

⁴ Order No. PSC-2018-0501-S-GU, issued October 18, 2018, in Docket No. 20180044-GU, *In re: Consideration of the tax impacts associated with Tax Cuts and Jobs Act of 2017 for Peoples Gas System.*

Date: October 24, 2019

Discussion of Issues

Issue 1: Should the Commission approve Peoples proposed Rider CI/BSR charges for 2020?

Recommendation: Yes, the Commission should approve Peoples' revised proposed Rider CI/BSR surcharges to be effective for the period January through December 2020. (Guffey, Hightower)

Staff Analysis: The Rider CI/BSR charges have been in effect since January 2013. Rider PPP charges have been in effect since 2017. In 2019, Peoples' cast iron and bare steel replacement activity focused in the areas of St. Petersburg, Tampa, Miami, Jacksonville, and Sarasota, while PPP activity were in Daytona, Eustis, Pompano Beach, and Orlando. In 2020, Peoples states it will focus on replacement projects in St. Petersburg, Tampa, Orlando, Miami, Jacksonville, and Ocala. The original projected completion date for the CI/BSR replacement program was 2022 for mains and services; however, Peoples now expects to complete the mains and services replacement in 2021. The replacement of PPP is expected to continue until 2028.

Attachment A to this recommendation contains tables which display the replacement progress and forecasts for Rider CI/BSR (Table 1) and for PPP (Table 2). Additionally, Peoples provided Table 3 which consolidates actual and projected CI/BSR and PPP miles replaced investment and revenue requirements for each year of the replacement program.

True-ups by Year

Peoples' calculation for the 2020 revenue requirement and surcharges includes a final true-up for 2018, an actual/estimated true-up for 2019, and projected costs for 2020. Pursuant to the 2012 order, the capital expenditures for 2017 through 2019 exclude the first \$1 million of facility replacements each year because that amount is included in rate base. Peoples has included depreciation expense savings as discussed in the 2012 order; however, the utility has not identified any operations and maintenance savings.

Final True-up for 2018

Exhibit A of the petition shows that the revenues collected for 2018 were \$10,399,354 compared to a revenue requirement of \$9,359,024, resulting in an over-recovery of \$1,040,330. The final 2017 under-recovery of \$1,030,552, 2018 over-recovery of \$1,040,330, and interest of \$6,108 associated with any over- and under-recoveries results in a final 2018 over-recovery of \$15,886.

Actual/Estimated 2019 True-up

In Exhibit B of the petition, Peoples provided actual revenues for January through July and forecast revenues for August through December of 2019, totaling \$11,484,578, compared to an actual/estimated revenue requirement of \$13,382,287, resulting in an under-recovery of \$1,897,709. The final 2018 over-recovery of \$15,886, 2019 under-recovery of \$1,897,709, and interest of \$9,684 associated with any over- and under-recoveries results in a total 2019 under-recovery of \$1,891,507.

Projected 2020 Costs

Exhibit C of the petition shows Peoples projects investment or capital expenditures of \$35,013,339 for the replacement of cast iron/bare steel infrastructure and PPP in 2020. As shown

in Table 3 of Attachment A of the recommendation, this consists of the CI/BSR investment of \$19,328,072 and the PPP investment of \$15,685,267. The return on investment (which includes federal income taxes, regulatory assessment fees, and bad debt), depreciation expense (less savings), and property tax expense associated with that investment are \$17,324,344. After adding the total 2019 under-recovery of \$1,891,507, the total 2020 revenue requirement is \$19,215,851. Table 1-1 displays the 2020 revenue requirement calculation.

Table 1-1
2020 Revenue Requirement

2020 Projected Expenditures	\$35,013,339
Return on Investment	\$12,443,492
Depreciation Expense (less savings)	2,340,490
Property Tax Expense	2,540,364
2020 Revenue Requirement	\$17,324,346
Plus 2019 Under-recovery	<u>+1,891,507</u>
Total 2020 Requirement	\$19,215,852

Source: Page 1 of 2 in Exhibit C in petition (Docket No. 20190171-GU)

Proposed Surcharges

As established in the 2012 order, the total 2020 revenue requirement is allocated to rate classes using the same methodology that was used for the allocation of mains and services in the cost of service study used in Peoples' most recent rate case. After calculating the percentage of total plant costs attributed to each rate class, the respective percentages were multiplied by the 2020 revenue requirement resulting in the revenue requirement by rate class. Dividing each rate class's revenue requirement by projected therm sales provides the rider surcharge for each rate class.

The proposed 2020 rider surcharge for residential customers is \$0.08845 per therm (compared to the current surcharge of \$0.05274). The 2020 monthly bill impact will be \$1.77 for a residential customer who uses 20 therms. The proposed tariff page as revised on September 27, 2019, is provided in Attachment B.

Accounting and Tax Considerations

The state corporate income tax rate changed from 5.5 percent to 4.458 percent beginning on January 1, 2019 through January 1, 2022. The change in tax rate was announced by the Department of Revenue's Tax Information Publication on September 12, 2019. Therefore, the proposed 2020 factors that are addressed in this recommendation do not reflect the lower tax rate. In a noticed informal meeting on October 15, 2019, Commission staff, utility representatives, and interested persons discussed the change in the tax rate. Based on the discussions and comments made by the utilities, staff recommends that Peoples address the impact of the lower tax rate in the 2019 true-up calculations provided in the surcharge petition that will be filed in September 2020 for 2021 factors.

Commission staff reviewed Peoples weighted average cost of capital (WACC), as filed in its petition. Staff determined the utility did not make a consistency and proration adjustment to the

Date: October 24, 2019

projected accumulated deferred income taxes (ADIT) balance as described in Internal Revenue Code §1.167(l)-1. In its response to staff's second data request, Peoples stated that per Internal Revenue Service (IRS) normalization rules, prorating the ADIT is only required if a utility does not meet or exceed the limitation provision. Peoples explained that it did not make a consistency and proration adjustment to the WACC in the 2020 projection filing because the utility is currently meeting or exceeding the limitation provision and is therefore not in violation of the IRS normalization rules. If an adjustment to the WACC is necessary, staff recommends any adjustment be made in a subsequent true-up filing.

Conclusion

Staff reviewed Peoples' filings and supporting documentation and believes that the calculations are consistent with the methodology approved in the 2012 order and are reasonable and accurate. Staff reviewed Peoples' calculation of the 2019 true-up and 2020 projected cost calculations and verified that the calculation includes the 21 percent federal tax rate starting February 6, 2018. Staff also verified that Peoples lowered the depreciation expense effective January 2019. Therefore, staff recommends approval of Peoples' proposed 2020 Rider CI/BSR surcharges as revised on September 27, 2019, to be effective for the period January through December 2020.

Date: October 24, 2019

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Lherisson)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

Table 1
Peoples' CI/BSR Replacement Program Progress

Year	Main Replacements					Service Replacements	
	Replaced Cast Iron (miles)	Replaced Bare Steel (miles)	Remaining Cast Iron at Year End (miles)	Remaining Bare Steel at Year End (miles)	Total Miles Remaining of CI/BS Mains	Replaced Number of Bare Steel Services	Total Number of Remaining Bare Steel Services
2012			100	354	454		14,978
2013	13	38	87	316	403	907	14,071
2014	2	18	85	298	383	7964	6,107
2015	26	60	59	238	297	1019	5,088
2016	15	35	44	203	247	1050	6,963
2017	15	36	29	178	207	1135	4,279
2018	10	52	18*	126	144	1970	2,309
2019 (projected)	7	59	11	67	78	1200	1,109
2020	6	45	5	22	23	1000	109
2021	5	18	0	4	4	109	0
2022	0	4	0	0	0	0	0

Source: Response to staff's first data request

Table 2
Peoples' PPP Replacement Program Progress

Year	PPP (miles) Replaced	Total Remaining PPP Mains (miles)	Replaced Number of PPP Services	Total Number of Remaining PPP Services
2016	0	551	0	-
2017	34	517	1,396	26,841
2018	56	461	3,941	22,958
2019	33	413	Not yet determined	-
2020	50	364	Not yet determined	-
2021	50	314	Not yet determined	-
2022	54	260	Not yet determined	-
2023	50	210	Not yet determined	-
2024	50	160	Not yet determined	-
2025	45	115	Not yet determined	-
2026	45	70	Not yet determined	-
2027	45	25	Not yet determined	-
2028	25	0	Not yet determined	-

Source: Response to staff's first data request and Document No. 09441-2019

Table 3
Peoples' CI/BSR Replacement Program Progress

Year	CI/BS Miles Replaced	PPP Miles Replaced	CI/BS Investment \$	PPP Investment \$	CI/BS Revenue Requirement \$	PPP Revenue Requirement \$
2017	51	*	17,588,366	2,915,802	6,868,302	74,021
2018	62	56	27,035,678	15,890,424	8,510,823	848,201
2019	66	33	30,672,038	10,513,608	10,855,703	2,526,584
2020	51	50	19,328,072	15,685,267	13,511,689	3,812,655
2021	27	50		16,077,399	14,905,884	5,464,964
2022	0	54		16,479,334	15,298,303	7,158,192
2023		50		16,891,317	15,117,501	8,874,103
2024		50		17,659,872	14,920,474	10,628,394
2025		45		15,971,797	14,722,925	12,334,602
2026		45		16,371,091	14,525,360	13,931,631
2027		45		16,593,231	14,327,795	15,539,094
2028		25		16,260,325	14,130,227	17,124,548

Source: Response to staff's first data request

Date: October 24, 2019

PEOPLES GAS SYSTEM
DOCKET NO. 20190171-GU
STAFF'S FIRST DATA REQUEST
REQUEST NO. 5
PAGE 2 OF 2
FILED: SEPTEMBER 27, 2019

Peoples Gas System
a Division of Tampa Electric Company
No. 7.806
Original Volume No. 3

~~Eighth~~ Ninth Revised Sheet No. 7.806
Cancels ~~Seventh~~ Eighth Revised Sheet

CAST IRON/BARE STEEL REPLACEMENT RIDER
RIDER CI/BSR

The monthly bill for Gas Service in any Billing Period shall be increased by the CI/BSR Surcharge determined in accordance with this Rider. CI/BSR Surcharges approved by the Commission for bills rendered for meter readings taken on or after January 1, 2017~~20~~, are as follows with respect to Customers receiving Gas Service under the following rate schedules:

<u>Rate Schedule</u>	<u>CI/BSR Surcharge</u>
Residential/Residential Standby Generator /	
Residential Gas Heat Pump Service	\$0-05274 0.08845 per therm
Small General Service	\$0-03345 0.06255 per therm
General Service – 1/ Commercial Standby	
Generator Service /	
Commercial Gas Heat Pump Service	\$0-04765 0.03137 per therm
General Service – 2	\$0-04708 0.02901 per therm
General Service – 3	\$0-04465 0.02545 per therm
General Service – 4	\$0-00892 0.01720 per therm
General Service – 5	\$0-00500 0.00872 per therm
Commercial Street Lighting	\$0-02427 0.04454 per therm
Natural Gas Vehicle Service	\$0-04289 0.07326 per therm
Wholesale	\$0-00644 0.01080 per therm

The CI/BSR Surcharges set forth above shall remain in effect until changed pursuant to an order of the Commission.

CI/BSR Surcharges shall be determined in accordance with the provisions of this Rider set forth below.

Definitions

For purposes of this Rider:

"Eligible Replacements" means the following Company plant investments that (i) do not increase revenues by directly connecting new customers to the plant asset, (ii) are in service and used and useful in providing utility service and (iii) were not included in the Company's rate base for purposes of determining the Company's base rates in its most recent general base rate proceeding:

Mains and service lines, as replacements for existing materials recognized/identified by the Pipeline Safety and Hazardous Materials Administration as being obsolete and that present a potential safety threat to operations and the general public, including cast iron, wrought iron, bare steel, and specific polyethylene/plastic facilities, and regulators and other pipeline system components the installation of which is required as a consequence of the replacement of the aforesaid facilities.

"CI/BSR Revenues" means the revenues produced through CI/BSR Surcharges, exclusive of revenues from all other rates and charges.

Issued By: T. J. Szelistowski, President
Issued On: ~~October 17, 2018~~

Effective: ~~January 1, 2019~~

Item 11

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: October 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Ward, Coston) *EW*
Division of Accounting and Finance (Buys, Cicchetti, Hightower) *EDD*
Office of the General Counsel (Crawford) *JSC* *9/24/19* *ALM*

RE: Docket No. 20190172-GU – Petition for approval of safety, access, and facility enhancement program true-up and 2020 cost recovery factors, by Florida City Gas.

AGENDA: 11/05/19 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 8-month effective date: 05/03/20 (60-day suspension date waived by the utility)

SPECIAL INSTRUCTIONS: None

Case Background

On September 3, 2019, Florida City Gas (City Gas or utility) filed a petition for approval of its safety, access, and facility enhancement program (SAFE program) true-up and 2020 cost recovery factors. The SAFE program was originally approved by the Commission in Order No. PSC-15-0390-TRF-GU (2015 order) to recover the cost of relocating on an expedited basis certain existing gas mains and associated facilities from rear lot easements to the street front.¹ In the 2015 order, the Commission found that the relocation of mains and services to the street front provides for more direct access to the facilities and will enhance the level of service provided to

¹ Order No. PSC-15-0390-TRF-GU, issued September 15, 2015, in Docket No. 150116-GU, *In re: Petition for approval of safety, access, and facility enhancement program and associated cost recovery methodology, by Florida City Gas.*

all customers through improved safety and reliability. The SAFE factor is a surcharge on customers' bills. The Commission ordered the utility to file an annual petition, beginning in 2016, for review and resetting of the SAFE factors to true-up any prior over- or under-recovery and to set the surcharge for the coming year. The SAFE program is a 10-year program effective from 2015 through 2025. The current 2019 SAFE factors were approved by Order No. PSC-2018-0545-TRF-GU (2018 order).²

During the review process of the current petition, staff issued two data requests to the utility, for which the responses were both received on September 20, 2019. In its filing, City Gas waived the 60-day suspension deadline pursuant to Section 366.06(3), Florida Statutes (F.S.). On October 4, 2019, City Gas filed an amended petition to correct an inadvertent accounting error that had a minor impact on the proposed SAFE factors. The proposed tariff sheets, as corrected on October 4, 2019, are shown in Attachment 2 to the recommendation. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, 366.06, and Chapter 368, F.S.

² Order No. PSC-2018-0545-TRF-GU, issued November 19, 2018, in Docket No. 20180164-GU, *In re: Petition for approval of safety, access, and facility enhancement program true-up and 2019 cost recovery factors, by Florida City Gas*.

Date: October 24, 2019

Discussion of Issues

Issue 1: Should the Commission approve City Gas's proposed SAFE factors for the period January through December 2020?

Recommendation: Yes. The Commission should approve City Gas's proposed SAFE factors for the period January through December 2020. (Ward, Coston, Hightower)

Staff Analysis: Under the SAFE program, City Gas will relocate or replace 254.3 miles of mains and 11,443 miles of associated service lines from rear property easements to the street front over a 10-year period ending in 2025. City Gas began its mains and services replacements at the end of 2015, as provided for in the 2015 order, and the surcharges have been in effect since January 2016. As of 2019, the utility has replaced 113.4 miles of mains and 5,831 services as shown in Attachment 1 to this recommendation.

As stated in City Gas's response to staff's data request, the utility's current 2019 replacement plans include 13 projects located in Merritt Island in Brevard County, Port Saint Lucie in Saint Lucie County, City of Hialeah, City of Miami Gardens, South Miami Heights neighborhood, Sierra neighborhood, and Westchester neighborhood in Miami-Dade County. The utility's projected 2020 replacement plans include five additional projects located in Saint Lucie County, City of Miami Gardens, and Westchester neighborhood in Miami-Dade County.

City Gas stated that its replacement projects are generally prioritized based on the risk assessment model in the utility's Distribution Integrity Management Program. Prioritization factors include, but are not limited to, location of the pipeline, rear lot pipelines with maintenance access complications and customer encroachments, leak incident rate, material of pipe, age of the pipeline, and operating pressure of the pipeline.

True-ups by Year

As required in the 2015 order, City Gas's calculations for the 2020 revenue requirement and SAFE factors include a final true-up for 2018, an actual/estimated true-up for 2019, and projected costs for 2020.

Final True-up for 2018

City Gas stated that the revenues collected for 2018 were \$1,450,631 compared to a revenue requirement of \$1,029,927, resulting in an over-recovery of \$420,704. Adding the 2017 final under-recovery of \$81,979, and the \$420,704 over-recovery of 2018, results in a final 2018 over-recovery of \$338,727. In City Gas's 2017 rate case, the Commission approved a Stipulation and Settlement Agreement (settlement) among the parties to the rate case.³ The settlement includes a provision that reset the SAFE factors to \$0 for June through December 2018; therefore, the final true-up for 2018 only includes actual data for January through May 2018.

³ Order No. PSC-2018-0190-FOF-GU, issued April 20, 2018, in Docket No. 20170179-GU, *In re: Petition for rate increase by Florida City Gas*.

Actual/Estimated 2019 True-up

City Gas provided actual revenues for January through July and forecast revenues for August through December of 2019, totaling \$287,788, compared to an actual/estimated revenue requirement of \$500,599, resulting in an under-recovery of \$212,810. Adding the 2018 over-recovery of \$338,727 to the 2019 under-recovery of \$212,810, the resulting total 2019 true-up, including interest, is an over-recovery of \$134,022. It should be noted that Attachment B, Schedule 2 of the petition shows no investments for January through April 2019. City Gas explained that eligible replacements were inadvertently captured in Capital Work In Progress (CWIP) instead of investments for the period January through April 2019. In May 2019, City Gas corrected its schedules and eligible replacements that were in service were moved from CWIP to investments.

Projected 2020 Costs

The utility's projected investment for 2020 is \$10,321,901 for its five new projects located in Saint Lucie and Miami-Dade Counties. The revenue requirement, which includes a return on investment, depreciation, and taxes, is \$1,785,425. The return on investment calculation includes federal income taxes, regulatory assessment fees, and bad debt. After subtracting the 2019 over-recovery of \$134,022, the total 2020 revenue requirement is \$1,651,403. Table 1-1 displays the projected 2020 revenue requirement calculation.

Table 1-1
2020 Revenue Requirement Calculation

2020 Projected Investment	\$10,321,901
Return on Investment	\$1,232,472
Depreciation Expense	427,446
Property Tax Expense	<u>125,506</u>
2020 Revenue Requirement	\$1,785,425
Less 2019 Over-recovery	<u>134,022</u>
Total 2020 Revenue Requirement	\$1,651,403

Source: Attachment B of the Petition and response to Staff's First Data Request No. 3.

Proposed 2020 SAFE Factors

The SAFE factors are fixed monthly charges. City Gas's cost allocation method was approved in the 2015 order and was used in the instant filing. The approved methodology allocates the current cost of a 2-inch pipe to all customers on a per customer basis and allocates the incremental cost of replacing a pipe larger than 2 inches to customers who use over 6,000 therms per year. For customers who require 4-inch pipes, the cost takes into account that the minimum pipe is insufficient to serve their demand and, therefore, allocates an incremental per foot cost in addition to the all-customer cost. The resulting allocation factors are applied to the 2020 total revenue requirement to develop the monthly SAFE factors.

The proposed fixed monthly SAFE factor is \$1.21 for customers using less than 6,000 therms per year (current factor is \$0.21). The proposed fixed monthly SAFE factor for customers using more than 6,000 therms per year is \$2.26 (current factor is \$0.40). As previously mentioned, the

Date: October 24, 2019

2018 rate case set the SAFE factors back to \$0.00 for the period June through December 2018. The SAFE factors are cumulative charges, which explains the increase in the SAFE factors between 2019 and 2020. In its original 2015 petition for the SAFE program, the utility estimated that the SAFE factor surcharge for customers using less than 6,000 therms annually would be \$9.45 by 2025.

Accounting and Tax Considerations

The state corporate income tax rate changed from 5.5 percent to 4.458 percent beginning on January 1, 2019 through January 1, 2022. The change in tax rate was announced by the Department of Revenue's Tax Information Publication on September 12, 2019. Therefore, the proposed 2020 factors that are addressed in this recommendation do not reflect the lower tax rate. In a noticed informal meeting on October 15, 2019, Commission staff, utility representatives, and interested persons discussed the change in the tax rate. Based on the discussions and comments made by the utilities, staff recommends that Florida City Gas address the impact of the lower tax rate in the 2019 true-up calculations provided in the surcharge petition that will be filed in September 2020 for 2021 factors.

Commission staff reviewed the City Gas weighted average cost of capital (WACC), as filed in its amended petition. The utility is proposing to make an adjustment to the WACC used to calculate the SAFE revenue requirements as necessary in order to be consistent with Internal Revenue Code (IRC) §1.167(l)-1. City Gas states that since it did not meet or exceed the limitation provision, it adjusted the depreciation-related accumulated deferred income taxes (ADITs) included in the year-end ADIT balance using projected period data and the proration formula required by the IRC. Staff recommends acceptance of the WACC for the 2020 factors as filed. However, if a subsequent adjustment to the WACC is necessary, staff recommends any adjustment be made in a subsequent true-up filing.

Conclusion

Staff has reviewed City Gas's filings and supporting documentation and believes that the calculations are consistent with the methodology approved in the 2015 order and are reasonable and accurate. Staff also reviewed City Gas's calculation of the 2019 true-up and 2020 projected cost calculations and verified that the calculation includes the 21 percent federal tax rate, as required by the settlement. Therefore, staff recommends approval of City Gas's proposed SAFE factors for the period January through December 2020.

Date: October 24, 2019

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Crawford)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

Table 1
Florida City Gas's SAFE Program Progress

Year*	Main Replacements		Service Replacements	
	Replaced Main (miles)	Total Miles Remaining	Replaced Services (number)	Total Remaining Services
2014	0.0	254.3	0	11443
2015	0.0	254.3	49	11394
2016	17.1	237.2	1433	9961
2017	37.5	199.7	1551	8410
2018	27.6	172.1	1634	6776
2019	31.2	141.0	1164	5612
2020	29.4	111.6	1060	4552
2021	29.2	82.3	1290	3262
2022	24.0	58.3	1055	2207
2023	23.8	34.5	1046	1161
2024	23.5	11.0	1032	128
2025	11.0	0.0	128	0

Source: Attachment A of the petition for Docket No. 20190172-GU.

*Actuals 2014-July 2019. Projections August 2019-2025.

Florida City Gas
 FPSC Natural Gas Tariff
 Volume No. 10

First~~Second~~ Revised Sheet No. 78
 Cancels Original First Revised Sheet No. 78

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM

Applicable to all Customers served under the Rate Schedules shown in the table below except for those Customers receiving a discount under the AFD Rider.

Through its SAFE Program, the Company has identified the potential replacement projects focusing initially on area of limited access/pipe overbuilds, and risk assessment for Rear Lot Mains and Services considering:

- i. The pipe material;
- ii. Leak incident rates;
- iii. Age of pipeline;
- iv. Pressure under which the pipeline is operating.

The Eligible Infrastructure Replacement includes the following:

Company investment in mains and service lines, as replacements for existing Rear Lot Facilities, and regulatory station and other distribution system components, the installation of which is required as a consequence of the replacement of the aforesaid facilities that:

- i. do not increase revenues by directly connecting new Customers to the plant asset;
- ii. are in service and used and useful in providing utility service; and
- iii. that were not included in the Company's rate base for purposes of determining the Company's base rates in its most recent general base rate proceeding.

The Company is recovering its revenue requirement on the actual investment amounts. The revenue requirements are inclusive of:

1. Return on investment as calculated using the ~~equity~~ following:
 - a.) Equity components as approved in the Company's most recent base rate case;
 - b.) Debt and the ~~debt~~customer deposit components from the Company's most recent year-end surveillance report; and
 - c.) Accumulated deferred income tax balance from the Company's most recent year-end surveillance report as adjusted, if applicable, consistent with the normalization rules of the Internal Revenue Code.
2. Depreciation expense (calculated using the currently approved depreciation rates);
3. Customer and general public notification expenses associated with the SAFE Program incurred for:

Issued by: Carolyn Bermudez
 Vice President, Florida City Gas

Effective: January 1, 2019

Florida City Gas
FPSC Natural Gas Tariff
Volume No. 10

~~First~~Second Revised Sheet No. 79
Cancels ~~Original~~First Revised Sheet No. 79

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM
(Continued)

- i. all Customers regarding the implementation of the SAFE Program and the approved surcharge factors;
 - ii. the immediately affected Customers where the eligible infrastructure is being replaced; and
 - iii. the general public through publications (newspapers) covering the geographic areas of the eligible infrastructure replacement activities;
4. Ad valorem taxes; and
 5. Federal and state income taxes.

The Company is utilizing a surcharge mechanism in order to recover the costs associated with the SAFE Program. The Company has developed the revenue requirement for the SAFE Program using the same methodology approved in its most recent rate case. The SAFE revenue requirement will be allocated to each Customer class (Rate Schedule) using allocation factors established by the Florida Public Service Commission for the SAFE Program. The per Customer SAFE surcharge is calculated by dividing the revenue requirement allocated to each Customer class by the number of Customers in the class.

The cost recovery factors including tax multiplier for the twelve -month period from January 1, ~~2019~~2020 through December 31, ~~2019~~2020 are:

<u>Rate Class</u>	<u>Rates Per Customer</u>
Rate Schedule RS-1	\$0.241.21
Rate Schedule RS-100	\$0.241.21
Rate Schedule RS-600	\$0.241.21
Rate Schedule GS-1	\$0.241.21
Rate Schedule GS-6K	\$0.402.26
Rate Schedule GS-25K	\$0.402.26
Rate Schedule GS-120K	\$0.402.26
Rate Schedule GS-1,250K	\$0.402.26
Rate Schedule GS-11M	\$0.40
Rate Schedule GS-25M	\$0.40
Rate Schedule GL	\$0.241.21
Rate Schedule RSG	N/A
Rate Schedule CSG	N/A

Issued by: Carolyn Bermudez
Vice President, Florida City Gas

Effective: ~~January 1, 2019~~

Florida City Gas
FPSC Natural Gas Tariff
Volume No. 10

First~~Second~~ Revised Sheet No. 81
Cancels Original First Revised Sheet No. 81

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM
(Continued)

Calculation of the SAFE Revenue Requirements and SAFE Surcharges

In determining the SAFE Revenue Requirements, the Commission shall consider only (a) the net original cost of Eligible Replacements (i.e., the original cost); (b) the applicable depreciation rates as determined and approved by the Commission based on the Company's most recent depreciation study; (c) the accumulated depreciation associated with the Eligible Replacements; (d) the current state and federal income and ad valorem taxes; and (e) the Company's weighted average cost of capital as calculated in the Company's most recent year-end surveillance report on Tariff Sheet No. 78.

The SAFE Revenue Requirements shall be calculated as follows:

Line	Description	Value	Source
1	Revenue Expansion Factor	1.3522	As calculated in most recent base rate proceeding, using current tax rates
2	Ad Valorem Tax Rate	%	Effective Property Tax Rate for most recent 12 Months ended December 31
3	Mains	\$	Eligible Replacement Mains
4	Services	\$	Eligible Replacement Services
5	Regulators	\$	Eligible Replacement Regulators
6	Other	\$	Eligible Replacement Other
7	Gross Plant	\$	L3+L4+L5+L6
8	Accumulated Depreciation	\$	Previous Period Balance +L13
9	Construction Work In Progress	\$	Non-interest Bearing
10	Net Book Value	\$	L7-L8+L9
11	Average Net Book Value	\$	(L10 + Balance From Previous Period)/2
12	Return on Average Net Book Value	\$	L 11 X Company's <u>calculated</u> weighted average cost of capital
13	Depreciation Expense	\$	Lines 3,4,5 & 6 X applicable approved Depreciation Rates
14	Property Tax	\$	(L7-L8) X L 2
15	Customer and general public notification and other applicable expense	\$	O&M expense incurred as a result of eligible plant replacement
16	SAFE Revenue Requirement	\$	(L12+L13+L14+L15) X L 1

Issued by: Carolyn Bermudez
Vice President, Florida City Gas

Effective: ~~January 1, 2019~~

Item 12

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: October 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Ward, Coston) *OW*
Division of Accounting and Finance (Hightower) *EJS*
Office of the General Counsel (Lherisson, Crawford) *ALM*
DBB
JSC

RE: Docket No. 20190173-GU – Joint petition for approval of GRIP cost recovery factors, by Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.

AGENDA: 11/05/19 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 60-Day suspension date waived by the utility until 11/5/2019

SPECIAL INSTRUCTIONS: None

Case Background

On September 3, 2019, Florida Public Utilities Company (FPUC), Florida Public Utilities Company-Fort Meade (Fort Meade), and Florida Division of Chesapeake Utilities Corporation (Chesapeake), collectively the companies, filed a joint petition for approval of their gas reliability infrastructure program (GRIP or program) cost recovery factors for the period January through December 2020. The GRIP for FPUC and Chesapeake was first approved in Order No. PSC-12-0490-TRF-GU (2012 order) to recover the cost of accelerating the replacement of cast iron and bare steel distribution mains and services, including a return on investment, through a

surcharge on customers' bills.¹ Fort Meade's GRIP was originally approved in Order No. PSC-15-0578-TRF-GU, and allowed Fort Meade to file its annual petition for GRIP factors concurrently with FPUC and Chesapeake.² The current GRIP charges for January through December 2019 were approved in Order No. PSC-2018-0547-TRF-GU.³

On October 8, 2019, the companies filed responses to staff's first data request. On October 11, 2019, the companies filed responses to staff's second data request. In an email dated October 21, 2019, the companies waived the 60-day file and suspend provision of Section 366.06(3), Florida Statutes (F.S.), until the November 5, 2019 Agenda Conference. The proposed tariff sheets are contained in Attachment B (FPUC), Attachment C (Chesapeake), and Attachment D (Fort Meade). The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, F.S.

¹ Order No. PSC-12-0490-TRF-GU, issued September 24, 2012, in Docket No. 120036-GU, *In re: Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation*.

² Order No. PSC-15-0578-TRF-GU, issued December 21, 2015, in Docket No. 150191-GU, *In re: Joint petition for approval to implement gas reliability infrastructure program (GRIP) for Florida Public Utilities Company-Fort Meade and for approval of GRIP cost recovery factors by Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade, and the Florida Division of Chesapeake Utilities Corporation*.

³ Order No. PSC-2018-0547-TRF-GU, issued November 19, 2018, in Docket No. 20180163-GU, *In re: Joint petition for approval of gas reliability infrastructure program (GRIP) cost recovery factors by Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation*.

Date: October 24, 2019

Discussion of Issues

Issue 1: Should the Commission approve FPUC's, Fort Meade's, and Chesapeake's proposed GRIP surcharges for the period January through December 2020?

Recommendation: Yes, the Commission should approve FPUC's, Chesapeake's, and Fort Meade's proposed GRIP surcharges for the period January through December 2020. Furthermore, staff recommends the Commission direct the Company to determine if the WACC complies with the normalization rules to avoid a normalization violation. Additionally, if an adjustment to the WACC is necessary, staff recommends any adjustment be made in a subsequent true-up filing. (Ward, Hightower)

Staff Analysis: The GRIP surcharges have been in place since January 2013 for FPUC and Chesapeake, while Fort Meade's surcharges were first implemented in January 2017. In response to staff's data requests, the companies stated that replacement projects in Winter Haven, Lake Worth, New Smyrna Beach, West Palm Beach, Palm Beach, Fort Meade, Bartow, and Lake Wales were completed in 2019. Additional replacement projects in Lake Worth, Winter Haven, New Smyrna Beach, West Palm Beach, Palm Beach, Boynton Beach, Haines City, Lake Wales, and Lake Alfred were projected to continue into 2020. Attachment A provides an update of mains and services replaced and replacement forecasts. The companies stated that they prioritize the potential replacement projects focusing on areas of high consequence and areas more susceptible to corrosion.

FPUC's True-ups by Year

FPUC's calculation for the 2020 GRIP revenue requirement and surcharges include a final true-up for 2018, an actual/estimated true-up for 2019, and projected costs for 2020. FPUC was authorized to recover \$747,727 of annual GRIP expenses in base rates; therefore, the \$747,727 is excluded from the GRIP surcharge calculation.

Final True-up for 2018

FPUC stated that the revenues collected through the GRIP surcharges for 2018 were \$10,326,269, compared to a revenue requirement of \$9,994,382, resulting in an over-recovery of \$331,887. The 2017 over-recovery of \$2,231,264, the 2018 over-recovery of \$331,887, and interest of \$53,720 associated with any over- and under-recoveries results in a final 2018 true-up of \$2,616,870 (over-recovery).

Actual/Estimated 2019 True-ups

FPUC provided actual revenues for January through July 2019 and estimated revenues for August through December 2019, totaling \$9,166,112, compared to an actual/estimated revenue requirement for 2019 of \$10,326,381, resulting in an under-recovery of \$1,160,269. The 2018 over-recovery of \$2,616,870, the 2019 under-recovery of \$1,160,270, and interest of \$56,582 results in a total 2019 over-recovery of \$1,513,182.

Projected 2020 Costs

FPUC expects capital expenditures of \$12,220,000 for the replacement of cast iron/bare steel infrastructure in 2020. The return on investment (which includes federal income taxes, regulatory assessment fees, and bad debt), depreciation expense, and property tax and customer notification

Date: October 24, 2019

expense associated with that investment are \$12,112,394. Subtracting the revenue requirement for bare steel replacement included in base rates results in a 2020 revenue requirement of \$11,364,667. After subtracting the total 2019 over-recovery of \$1,513,182, the 2020 revenue requirement is \$9,851,484. Table 1-1 shows FPUC's 2020 revenue requirement calculation.

Table 1-1
FPUC 2020 Revenue Requirement Calculation

2020 Projected Expenditures	\$10,000,000
Return on Investment	\$7,355,418
Depreciation Expense	2,815,901
Property Tax and Customer Notice Expense	<u>1,941,074</u>
2020 Revenue Requirement	\$12,112,394
Less Revenue Requirement in Base Rates	<u>747,727</u>
2020 GRIP Revenue Requirement	\$11,364,667
Less 2019 Over-recovery	<u>1,513,182</u>
2020 Total Revenue Requirement	\$9,851,484

Source: FPUC Responses to Staff's First Data Request, Attachment 2 Schedule C-2 page 4 of 15

Chesapeake's True-ups by Year

Chesapeake's calculation for the 2020 GRIP revenue requirement and surcharges include a final true-up for 2018, an actual/estimated true-up for 2019, and projected costs for 2020. Chesapeake does not have a replacement recovery amount embedded in base rates.

Final True-up for 2018

Chesapeake stated that the revenues collected for 2018 were \$3,602,006, compared to a revenue requirement of \$3,246,851, resulting in over-recovery of \$355,155. The 2017 under-recovery of \$164,174, 2018 over-recovery of \$355,155, and interest of \$1,164 associated with any over- and under-recoveries results in a final 2018 over-recovery of \$192,146.

Actual/Estimated 2019 True-up

Chesapeake provided actual GRIP revenues for January through July 2019 and estimated revenues for August through December 2019, totaling \$4,381,645, compared to an actual/estimated revenue requirement of \$3,883,318, resulting in an over-recovery of \$498,327. The 2018 over-recovery of \$192,146, 2019 over-recovery of \$498,327, and interest of \$11,425 associated with any over- and under-recoveries results in a total 2019 over-recovery of \$701,897.

Projected 2020 Costs

Chesapeake projects capital expenditures of \$2,000,000 for the replacement of cast iron/bare steel infrastructure in 2020. The return on investment, depreciation expense, and property tax and customer notification expense to be recovered in 2020 totals \$4,181,223. After subtracting the total 2019 over-recovery of \$701,897, the total 2020 revenue requirement is \$3,479,326. Table 1-2 shows Chesapeake's 2020 revenue requirement calculation.

Table 1-2
Chesapeake 2020 Revenue Requirement Calculation

2020 Projected Expenditures	\$2,000,000
Return on Investment	\$2,511,628
Depreciation Expense	986,653
Property Tax and Customer Notice Expense	<u>682,942</u>
2020 Revenue Requirement	\$4,181,223
Less 2019 Over-recovery	<u>701,897</u>
2020 Total Revenue Requirement	\$3,479,326

Source: FPUC Responses to Staff's First Data Request, Attachment 2 Schedule C-2 page 9 of 15

Fort Meade's True-ups by Year

Fort Meade started its replacement program in 2016 and first implemented GRIP surcharges in January 2017. Unlike FPUC and Chesapeake, only bare steel services (and no mains) require replacement in Fort Meade. Fort Meade's replacement program was originally scheduled to be completed in 2018. However, the companies explained that as a result of delays in contractor availability and permitting, the replacement program is expected to conclude in 2019.

Final True-up for 2018

Fort Meade stated that the revenues collected for 2018 were \$7,394, compared to a revenue requirement of \$24,720, resulting in an under-recovery of \$17,326. Adding the 2017 over-recovery of \$13,528, the 2018 under-recovery of \$17,326, and \$104 for interest associated with any over- and under-recoveries, the final 2018 under-recovery is \$3,693.

Actual/Estimated 2019 True-up

Fort Meade provided actual GRIP revenues for January through July 2019 and estimated revenues for August through December 2019 totaling \$25,087, compared to an actual/estimated revenue requirement of \$25,518, resulting in an under-recovery of \$431. Adding the 2018 under-recovery of \$3,693, the 2019 under-recovery of \$431, and interest of \$64 associated with any over- and under-recoveries, the resulting total 2019 true-up is an under-recovery of \$4,188.

Projected 2020 Costs

Fort Meade projects capital expenditures of \$0 for the replacement of cast iron/bare steel infrastructure in 2020, as the replacement program is scheduled to be completed in 2019. Therefore, the 2020 GRIP factors are designed to only recover the remaining 2019 under-recovery of \$4,188 and the revenue requirement of \$25,526 associated with the 2019 year-end total investment ($\$4,188 + \$25,526 = \$29,714$).

Proposed Surcharges for FPUC, Chesapeake, and Fort Meade

As established in the 2012 order approving the GRIP program, the total 2020 revenue requirement is allocated to the rate classes using the same methodology used for the allocation of mains and services in the cost of service study used in the utilities' most recent rate case. The respective percentages were multiplied by the 2020 revenue requirements and divided by each rate class' projected therm sales to provide the GRIP surcharge for each rate class.

Date: October 24, 2019

The proposed 2020 GRIP surcharge for FPUC's residential customers on the Residential Service (RS) schedule is \$0.22312 per therm (compared to the current surcharge of \$0.21356 per therm). The monthly bill impact is \$4.46 for a residential customer using 20 therms per month. The proposed FPUC tariff page is shown in Attachment B.

The proposed 2020 GRIP surcharge for Chesapeake's residential customers on the FTS-1 schedule is \$0.10585 per therm (compared to the current surcharge of \$0.13593). The monthly bill impact is \$2.12 for a residential customer using 20 therms per month. The proposed Chesapeake tariff pages are contained in Attachment C.

The proposed 2020 GRIP surcharge for Fort Meade's residential customers on the RS schedule is \$0.24865 per therm (compared to the current surcharge of \$0.29382). The monthly bill impact is \$4.97 for a residential customer using 20 therms per month. The proposed Fort Meade tariff page is shown in Attachment D.

Accounting and Tax Considerations

The state corporate income tax rate changed from 5.5 percent to 4.458 percent beginning on January 1, 2019 through January 1, 2022. The change in tax rate was announced by the Department of Revenue's Tax Information Publication on September 12, 2019. Therefore, the proposed 2020 factors that are addressed in this recommendation do not reflect the lower tax rate. In a noticed informal meeting on October 15, 2019, Commission staff, utility representatives, and interested persons discussed the change in the tax rate. Based on the discussions and comments made by the utilities, staff recommends that the companies address the impact of the lower tax rate in the 2019 true-up calculations provided in the surcharge petition that will be filed in September 2020 for 2021 factors.

Commission staff reviewed the companies' weighted average cost of capital (WACC), as filed in its petition. In their response to the staff's second data request, the companies indicated the calculation of the WACC complies with Order No. PSC-2012-0425-PAA-EU regarding IOU cost recovery clauses. However, the companies did not determine whether a proration adjustment is required. Consequently, it is unknown if the companies are in compliance with Internal Revenue Service (IRS) normalization rules, per Internal Revenue Code (IRC) §1.167(l)-1. Staff recommends the Commission direct the companies to determine if the WACC complies with the normalization rules to avoid a normalization violation. Further, if an adjustment to the WACC is necessary, staff recommends any adjustment be made in a subsequent true-up filing.

Conclusion

Staff believes the calculation of the 2020 GRIP surcharge revenue requirement and the proposed GRIP surcharges for FPUC, Chesapeake, and Fort Meade are reasonable and accurate. Staff recommends approval of FPUC's, Chesapeake's, and Fort Meade's proposed GRIP surcharges for the period January through December 2020. Furthermore, staff recommends the Commission direct the Company to determine if the WACC complies with the normalization rules to avoid a normalization violation. Additionally, if an adjustment to the WACC is necessary, staff recommends any adjustment be made in a subsequent true-up filing.

Date: October 24, 2019

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Lherisson)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

FPUC, Chesapeake, and Fort Meade Pipe Replacement Program Progress

Table 1											
FPUC Pipe Replacement Program Progress											
Mains (Miles)						Number of Services					
	Replaced	Replaced	Remaining	Remaining	Total	Replaced	Replaced	Remaining	Remaining	Total	
Year	Cast Iron	Bare Steel	Cast Iron at Year-End	Bare Steel at Year-End	Remaining	Cast Iron	Bare Steel	Cast Iron at Year-End	Bare Steel at Year-End	Remaining	
Jul-12			0.9	197.10	198.00			0	7980	7980	
2012		6.00	0.9	191.10	192.00		91	0	7889	7889	
2013	0.6	26.40	0.3	164.70	165.00		2071	0	5818	5818	
2014		38.00	0.3	126.70	127.00		1275	0	4543	4543	
2015		30.00	0.3	96.70	97.00		605	0	3938	3938	
2016		22.50	0.3	74.20	74.50		555	0	3383	3383	
2017		10.30	0.3	63.90	64.20		335	0	3048	3048	
2018		6.80	0.3	57.10	57.40		98	0	2950	2950	
2019	0.3	11.00	0	46.10	46.10		475	0	2475	2475	
2020		18.00	0	28.10	28.10		900	0	1575	1575	
2021		18.00	0	10.10	10.10		900	0	675	675	
2022		10.10	0	0.00	0.00		675	0	0	0	
Table 2											
Chesapeake Pipe Replacement Program Progress											
Mains (Miles)						Number of Services					
	Replaced	Replaced	Remaining	Remaining	Total	Replaced	Replaced	Remaining	Remaining	Total	
Year	Cast Iron	Bare Steel	Cast Iron at Year-End	Bare Steel at Year-End	Remaining	Cast Iron	Bare Steel	Cast Iron at Year-End	Bare Steel at Year-End	Remaining	
Jul-12			0	152.00	152.00			0	762	762	
2012		5.00	0	147.00	147.00		34	0	728	728	
2013		3.00	0	144.00	144.00		139	0	589	589	
2014		19.00	0	125.00	125.00		47	0	542	542	
2015		34.00	0	91.00	91.00		284	0	258	258	
2016		25.10	0	65.90	65.90		-81	0	339	339	**
2017		22.80	0	43.10	43.10		18	0	321	321	
2018		19.80	0	23.30	23.30		91	0	230	230	
2019		12.30	0	11.00	11.00		137	0	93	93	
2020		11.00	0	0.00	0.00		93	0	0	0	
2021		0.00	0	0.00	0.00		0	0	0	0	
2022		0.00	0	0.00	0.00		0	0	0	0	
** A total of 111 YTD bare steel services were replaced in 2016. Plus a correction to increase total services remaining by 192 (4th Qtr of 2016). The net equals -81.											
Table 3											
Fort Meade Pipe Replacement Program Progress											
Mains (Miles)						Number of Services					
	Replaced	Replaced	Remaining	Remaining	Total	Replaced	Replaced	Remaining	Remaining	Total	
Year	Cast Iron	Steel	Cast Iron at Year-End	Steel at Year-End	Remaining	Cast Iron	Steel	Cast Iron at Year-End	Steel at Year-End	Remaining	
Jan-16			0	0	0			0	250	250	
2016		0	0	0	0		29	0	221	221	
2017		0	0	0	0		111	0	110	110	
2018		0	0	0	0		20	0	90	90	
2019		0	0	0	0		90	0	0	0	

Florida Public Utilities Company
F.P.S.C. Gas Tariff
35.4
Third Revised Volume No. 1

~~Thirteenth~~ Fourteenth Revised Sheet No.

~~Cancels Twelfth~~ Thirteenth Revised Sheet No. 35.4

BILLING ADJUSTMENTS

(Continued from Sheet No. 35.3)

Gas Reliability Infrastructure Program (GRIP)

Applicability

The bill for gas or transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The GRIP factors for the period from the first billing cycle for January ~~2019~~ 2020 through the last billing cycle for December ~~2019~~ 2020 are as follows:

<u>Rate Class</u>	<u>Rates Per Therm</u>
Rate Schedule RS	<u>\$0.2135622312</u>
Schedule GS-1	<u>\$0.1367214188</u>
Rate Schedule GS-2	<u>\$0.1367214188</u>
Rate Schedule GSTS-1	<u>\$0.1367214188</u>
Rate Schedule GSTS-2	<u>\$0.1367214188</u>
Rate Schedule LVS	<u>\$0.0860609269</u>
Schedule LVTS	<u>\$0.0860609269</u>
Schedule IS	<u>\$0.0583005864</u>
Schedule ITS	<u>\$0.0583005864</u>
Schedule GLS	<u>\$0.3746949288</u>
Rate Schedule GLSTS	<u>\$0.3746949288</u>
Rate Schedule NGV	<u>\$0.1367214188</u>
Rate Schedule NGVTS	<u>\$0.1367214188</u>

Issued by: ~~Jeffrey Householder~~ Kevin Webber, President
JAN 01 2019

Effective:

Florida Division of Chesapeake Utilities Corporation
No. 105.1
Original Volume No. 4
105.1

~~Seventh~~ Eighth Revised Sheet

Cancels ~~Sixth~~ Seventh Sheet No.

RATE SCHEDULES
MONTHLY RATE ADJUSTMENTS

Rate Schedule MRA

7. GAS REPLACEMENT INFRASTRUCTURE PROGRAM (GRIP):

Applicability:

All Customers receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A, FTS-B, FTS-1, FTS-2, FTS-2.1, FTS-3, FTS-3.1, FTS-4, FTS-5, FTS-6, FTS-7, FTS-8, FTS-9, FTS-10, FTS-11, FTS-12, and FTS-13.

The Usage Rate for Transportation Service to each applicable rate classification shall be adjusted by the following recovery factors. The recovery factors for all meters read for the period January 1, 2019 through December 31, 2019 for each rate classification are as follows:

<u>Rate Schedule</u>	<u>Classification of Service</u>	<u>Rate per therm</u>
FTS A	< 130 therms	\$0.7042358634
FTS-B	> 130 therms up to 250 therms	\$0.2188617923
FTS-1	> 0 up to 500 therms	\$0.1359310585
FTS-2	> 500 therms up to 1,000 therms	\$0.1460711969
FTS-2.1	> 1,000 therms up to 2,500 therms	\$0.1388811818
FTS-3	> 2,500 therms up to 5,000 therms	\$0.0658004936
FTS-3.1	> 5,000 therms up to 10,000 therms	\$0.0733705900
FTS-4	> 10,000 therms up to 25,000 therms	\$0.0838206632
FTS-5	> 25,000 therms up to 50,000 therms	\$0.0883707411
FTS-6	> 50,000 therms up to 100,000 therms	\$0.0666605246
FTS-7	> 100,000 therms up to 200,000 therms	\$0.0905607043
FTS-8	> 200,000 therms up to 400,000 therms	\$0.0826906898
FTS-9	> 400,000 therms up to 700,000 therms	\$0.1589714575
FTS-10	> 700,000 therms up to 1,000,000 therms	\$0.1127608765
FTS-11	> 1,000,000 therms up to 2,500,000 therms	\$0.1504409581
FTS-12	> 2,500,000 therms up to 12,500,000	\$0.0375302970
FTS-13	> 12,500,000 therms	N/A

(Continued to Sheet No. 105.2)

Issued by: Michael P. McMasters, President
Chesapeake Utilities Corporation

Effective:

Florida Division of Chesapeake Utilities Corporation ~~Seventh~~Eighth Revised Sheet No.
105.2
Original Volume No. 4 Cancels ~~Sixth~~Seventh Revised Sheet No.
105.2

RATE SCHEDULES
MONTHLY RATE ADJUSTMENTS

Rate Schedule MRA
(Continued from Sheet No. 105.1)

7. GAS INFRASTRUCTURE REPLACEMENT PROGRAM (GRIP) (Experimental):

Applicability:

All Customers, assigned to a TTS Shipper, receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A (Exp), FTS-B (Exp), FTS-1 (Exp), FTS-2 (Exp), FTS-2.1 (Exp), FTS-3 (Exp), and FTS-3.1 (Exp).

The Firm Transportation Charge for Transportation Service to each applicable rate classification shall be adjusted by the following recovery factors. The recovery factors for all meters read for the period January 1, 2019 through December 31, 2019 for each rate classification are as follows:

Consumer Rate Schedule	Rate per bill
FTS-A (Exp)	\$ 4.193.62
FTS-B (Exp)	\$ 2.221.85
FTS-1 (Exp)	\$ 2.041.56
FTS-2 (Exp)	\$ -8.556.93
FTS-2.1 (Exp)	\$ 15.9013.59
FTS-3 (Exp)	\$ 19.9615.58
FTS-3.1 (Exp)	\$ 43.3735.77

(Continued to Sheet No. 105.3)

Issued by: Michael P. McMasters, President
Chesapeake Utilities Corporation

Effective:

Date: October 24, 2019

Florida Public Utilities Company-Fort Meade
 F.P.S.C. Gas Tariff
 Original Volume No. 1
 Sheet No. 64

~~Second-Third~~ Revised Sheet No. 64
 Cancels ~~First-Second~~ Revised

BILLING ADJUSTMENTS

Gas Reliability Infrastructure Program (GRIP)

Applicability

The bill for gas or transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The GRIP factors for the period from the first billing cycle for January 2020+9 through the last billing cycle for December 2020+9 are as follows:

<u>Rate Class</u>	<u>Rates Per Therm</u>
Rate Schedule RS	\$0.29382 24865
Rate Schedule GS-1	\$0.08883 7705
Rate Schedule GS-2	\$0.08883 07705
Rate Schedule GSTS-1	\$0.08883 07705
Rate Schedule GSTS-2	\$0.08883 07705
Rate Schedule LVS	\$0.00000
Rate Schedule LVTS	\$0.00000
Rate Schedule IS	\$0.00000
Rate Schedule ITS	\$0.00000
Rate Schedule GLS	\$0.00000
Rate Schedule GLSTS	\$0.00000
Rate Schedule NGV	\$0.00000
Rate Schedule NGVTS	\$0.00000

Issued by: ~~Jeffrey Householder~~Kevin Webber, President

Effective: JAN-01-2019

Item 13

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: October 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Bethea, Hudson) *SH EJD TB*
Division of Accounting and Finance (D. Andrews, Norris) *BT*
Division of Engineering (Ellis, Wooten) *OK*
Office of the General Counsel (Dziechciarz, Weisenfeld) *RAD*

RE: Docket No. 20180202-SU – Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC. *QYN ALM*

AGENDA: 11/05/19 – Regular Agenda – Proposed Agency Action – Except for Issue Nos. 11, 13, and 14 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: 03/31/20 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

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Case Background

West Lakeland Wastewater, LLC (West Lakeland or utility) is a Class C wastewater only utility providing service to approximately 315 residential customers and one general service customer in Polk County. The City of Lakeland provides the water service to the customers and monthly billing data to the utility. Effective June 6, 2001, West Lakeland Wastewater Inc. was granted the approval of transfer for Certificate No. 515-S from ABCA, Inc.¹ In 2009, the utility was abandoned and appointed to Michael Smallridge as receiver of the wastewater system.² On December 9, 2014, the utility was approved for a limited proceeding rate increase.³ Subsequently, those rates were amended through three price index rate adjustments and a four year rate reduction for fully amortized rate case expense. On July 30, 2018, the Commission approved the transfer of West Lakeland Wastewater Inc. to West Lakeland Wastewater LLC.⁴ According to West Lakeland's 2018 annual report, total gross revenues were \$133,665 and total operating expenses were \$113,159.

On October 30, 2018, West Lakeland filed an application for a staff-assisted rate case (SARC). Pursuant to Section 367.0814(2), Florida Statutes (F.S.), the official filing date of the SARC has been determined to be December 31, 2018. The 12-month period ended October 31, 2018, was selected as the test year for the instant docket. West Lakeland is seeking recovery of legal expenses associated with prior dockets as well as pro forma items. The Florida Department of Environmental Protection (DEP) conducted a compliance evaluation inspection which noted three deficiencies to which the utility responded and addressed all noted deficiencies. The plant is therefore in compliance with DEP rules and regulations pursuant to Rule 25-30.433(2), Florida Administrative Code (F.A.C).

This recommendation addresses West Lakeland's proposed rates. This Commission has jurisdiction pursuant to Sections 367.081, 367.0814, and 367.091, F.S.

¹ Order No. PSC-2001-1271-PAA-SU, issued June 6, 2001, in Docket No. 010382-SU, *In re: Application for transfer of Certificate No. 515-S in Polk County from ABCA, Inc. to West Lakeland Wastewater Inc.*

² Order No. PSC-2009-0607-FOF-SU, as amended by PSC-09-0607A-FOF-SU, issued February 16, 2010, in Docket No. 20090154-SU, *In re: Notice of abandonment of wastewater system for The Village of Lakeland Mobile Home Park in Polk County, by West Lakeland Wastewater, Inc.*

³ Order No. PSC-2014-0679-PAA-SU issued December 9, 2014, in Docket No. 140106-SU, *In re: Application for limited proceeding rate increase in Polk County by West Lakeland Wastewater, Inc..*

⁴ Order No. PSC-2018-0377-PAA-SU, as amended by PSC-2018-0377-PAA-SU, issued on September 6, 2019, in Docket No. 170246-SU, *In re: Application for authority to transfer facilities and Certificate No. 515-S in Polk County from West Lakeland Wastewater, Inc. to West Lakeland Wastewater, LLC.*

Discussion of Issues

Issue 1: Is the quality of service provided by West Lakeland Wastewater, LLC satisfactory?

Recommendation: Yes. West Lakeland has been responsive to customer complaints and is currently in compliance with the DEP; therefore, staff recommends that the quality of service be considered satisfactory. (Wooten)

Staff Analysis: Pursuant to Section 367.081(2)(a)1, F.S., and Rule 25-30.433(1), F.A.C., in wastewater rate cases, the Commission shall determine the overall quality of service provided by the utility. For a wastewater only utility, the determination is made from an evaluation of the utility's attempt to address customer satisfaction. The Rule further states that outstanding citations, violations, and consent orders on file with the DEP and the county health department, along with any DEP and county health department officials' testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints received by the Commission are also reviewed.

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the complaints filed in the Commission's Consumer Activity Tracking System (CATS), filed with the DEP, and received by the utility from September 1, 2013, through October 31, 2018. Staff performed a supplemental review of complaints filed in CATS within the period following the May 22, 2019 customer meeting. Table 1-1 below shows the number of complaints categorized by complaint type and source.

Table 1-1
Number of Complaints by Type and Source

Complaint Type	CATS Record	DEP Records	Utility Records	Total
Billing Issues	7	0	8	15
Odor Issues	3	2	2	7
Equipment/Facility Condition	1	0	1	2
Total*	11	2	11	24

*A single customer complaint may be counted multiple times if it fits into multiple categories.

The CATS recorded 11 complaints during the five years prior to the test year, the most recent from 2015. Seven complaints were related to improper billing and four were related to quality of service, all of which were resolved in a timely manner. The DEP received two complaints, in 2015 and 2016, regarding odor from the wastewater treatment plant (WWTP). The utility addressed the 2015 odor complaint to the DEP's satisfaction and the complaint was closed.⁵ The second odor complaint was substantiated after a DEP inspection and will be more thoroughly discussed in Issue 2. The utility received 11 complaints during the past five years, one related to equipment condition concerns, two related to odor issues and eight related to billing credit inquiries, which were resolved by the utility.

⁵ This complaint was a letter signed by 28 individuals complaining about an odor from the wastewater treatment plant. These signatures are comprised of both residents and non residents.

Date: October 24, 2019

A customer meeting was held on May 22, 2019. Approximately 20 customers were in attendance and seven customers provided oral comments. At the meeting, a majority of customers cited facility odor issues, and a few customers were concerned with the condition of the facility. When West Lakeland was asked what would be done to address the concerns from the customer meeting, the utility denied a current odor issue, but proposed an odor control program. Staff notes that as the utility is currently in compliance with DEP, the proposed odor control program should only be implemented, if necessary, for future odor complaints.

Conclusion

West Lakeland has been responsive to customer complaints and is currently in compliance with the DEP, therefore staff recommends that the quality of service be considered satisfactory.

Date: October 24, 2019

Issue 2: Are the infrastructure and operating conditions of West Lakeland Wastewater, LLC wastewater system in compliance with DEP regulations?

Recommendation: Yes. The West Lakeland wastewater system is currently in compliance with the DEP. (Wooten)

Staff Analysis: Rule 25-30.225(2), F.A.C., requires each wastewater utility to maintain and operate its plant and facilities by employing qualified operators in accordance with the rules of the DEP. Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, the Commission must consider testimony of the DEP and county health department officials, compliance evaluation inspections, citations, violations, and consent orders issued to the utility, customer testimony, comments, and complaints, and utility testimony and responses to the aforementioned items.

Wastewater System Operating Condition

West Lakeland's wastewater system is a Type III contact stabilization domestic wastewater treatment facility with a permitted plant capacity of 70,000 gallons per day (gpd) based on a Three-Month Rolling Average Daily Flow (3MRADF). This facility is operated to provide secondary treatment with basic disinfection. On July 17, 2019, DEP conducted a compliance evaluation inspection (CEI) designed to verify the utility's compliance with applicable requirements and schedules for chemical and biological self-monitoring programs. During the inspection, the DEP noted minor deficiencies with effluent quality, effluent disposal and the Sanitary Sewer Overflow Survey. All deficiencies were corrected, and the DEP states that as of August 26, 2019, the utility is in compliance.

As discussed in Issue 1, the DEP received two odor complaints. On March 1, 2016, the DEP noted an odor complaint regarding the wastewater facility that when investigated, was deemed accurate by the inspector. This odor complaint and confirmation was referenced during the DEP's March 4, 2016 CEI. Because of the odor emanating from the facility, the DEP determined that the utility was in violation of Rule 62-600.400(2)(a), F.A.C., and therefore out of compliance. There was no odor detected during the DEP's most recent inspection of the facility, conducted on July 19, 2019.

Conclusion

The West Lakeland wastewater system is currently in compliance with the DEP.

Date: October 24, 2019

Issue 3: What are the used and useful percentages (U&U) of West Lakeland Wastewater, LLC WWTP and collection systems?

Recommendation: West Lakeland's WWTP and wastewater collection system should both be considered 100 percent U&U. Also, staff recommends that a 20.7 percent adjustment to purchased power and chemicals should be made for excessive infiltration and inflow (I&I). (Wooten)

Staff Analysis: The West Lakeland wastewater system was constructed in 1972. The utility's last SARC was in 2012.⁶ The collection system is composed of polyvinyl chloride (PVC) pipes and there are three lift stations in the service area. West Lakeland's WWTP is permitted by the DEP as a 70,000 gpd facility. According to the utility, its wastewater collection system is comprised of 1,835 feet of 4-inch PVC force mains and 13,376 feet of 6-inch PVC collecting mains. There are 12 manholes present throughout the service area. Liquid chlorine disinfection is applied prior to wastewater effluent flowing into the percolation ponds and spray field.

Used and Useful

Wastewater Treatment Plant

In the utility's last SARC in 2012, the WWTP was found to be 100 percent U&U. There has been no change in service area or plant additions in the past five years and there are no plans for expansion; therefore, consistent with the Commission's decision in 2012, the WWTP should be considered 100 percent U&U.

Wastewater Collection

During the previous rate case, the wastewater collection system was found to be 100 percent U&U. The service area has had no growth in the past five years or change in capacity; therefore, consistent with the Commission's decision in 2012, the collection system should be considered 100 percent U&U.

Infiltration and Inflow

Rule 25-30.432, F.A.C., provides that in determining the amount of U&U plant, the Commission will consider I&I. Staff calculates the allowable infiltration based on system parameters, and calculates the allowable inflow based on water sold to customers. The sum of these amounts is the allowable I&I. Staff next calculates the estimated amount of wastewater returned from customers. The estimated return is determined by summing 80 percent of the water sold to residential customers with 90 percent of the water sold to non-residential customers. Adding the estimated return to the allowable I&I yields the maximum amount of wastewater that should be treated by the wastewater system without incurring adjustments to operating expenses. If this amount exceeds the actual amount treated, no adjustment is made. If it is less than the gallons treated, then the difference is the excessive amount of I&I. There was no adjustment made for I&I in the utility's previous rate case.

Using the pipe lengths of the utility's collection system, the infiltration allowance is calculated to be 3,027,703 gallons per year. Ten percent of the total gallons sold to customers is allowed for

⁶ Order No. PSC-13-0327-PAA-SU, issued July 16, 2013, in Docket No. 120270-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC*.

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inflow, which totals 2,106,070 gallons. The sum of these amounts is the total allowable I&I which is 5,133,773 gallons per year. The amount calculated for estimated return is 11,563,096 gallons per year. In order to find the total amount of wastewater allowed, the total allowable I&I and the estimated return are summed, yielding 16,696,869 gallons per year. Finally, this total is compared to the total wastewater actually treated during the test year, which is 21,060,700 gallons. The actual amount exceeds the allowable amount with an excess I&I of 4,363,831 gallons and therefore there is 20.7 percent excessive I&I. Therefore staff recommends that a 20.7 percent adjustment to purchased power and chemicals should be made for excessive I&I.

Conclusion

West Lakeland's WWTP and wastewater collection system should both be considered 100 percent U&U. Also, staff recommends that a 20.7 percent adjustment to purchased power and chemicals should be made for excessive infiltration and inflow.

Date: October 24, 2019

Issue 4: What is the appropriate average test year rate base for West Lakeland Wastewater, LLC?

Recommendation: The appropriate average test year rate base for West Lakeland for ratemaking purposes is zero. (D. Andrews, Wooten)

Staff Analysis: The appropriate components of the utility's rate base include utility plant in service (UPIS), land, accumulated depreciation, contributions-in-aid-of-construction (CIAC), accumulated amortization of CIAC, and working capital. The last proceeding that established balances for rate base was Docket No. 20120270-SU.⁷ Staff selected the test year ended October 31, 2018, for the instant rate case. A summary of each component and the recommended adjustments follows.

Utility Plant in Service (UPIS)

The utility recorded \$274,694 for UPIS. Based on the staff audit and supporting documentation, staff recommends several adjustments to UPIS resulting in a net increase of \$492. In addition, staff decreased UPIS by \$6,470 to include an averaging adjustment. The utility also requested several pro forma plant projects, as discussed by staff below.

Table 4-1
Pro Forma Plant Items

Project	Acct. No.	Description	Amount
Rebuild Electrical and Blower Housing Building	354	Self-build, Materials List quote	\$1,176
		Retirement	(\$882)
Shut Off Valves (3 inch and 4 inch)	363	3 inch and 4 inch shut off valves (22)	\$672
Replace Pump #1	371	Replace Pump #1 at lift station	\$5,900
		Retirement	(\$4,425)
Replace Pump #2	371	Replace Pump #2 at lift station	\$5,900
		Retirement	(\$4,425)
Replace Effluent Lift Station existing Electrical Panel	380	Install new DEP rated electrical panel	\$5,591
		Retirement	(\$4,194)
New Computer	390	Purchased additional Computer	\$65
		Retirement	(\$0)
Utility Truck	391	Replacement 2018 Ford F-250 for totaled 2003 Ford Ranger	\$3,124
		Retirement	(\$250)

Source: Responses to staff data requests

The utility's requested pro forma includes rebuilding the electrical and blower housing building, that is in a state of disrepair and must be rebuilt. The utility received two verbal estimates for replacing the electrical and blower housing building, both in excess of \$10,000. In order to

⁷ Order No. PSC-2013-0327-PAA-SU, issued July 16, 2013, in Docket No. 20120270-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC*.

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reduce utility costs, the utility has opted to self-build the electrical and blower housing building using utility staff. The materials are estimated to cost \$1,176. Staff recommends that these pro forma project costs are appropriate.

According to the utility, untimely payments by some ratepayers is a recurring problem. When a late payment occurs and after multiple warnings, the utility would cap the wastewater lines of the customer to discontinue service. Capping a customer's wastewater line involves the utility renting equipment to access the wastewater line and upon receiving a customer's payment would require an equipment rental to access the line again and restore service. In an effort to efficiently address these concerns, the utility has begun installing shut off valves on customers' wastewater lines to avoid the interruption of service revenues and the continual cost of capping and uncapping. In response to staff's data request, the utility stated that 4 shut off valves were installed between 2017 and 2018, with the intention to install the remaining 311 by the end of 2019. In a later response, the utility stated that approximately 18 shut off valves had been installed as of June 30, 2019, for a total of 22. The utility further stated no additional valves were planned to be installed between July 1, 2019, and September 1, 2019. The utility indicated that the shut off valve installation program would be a continuous process throughout 2019, but has shown little action towards completing installation of the remaining 293 shut off valves. Staff recommends that the costs for the currently installed 22 shut off valves are appropriate.

The utility recently replaced a malfunctioned pump, that required immediate replacement; and therefore, there were no bids. In an effort to accommodate future replacement needs and redundancy, a second similar pump was purchased simultaneously. The utility installed the pumps which required a new effluent lift station electrical panel also be installed. The utility received two quotes for the electrical panel, constructed with either stainless steel or fiberglass, and chose the less expensive fiberglass material for the replacement. Staff recommends that these pro forma project costs are appropriate.

The utility is requesting an additional computer for office use. The utility provided an invoice to install. The total purchase price of the computer was \$650, and it will be allocated across all of the sister utilities. Staff recommends that these pro forma project costs are appropriate.

The utility is requesting a replacement truck in this rate case, as the previous Commission-approved truck was totaled in an accident.⁸ The utility received three quotes and chose the lowest of the 3 quotes. The total purchase price of the replacement truck is \$37,436, and it will be allocated across all of the sister utilities. The utility received an insurance payout of \$6,204 to offset the cost of the new truck. Staff netted the insurance payout and cost of the new vehicle before allocating \$3,124 ($\$37,436 - \$6,204 * 0.10$) to West Lakeland.

West Lakeland requested four additional pro forma projects: a replacement lawnmower; a wastewater plant cleaning; a new van; and, a program to address the excessive infiltration and inflow. The utility withdrew its request for the wastewater plant cleaning project, and failed to provide a response to staff's data request seeking information regarding the additional projects. Without sufficient information, staff is unable to determine the appropriateness of the three

⁸ Order No. PSC-13-0327-PAA-SU, issued July 16, 2013, in Docket No. 20120270-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC*

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additional pro forma projects; therefore, these projects are not included within staff's pro forma recommendation.

Table 4-2
Pro Forma Plant

Acct.	Addition	Retirement	Dep Exp.	Net Plant	Net A/D Adj.
354	\$1,176	(\$882)	\$11	\$294	(\$871)
363	672	0	19	672	19
371	5,900	(4,425)	99	1,475	(898)
371	5,900	(4,425)	99	1,475	(898)
380	5,591	(4,194)	93	1,397	(4,100)
390	65	0	4	65	4
391	3,124	(250)	479	2,874	229
	<u>\$22,428</u>	<u>(\$14,176)</u>	<u>\$804</u>	<u>\$8,252</u>	<u>(\$6,515)</u>

Source: Utility response to staff data requests

Staff made an adjustment increasing UPIS by \$22,428 to reflect pro forma plant additions which were offset by a decrease of \$14,176 to reflect pro forma plant retirements. Staff recommends an average UPIS balance of \$276,968 (\$274,694 + \$492 - \$6,470 + \$22,428 - \$14,176).

Land & Land Rights

The utility recorded a test year land balance of \$356. Based on staff's review, no adjustments are necessary. Therefore, staff recommends that the land and land rights balance remain \$356.

Accumulated Depreciation

West Lakeland recorded a test year accumulated depreciation balance of \$249,723. Staff recalculated the accumulated depreciation balance using the prescribed depreciation rates set forth in Rule 25-30.140, F.A.C., and included depreciation associated with plant additions and retirements. As a result, staff increased accumulated depreciation by \$943. Staff also made an averaging adjustment to accumulated depreciation that resulted in a decrease of \$1,538. Further, staff made corresponding adjustments to accumulated depreciation based on the pro forma plant additions and retirements resulting in an additional decrease of \$6,515. Staff's adjustments result in a net decrease to accumulated depreciation of \$7,110 (\$6,515 + \$1,538 - \$943). Staff recommends an accumulated depreciation balance of \$242,613 (\$249,723 - \$7,110).

Contributions In Aid of Construction (CIAC)

The utility recorded a CIAC balance of \$221,480. Based on staff's review, no adjustment is necessary. Therefore, staff recommends that the appropriate balance is \$221,480.

Accumulated Amortization of CIAC

The utility recorded a test year accumulated amortization of CIAC balance of \$132,041. Staff reduced accumulated amortization of CIAC by \$667 to make an adjustment based on composite depreciation rates. Staff also made an averaging adjustment to accumulated amortization of CIAC that resulted in a decrease of \$1,228. As such, staff recommends an accumulated amortization of CIAC balance of \$130,146 (\$132,041 - \$667 - \$1,228).

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Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(3), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Section 367.081(9), F.S., prohibits a utility from earning a return on the unamortized balance of rate case expense. As such, staff has removed the rate case expense balance of \$390 for this calculation resulting in an adjusted O&M expense balance of \$114,295 (\$114,685 - \$390). Applying this formula approach to the adjusted O&M expense balance, staff recommends a working capital allowance of \$14,287 ($\$114,295 / 8$).

Rate Base Summary

Applying all of the above adjustments results in a negative rate base of \$42,335. In accordance with Commission practice, staff has adjusted the rate base to zero for ratemaking purposes.⁹ Based on the forgoing, staff recommends that the appropriate test year average rate base is zero. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

⁹ Order No. PSC-97-0540-FOF-WS, issued May 12, 1997, in Docket No. 960799-WS, *In re: Application for staff-assisted rate case in DeSoto County by Lake Suzy Utilities, Inc.*; Order No. PSC-13-0327-PAA-SU, issued July 16, 2013, in Docket No. 120270-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC*.

Date: October 24, 2019

Issue 5: What is the appropriate return on equity and overall rate of return for West Lakeland Wastewater, LLC?

Recommendation: The appropriate return on equity (ROE) is 10.55 percent with a range of 9.55 percent to 11.55 percent. (D. Andrews)

Staff Analysis: West Lakeland has negative equity and negative rate base. As discussed in Issue 8, staff is recommending the operating ratio methodology be used in this case. Although the traditional rate of return does not apply in this case due to the negative rate base, staff recommends that an ROE still be established for this utility. The appropriate ROE for the utility is 10.55 percent based upon the Commission-approved leverage formula currently in effect.¹⁰ Staff recommends an ROE of 10.55 percent, with a range of 9.55 percent to 11.55 percent.

¹⁰ Order No. PSC-2019-0267-PAA-WS, issued July 1, 2019, in Docket No. 20190006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

Date: October 24, 2019

Issue 6: What are the appropriate test year revenues for the wastewater system of West Lakeland Wastewater, LLC?

Recommendation: The appropriate test year revenues for West Lakeland are \$136,394. (Bethea)

Staff Analysis: West Lakeland recorded total test year revenues of \$131,916, which included \$126,092 of service revenues and \$5,823 of miscellaneous revenues. Based on staff's review of the utility's billing determinants and the rates that were in effect during the test year, staff determined service revenues should be increased by \$3,924 to reflect annualized test year service revenues of \$130,016.¹¹ In addition, staff increased miscellaneous revenues by \$555 to reflect revenues collected as a result of miscellaneous services occurrences during the test year. Therefore, staff increased miscellaneous revenues by \$555 to reflect total miscellaneous revenues of \$6,378 (\$5,823 + \$555). Based on the above, the appropriate test year revenues for West Lakeland are \$136,394 (\$130,016 + \$6,378).

¹¹ The utility filed a 2018 Index that became effective on October 5, 2018.

Date: October 24, 2019

Issue 7: What is the appropriate amount of operating expense for West Lakeland Wastewater, LLC?

Recommendation: The appropriate amount of operating expense for West Lakeland is \$125,951. (D. Andrews, Wooten)

Staff Analysis: West Lakeland recorded operating expense of \$113,723 for the test year ended October 31, 2018. The test year O&M expenses have been reviewed, including invoices and other supporting documentation. Staff has made the following adjustments to the utility's operating expenses as discussed below.

Operation & Maintenance Expense

Salaries and Wages – Employees (701)

Florida Utility Services 1 (FUS1) is a service company that owns and operates Commission regulated utilities, including West Lakeland. The current staffing level and salaries for FUS1 employees were last evaluated by the Commission in Order No. PSC-2018-0439-PAA-WU.¹² As of September 30, 2018, FUS1 now manages 14 utilities with a total of 3,114 customers. West Lakeland recorded salaries and wages – employees expense of \$21,934. Staff increased this expense by \$623 to reflect the appropriate allocations for current employees' annualized salaries. West Lakeland's allocation is 10 percent unless otherwise noted.

In addition, the utility requested the allocation of two new maintenance technicians to West Lakeland. A sister company made a similar request for two new Maintenance Technicians in Docket No. 20170230-WU; however, the Commission determined that the two Maintenance Technicians should not be allocated to Orange Land Utilities, LLC as the utility utilized contractors for the system's operations. Furthermore, staff cited the ability of the President and Operations Supervisor to provide sufficient additional field support. In the present case, West Lakeland indicated that the services provided by contractors are limited to water and wastewater operations and governmental reporting requirements. Additionally, the President has increased administrative work duties due to the increase in customers, utility systems and employees. Similarly, the Operations Supervisor has increased supervisory responsibilities that were once performed by the President.

FUS1 has changed operations from employees being assigned to a specific utility system to the Operations Supervisor assigning employees based upon work load for each of the 14 utility systems. Maintenance Technicians will be working on all of FUS1's systems, meaning all maintenance and repairs of FUS1 utility systems will be performed by FUS1 employees and other contract vendors as needed. Staff believes that the change in FUS1's operations and increased duties of both the President and Operations Supervisor necessitates additional employees to provide service to the utility systems. Staff further believes that the two additional Maintenance Technicians are needed and should be allocated to all of the FUS1's systems, including West Lakeland. Based on the requested salary of \$37,900 and the ten-percent allocation for West Lakeland, staff increased salary and wages – employees expense by \$7,580

¹² Order No. PSC-2018-0439-PAA-WU, issued August 28, 2018, in Docket No. 20170230-WU, *In re: Application for staff-assisted rate case in Pasco County by Orange Land Utilities, LLC*.

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$(\$37,900 \times 2 \times 0.10)$ As such, staff recommends salaries and wages – employees expense of \$30,137 $(\$21,934 + \$623 + \$7,580)$.

Salaries and Wages – Officers (703)

West Lakeland recorded salaries and wages – officers expense of \$7,670. In Order No. PSC-2018-0439-PAA-WU, the President was approved a salary of \$80,000.¹³ As such, staff annualized the approved salary which results in a salaries and wages – officers expense of \$8,000 $(\$80,000 \times 0.10)$. West Lakeland's allocation is 10 percent unless otherwise noted. Therefore, staff recommends an increase of \$330 $(\$8,000 - \$7,670)$.

Pensions and Benefits (704)

West Lakeland recorded pensions and benefits expense of \$1,034. In its response to staff's second data request, the utility indicated that it incurred pensions and benefits expense in the amount of \$500 per month, allocated across all systems. The utility also indicated that the requested two new maintenance technicians would receive benefit expense at \$500 per month per person. These expenses would result in an annual pensions and benefits expense of \$1,800 $(\$500 \times 3 \times 12 \times 0.10)$. Therefore, staff recommends an increase of \$766 $(\$1,800 - \$1,034)$.

Sludge Removal (711)

West Lakeland recorded sludge removal expense of \$8,732. Staff decreased sludge removal expense by \$92 to remove the payment of late fees. Therefore, staff recommends sludge removal expense of \$8,640 $(\$8,732 - \$92)$.

Purchased Power (715)

The utility recorded purchased power expense of \$10,930. Staff increased this account by \$1,108 to reflect the proper test year period and to account for provided bills not yet booked during the test year. As discussed in Issue 2, staff made an adjustment to decrease purchased power and chemical expenses by 20.7 percent for excessive I&I. This results in a decrease of \$2,492 to purchased power expense. As such, staff recommends purchased power expense of \$9,546 $(\$10,930 + \$1,108 - \$2,492)$.

Fuel for Power Production Expense (716)

West Lakeland recorded fuel for power production expense of \$105 for the test year. Staff decreased this expense by \$13 to remove power production purchases that were not substantiated with invoices. As such, staff recommends a fuel for power production expense of \$92 $(\$105 - \$13)$.

Chemicals Expense (718)

The utility recorded chemicals expense of \$1,721. Staff decreased chemicals expense by \$843 to reallocate professional testing services provided by a vendor to contractual services – other expense. As discussed above and in Issue 2, staff made an adjustment to decrease purchased power and chemical expense by 20.7 percent for excessive I&I. This results in a decrease of \$182 to chemicals expense. As such, staff recommends chemicals expense of \$696 $(\$1,721 - \$843 - \$182)$.

¹³ Order No. PSC-2018-0439-PAA-WU, issued in Docket No. 20170230-WU, *In re: Application for staff-assisted rate case in Pasco County by Orange Land Utilities, LLC*.

Date: October 24, 2019

Materials and Supplies Expense (720)

West Lakeland recorded materials and supplies expense of \$5,025. Staff reduced materials and supplies expense by \$153 to reflect actual invoices and proper allocations for West Lakeland. Therefore, staff recommends materials and supplies expense of \$4,872 (\$5,025 - \$153).

Contractual Services – Professional (731)

The utility recorded contractual services - professional expense of \$504. In a letter dated September 3, 2019, the utility requested pro forma contractual services expense for accounting services. Through correspondence with the utility, staff determined that the contract accounting services would be used primarily for work related to filing the Owner's personal tax returns. The contract accounting services would also be used for reviewing annual reports. However, the utility already has contractual services included in the test year for preparing annual reports. As such, staff recommends disallowing this pro forma expense. Therefore, staff recommends contractual services – professional expense of \$504.

Contractual Services – Other (736)

The utility recorded contractual services - other expense of \$25,007. Staff increased contractual services – other expense by \$912 to reflect the provided invoices and to reallocate the invoices mistakenly charged to chemicals expense. In its response to staff's first data request, the utility indicated that it had made an agreement with the water provider (City of Lakeland) to receive meter readings each month. The utility had contractual services expense of \$3,693 during the test year to manually read all meters. Staff reduced contractual services – other expense by \$3,693 as this expense is no longer incurred. As such, staff recommends contractual services – other expense of \$22,226 (\$25,007 + \$912 - \$3,693).

Rent Expense (740)

The utility recorded rent expense of \$2,087. In response to staff's third data request, the utility provided a lease for a new office beginning on February 1, 2019. The new office lease indicates \$2,700 a month for rent. After allocation, this results in an annual rent expense of \$3,240 (\$2,700 x 12 x 0.10) for West Lakeland. Therefore, staff recommends an increase of \$1,153 (\$3,240 - \$2,087).

Transportation Expense (750)

The utility recorded transportation expense of \$3,855. Based on staff's review, no adjustment is necessary. Therefore, staff recommends transportation expense of \$3,855.

Insurance Expense (755)

West Lakeland recorded insurance expense of \$5,153 for the test year. In a letter dated June 24, 2019, the utility requested pro forma expense to recover an increase in workman's comp expense. The new workman's comp policy that the utility provided indicated an annual expense of \$8,149. West Lakeland's allocation of this expense is \$815 (\$8,149 x 0.10). The utility's letter also indicated that there was \$644 in the test year for workman's comp. Staff recommends an increase to insurance expense of \$171 (\$815 – \$644) to make up the difference. Therefore, staff recommends that the appropriate insurance expense is \$5,324 (\$5,153 + \$171).

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Regulatory Commission Expense (765)

West Lakeland recorded regulatory commission expense of \$1,500 for the filing fee for the current docket. The filing fee for the current docket is only \$1,000. Therefore, West Lakeland has applied for a refund of \$500.¹⁴ Staff has calculated a total of \$1,558 in regulatory commission expense for the current docket. This amount includes the \$1,000 filing fee and \$558 in noticing costs for the instant case. On February 21, 2019, West Lakeland requested the recovery of \$190 of rate case expense for attorney fees associated with the review of staff's first data request. According to Section 367.0814(3), F.S., the Commission may not award rate case expense for the recovery of attorney fees before the initial staff report is made available to the customers. Therefore, the utility's request for the recovery of \$190 in legal fees should be denied. Pursuant to Section 367.081(8), F.S., the recommended total rate case expense of \$1,558 should be amortized over four years, as the utility did not request a different amortization period be used. This represents an annual expense of \$390 ($\$1,558 / 4$). As such, staff recommends regulatory commission expense of \$390, which results in a decrease of \$1,110 ($\$1,500 - \390).

Bad Debt Expense (770)

The utility recorded bad debt expense of \$1,531. Based on the utility's annual reports, bad debt expense decreased significantly after the test year. The utility reported bad debt expense of \$1,485 in 2016, \$1,531 in 2017, and \$159 in 2018. Staff recommends using a three year average to adjust for the decrease in bad debt expense. This results in bad debt expense of \$1,058 ($\$1,485 + \$1,531 + \$159 / 3$), which is a decrease of \$473. Therefore, staff recommends bad debt expense of \$1,058.

Miscellaneous Expense (775)

The utility recorded miscellaneous expense of \$7,633. Staff decreased this account by \$462 to properly reflect the amount from provided invoices and the appropriate allocation to West Lakeland. In addition, West Lakeland has requested the recovery of deferred legal fees approved in Order No. PSC-16-0030-PAA-SU. The utility's initial request was based on legal invoices totaling \$6,250, with the last invoice dated July 31, 2015. Rule 25-30.433, F.A.C, states that nonrecurring expenses shall be amortized over a five-year period unless a shorter or longer period can be justified. West Lakeland requested an amortization period of three years because of the length of time that has passed since the fees were incurred. Upon discovery of additional invoices, the legal fees totaled \$29,017 with the last invoice dated November 30, 2017. Staff recommends a 4-year amortization period because the legal expenses were incurred over the course of four years. Additionally, these legal expenses are analogous to rate case expense, which are amortized over four years unless a longer or shorter period can be justified. Therefore, staff increased miscellaneous expense by \$7,254 ($\$29,017 / 4$). In the utility's response to staff's third data request, the utility requested pro forma expense to recover repairs to a computer. The invoice provided indicated that \$128 was expensed for computer consulting. After allocation, West Lakeland's miscellaneous expense was increased by \$13 ($\128×0.10). Additionally, in reviewing pro forma plant for installation of shut off valves, staff determined that \$134 was included in expenses during the test year for West Lakeland. Therefore, staff reduced miscellaneous expense by \$134. As such, staff recommends miscellaneous expense of \$14,304 ($\$7,633 - \$462 + \$7,254 + \$13 - \134).

¹⁴ Document No. 00641-2019.

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Operation and Maintenance Expense Summary

Based on the above adjustments, staff recommends that O&M expense should be increased by \$10,264, resulting in total O&M expense of \$114,685. Staff's recommended adjustments to O&M expense are shown on Schedule No. 3-C.

Depreciation Expense (Net of Amortization of CIAC)

West Lakeland recorded depreciation expense of \$4,484 during the test year. Staff recalculated depreciation expense for the test year and as such, decreased the expense by \$1,408. Staff further calculated depreciation expense for the pro forma plant additions and retirements that the utility requested. These additions result in an increase of \$804. This results in a depreciation expense of \$3,880 ($\$4,484 - \$1,408 + \804).

In addition, West Lakeland recorded amortization expense of \$3,672. Staff decreased amortization of CIAC by \$1,187 to reflect appropriate amortization expense based on composite rates. This results in an amortization expense of \$2,485 ($\$3,672 - \$1,187$). Therefore, staff recommends net depreciation expense of \$1,395 ($\$3,880 - \$2,485$).

Taxes Other Than Income (TOTI)

West Lakeland recorded a TOTI balance of \$8,490 during the test year. Staff increased TOTI by \$73 to reflect the increase to annualize the director's salary, and by \$580 to reflect the increase to salaries and wages expense for the new technicians. Staff increased the Regulatory Assessment Fees (RAFs) by \$273 to reflect the adjusted test year revenues. Staff decreased property tax expense by \$65 to reflect the appropriate amount of property tax. In addition, staff increased TOTI by \$58 to reflect the appropriate business tax receipts. Staff also increased TOTI by \$73 as a corresponding adjustment to the annualized salary expense. Staff increased TOTI by \$580 to correspond to the addition of two maintenance technicians. Staff increased TOTI by \$312 corresponding to property tax for pro forma projects. This results in a net increase of \$1,231 ($\$273 - \$65 + \$58 + \$73 + \$580 + \312).

In addition, as discussed in Issue 9, revenues have been increased by \$3,318 to reflect the change in revenue required to cover expenses and allow the recommended operating margin. As a result, TOTI should be increased by \$149 to reflect RAFs of 4.5 percent on the change in revenues. Staff's adjustments result in a net increase of \$1,380 ($\$1,231 + \149). Therefore, staff recommends TOTI of \$9,870 ($\$8,490 + \$1,380$).

Operating Expenses Summary

The application of staff's recommended adjustments to West Lakeland's test year operating expenses results in operating expenses of \$125,951. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule Nos. 3-B and 3-C.

Date: October 24, 2019

Issue 8: Should the Commission utilize the operating ratio methodology as an alternative method of calculating the wastewater revenue requirement for West Lakeland Wastewater, LLC and, if so, what is the appropriate margin?

Recommendation: Yes. The Commission should utilize the operating ratio methodology for calculating the revenue requirement for West Lakeland. The margin should be 12 percent of O&M expense. (D. Andrews)

Staff Analysis: Rule 25-30.4575(2), F.A.C., requires that the Commission use the operating ratio methodology if the utility's rate base is below 125 percent of O&M expenses. The rule states that the Commission will apply a margin of 12 percent when determining the revenue requirement, up to \$15,000. The operating ratio methodology will be applied when the utility's rate base is no greater than 125 percent of O&M expenses and use of the operating ratio methodology does not change the utility's qualification for a staff assisted rate case under Rule 25-30.455(1), F.A.C.

The operating ratio methodology is an alternative to the traditional calculation of revenue requirements. Under this methodology, instead of applying a return on the utility's rate base, the revenue requirement is based on West Lakeland's operating expenses plus a margin of 12 percent. This methodology has been applied in cases in which the traditional calculation of the revenue requirement would not provide sufficient revenue to protect against potential variances in revenues and expenses. As discussed in Issues 4 and 7, staff has recommended a rate base of zero. Furthermore, the application of the operating ratio methodology does not change the utility's qualification for a staff assisted rate case. As such, West Lakeland meets the criteria for the operating ratio methodology established in Rule 25-30.4575(2), F.A.C. Therefore, staff recommends the application of the operating ratio methodology at a margin of 12 percent of O&M expense for determining the revenue requirement.

Issue 9: What is the appropriate revenue requirement for West Lakeland Wastewater, LLC?

Recommendation: The appropriate revenue requirement is \$139,713 resulting in an annual increase of \$3,318 (2.43 percent). (D. Andrews)

Staff Analysis: West Lakeland should be allowed an annual increase of \$3,318 (2.43 percent). The calculations are shown in Table 9-1:

Table 9-1
Revenue Requirement

Adjusted O&M	\$114,685
Operating Margin (%)	x 12.00%
Operating Margin (\$15,000 Cap)	\$13,762
Adjusted O&M Expense	114,685
Depreciation Expense (Net)	1,395
Taxes Other Than Income	9,870
Income Tax	0
Revenue Requirement	\$139,713
Less Adjusted Test Year Revenues	136,395
Annual Increase	<u>\$3,318</u>
Percent Increase	<u>2.43%</u>

Date: October 24, 2019

Issue 10: What are the appropriate rate structure and rates for West Lakeland Wastewater, LLC system?

Recommendation: Staff recommends that the rate increase of 2.55 percent for wastewater should be applied as an across-the-board increase monthly to service rates. The rates, as shown on Schedule No. 4, should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. 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 that notice was given within 10 days of the date of the notice. (Bethea)

Staff Analysis: The utility provides service to 315 residential customers and 1 general service customer. Currently, the residential wastewater rate structure consists of a uniform BFC for all meter sizes and a gallonage charge with an 6,000 gallon cap per month. The general service rate structure consists of a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge. Due to the relatively low revenue requirement increase (2.55 percent) staff recommends a continuation of the existing rate structure and the percentage increase be applied as an across-the-board increase to existing service rates. To determine the appropriate percentage increase to apply to the service rates, miscellaneous revenues should be removed from the test year revenues. The calculation is as follows:

**Table 10-1
Service Rate Increase**

	<u>Wastewater</u>
Total Test Year Revenues	\$136,395
Less: Miscellaneous Revenues	\$6,378
Test Year Revenues from Service Rates	\$130,016
Revenues Increase	\$3,318
% Service Rate Increase (Line4 / Line 3)	2.55%

Based on the above, staff recommends that the rate increase of 2.55 percent for wastewater should be applied as an across-the-board increase to monthly service rates. The rates, as shown on Schedule No. 4, should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. 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 that notice was given within 10 days of the date of the notice.

Date: October 24, 2019

Issue 11: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense?

Recommendation: The rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for RAFs 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 367.081(8), F.S. West Lakeland 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. (Bethea, D. Andrews)

Staff Analysis: Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reduction is \$408.

The rates should be reduced as shown on Schedule No. 4 to remove rate case expense grossed-up for RAFs 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 367.081(8), F.S. West Lakeland 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.

Date: October 24, 2019

Issue 12: What are the appropriate initial customer deposits for West Lakeland Wastewater, LLC?

Recommendation: The appropriate initial customer deposit is \$78 for all residential meter sizes. The initial customer deposits for all general service meter sizes should be two times the average estimated monthly bill. The approved initial customer deposits should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding. (Bethea)

Staff Analysis: Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.¹⁵ Currently, the utility has an initial customer deposit of \$40. However, this amount does not cover two months' average bills based on staff's recommended rates. The utility indicated that the average monthly residential water usage is 3,765 gallons per customer. Therefore, the average residential monthly bill based on staff's recommended rates is approximately \$39.

Staff recommends the appropriate initial customer deposit is \$78 for all residential meter sizes. The initial customer deposits for all general service meter sizes should be two times the average estimated monthly bill. The approved initial customer deposits should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding.

¹⁵ Order No. PSC-15-0142-PAA-SU, issued March 26, 2015, in Docket No. 130178-SU, *In re: Application for staff assisted rate case in Polk County by Crooked Lake Park Sewerage Company*.

Date: October 24, 2019

Issue 13: Should the recommended rates be approved for West Lakeland Wastewater, LLC on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the utility. West Lakeland 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 temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (D. Andrews)

Staff Analysis: This recommendation proposes an increase in rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the utility, staff recommends that the recommended rates be approved as temporary rates. West Lakeland 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 temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. The recommended rates collected by the utility should be subject to the refund provisions discussed below.

West Lakeland should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$2,242. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond should contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or,
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as a security, it should contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect, and,
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

Date: October 24, 2019

If security is provided through an escrow agreement, the following conditions should be part of the agreement:

- 1) The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement;
- 2) No monies in the escrow account may be withdrawn by the utility without the express approval of the Commission;
- 3) The escrow account shall be an interest bearing account;
- 4) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 5) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility;
- 6) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 7) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 8) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to *Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments;
- 9) The account must specify by whom and on whose behalf such monies were paid.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase should be maintained by the utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

Should the recommended rates be approved by the Commission on a temporary basis, West Lakeland should maintain a record of the amount of the security, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Date: October 24, 2019

Issue 14: Should the utility be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision?

Recommendation: Yes. West Lakeland should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. West Lakeland should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable NARUC USOA primary accounts have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (D. Andrews)

Staff Analysis: West Lakeland should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. West Lakeland should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Date: October 24, 2019

Issue 15: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Proposed Agency Action 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. (Dziechciarz, Weisenfeld)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Proposed Agency Action 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.

WEST LAKELAND UTILITIES, LLC. TEST YEAR ENDED 10/31/2018 SCHEDULE OF WASTEWATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 20180202-SU	
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$274,694	\$2,274	\$276,968
LAND & LAND RIGHTS	356	0	356
ACCUMULATED DEPRECIATION	(249,723)	7,110	(242,613)
CIAC	(221,480)	0	(221,480)
AMORTIZATION OF CIAC	132,041	(1,895)	130,146
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>14,287</u>	<u>14,287</u>
RATE BASE	<u>(\$64,112)</u>	<u>\$21,777</u>	<u>(\$42,335)</u>

WEST LAKELAND UTILITIES, LLC. TEST YEAR ENDED 10/31/2018 ADJUSTMENTS TO RATE BASE		SCHEDULE NO. 1-B DOCKET NO. 20180202-SU
UTILITY PLANT IN SERVICE		
1.	To reduce Structures and Improvements for lack of documentation.	(\$4,798)
2.	To reduce Acct. No. 360 for lack of documentation.	(830)
3.	To reduce Acct. No. 361 for lack of documentation.	(2,600)
4.	To increase Pumping Equipment for the unrecorded purchase of 3 pumps.	8,333
5.	To increase Transportation Equipment for recalculation of plant accounts.	387
6.	To reflect pro forma plant addition for electrical and blower housing rebuild to Acct. No. 354.	1,176
7.	To reflect pro forma retirement of electrical and blower housing to Acct. No. 354.	(882)
8.	To reflect pro forma plant addition for shut off valve installations to Acct. No. 363.	672
9.	To reflect pro forma plant addition for replacement of existing pump to Acct. No. 371.	5,900
10.	To reflect pro forma retirement of pumping equipment to Acct. No. 371.	(4,425)
11.	To reflect pro forma plant addition for replacement of existing pump to Acct. No. 371.	5,900
12.	To reflect pro forma retirement of pumping equipment to Acct. No. 371.	(4,425)
13.	To reflect pro forma plant addition for replacement of existing electrical panel to Acct. No. 380.	5,591
14.	To reflect pro forma retirement of electrical panel to Acct. No. 380.	(4,194)
15.	To reflect pro forma addition for West Lakeland's allocation of new computer to Acct. No. 390	65
16.	To reflect pro forma plant addition for West Lakeland's allocation of new truck to Acct. No. 391.	3,124
17.	To reflect pro forma retirement of transportation equipment to Acct. No. 391.	(250)
18.	To reflect an averaging adjustment.	<u>(6,470)</u>
	Total	<u>\$2,274</u>
ACCUMULATED DEPRECIATION		
1.	To reflect accumulated depreciation per Rule 25-30.140, F.A.C.	(\$943)
2.	To reflect pro forma accumulated depreciation for pro forma plant additions and retirements.	6,515
3.	To reflect an averaging adjustment.	<u>1,538</u>
	Total	<u>\$7,110</u>
ACCUMULATED AMORTIZATION OF CIAC		
1.	To adjust amortization of CIAC based on composite rates.	(\$667)
2.	To reflect an averaging adjustment.	<u>(1,228)</u>
	Total	<u>(\$1,895)</u>
WORKING CAPITAL ALLOWANCE		
	To reflect 1/8 of test year O & M expenses.	<u>\$14,287</u>

WEST LAKELAND WASTEWATER, LLC. TEST YEAR ENDED 10/31/2018 SCHEDULE OF CAPITAL STRUCTURE						SCHEDULE NO. 2 DOCKET NO. 20180202-SU		
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATE ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST RATE	WEIGHTED COST
1. LONG-TERM DEBT	\$8,921	(\$156)	\$8,765	(\$8,946)	(\$181)	0.00%	6.62%	0.00%
2. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
3. PREFERRED STOCK	0	(21,854)	0	0	0	0.00%	0.00%	0.00%
4. COMMON EQUITY	137,436	(1,088)	115,582	(117,975)	(2,393)	0.00%	10.55%	0.00%
5. CUSTOMER DEPOSITS	3,662	0	2,574	0	2,574	100.00%	2.00%	2.00%
6. DEFERRED INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
7. TOTAL CAPITAL	<u>\$150,019</u>	<u>(\$23,098)</u>	<u>\$126,921</u>	<u>(\$126,921)</u>	<u>\$0</u>	<u>100.00%</u>		<u>2.00%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>9.55%</u>	<u>11.55%</u>	
OVERALL RATE OF RETURN						<u>2.00%</u>	<u>2.00%</u>	

WEST LAKELAND UTILITIES, LLC.				SCHEDULE NO. 3-A		
TEST YEAR ENDED 10/31/2018				DOCKET NO. 20180202-SU		
SCHEDULE OF WASTEWATER OPERATING INCOME						
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUSTMENT FOR INCREASE	REVENUE REQUIREMENT	
1.	OPERATING REVENUES	\$131,916	\$4,479	\$136,395	\$3,318 2.43%	\$139,713
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	\$104,421	\$10,264	\$114,685	\$0	\$114,685
3.	DEPRECIATION (NET)	812	583	1,395	0	1,395
4.	TAXES OTHER THAN INCOME	<u>8,490</u>	<u>1,231</u>	<u>9,721</u>	<u>149</u>	<u>9,870</u>
5.	TOTAL OPERATING EXPENSES	<u>\$113,723</u>	<u>\$12,079</u>	<u>\$125,802</u>	<u>\$149</u>	<u>\$125,951</u>
6.	OPERATING INCOME/(LOSS)	<u>\$18,193</u>		<u>\$10,593</u>		<u>\$13,762</u>
7.	RATE BASE	<u>(\$64,112)</u>		<u>(\$42,335)</u>		<u>\$0</u>
8.	OPERATING RATIO					<u>12.00%</u>

WEST LAKE LAND UTILITIES, LLC.
TEST YEAR ENDED 10/31/2018
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-B
DOCKET NO. 20180202-SU
PAGE 1 OF 2

OPERATING REVENUES

1.	To reflect the appropriate test year services revenues.	\$3,924
2.	To reflect the appropriate test year miscellaneous service revenues.	<u>555</u>
	Total	<u>\$4,479</u>

OPERATION AND MAINTENANCE EXPENSES

1.	Salaries and Wages - Employees (701)	
a.	To reflect appropriate allocation of current annualized employee salaries.	\$623
b.	To reflect the allocation of two additional maintenance technicians.	<u>7,580</u>
	Subtotal	<u>\$8,203</u>
2.	Salaries and Wages - Officers (703)	
	To reflect appropriate allocation of annualized salary and wages – officers.	<u>\$330</u>
3.	Employee Pensions and Benefits (704)	
	To reflect appropriate allocation of current annualized and pro forma employee benefits.	<u>\$766</u>
4.	Purchased Water/Purchased Sewage Treatment (710)	
	To remove late fees.	<u>(\$92)</u>
6.	Purchased Power (715)	
	To adjust for previous credits and debits to reflect proper period.	\$1,108
	To adjust for excessive I&I.	<u>(2,492)</u>
	Subtotal	<u>(\$1,384)</u>
7.	Fuel for Power Production (716)	
	To remove power production purchases that were not substantiated with invoices.	<u>(\$13)</u>
8.	Chemicals (718)	
	To remove professional testing services provided by a vendor (recorded in Acct. No. 736).	(\$843)
	To adjust for excessive I&I.	<u>(182)</u>
	Subtotal	<u>(\$1,025)</u>
9.	Materials and Supplies (720)	
	To reflect actual invoices and allocation details provided.	<u>(\$153)</u>
10.	Contractual Services - Other (736)	
	To reflect provided invoices and reallocate \$750 mistakenly charged to Acct. No. 718.	\$912
	To remove meter reading expense no longer incurred.	<u>(3,693)</u>
	Subtotal	<u>(\$2,781)</u>
11.	Rent (740)	
	To reflect new lease agreement.	<u>\$1,153</u>
12.	Insurance Expense (755)	
	To reflect new workman's comp contract.	<u>\$171</u>
13.	Regulatory Commission Expense (765)	
	To reflect four-year amortization of rate case expense (\$1,560 / 4).	<u>(\$1,110)</u>

Date: October 24, 2019

WEST LAKELAND UTILITIES, LLC.
TEST YEAR ENDED 10/31/2018
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-B
DOCKET NO. 20180202-SU
PAGE 2 OF 2

14.	Bad Debt Expense (770)	
	To reflect three year average adjustment.	<u>(\$473)</u>
15.	Miscellaneous Expense (775)	
	a. To reflect the amount from provided invoices and allocation schedules.	(\$462)
	b. To reflect the recovery of deferred legal fees amortized over four years.	7,254
	c. To reflect West Lakeland's allocation for computer consulting expense.	13
	d. To remove test year expense that is capitalized for shut off valves.	<u>(134)</u>
	Subtotal	<u>\$6,671</u>
	TOTAL OPERATION AND MAINTENANCE ADJUSTMENTS	<u>\$10,264</u>
	DEPRECIATION EXPENSE	
1.	To reflect appropriate depreciation expense.	(\$1,408)
2.	To reflect pro forma depreciation.	804
	Total	<u>(\$604)</u>
	AMORTIZATION EXPENSE	
	To reflect appropriate amortization expense.	<u>\$1,187</u>
	TAXES OTHER THAN INCOME	
1.	To reflect the appropriate test year RAFs.	\$273
2.	To reflect appropriate property taxes.	(65)
3.	To reflect appropriate business tax receipts.	58
4.	To reflect corresponding adjustment to payroll tax for annualized salaries and wages.	73
5.	To reflect corresponding adjustment to payroll tax for pro forma addition of two employees.	580
6.	To reflect corresponding adjustments for pro forma property taxes	<u>312</u>
	Total	<u>\$1,231</u>

Date: October 24, 2019

WEST LAKELAND UTILITIES, LLC.		SCHEDULE NO. 3-C	
TEST YEAR ENDED 10/31/2018		DOCKET NO. 20180202-SU	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUSTMENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$21,934	\$8,203	\$30,137
(703) SALARIES AND WAGES - OFFICERS	7,670	330	8,000
(704) EMPLOYEE PENSIONS AND BENEFITS	1,034	766	1,800
(711) SLUDGE REMOVAL	8,732	(92)	8,640
(715) PURCHASED POWER	10,930	(1,384)	9,546
(716) FUEL FOR POWER PRODUCTION	105	(13)	92
(718) CHEMICALS	1,721	(1,025)	696
(720) MATERIALS AND SUPPLIES	5,025	(153)	4,872
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	504	0	504
(735) CONTRACTUAL SERVICES - TESTING	0	0	0
(736) CONTRACTUAL SERVICES - OTHER	25,007	(2,781)	22,226
(740) RENT	2,087	1,153	3,240
(750) TRANSPORTATION EXPENSE	3,855	0	3,855
(755) INSURANCE EXPENSE	5,153	171	5,324
(765) REGULATORY COMMISSION EXPENSE	1,500	(1,110)	390
(770) BAD DEBT EXPENSE	1,531	(473)	1,058
(775) MISCELLANEOUS EXPENSE	<u>7,633</u>	<u>6,671</u>	<u>14,304</u>
TOTAL	<u>\$104,421</u>	<u>\$10,264</u>	<u>\$114,685</u>

WEST LAKELAND WASTEWATER, LLC. TEST YEAR ENDED 10/ 31/2018 MONTHLY WASTEWATER RATES		SCHEDULE NO. 4 DOCKET NO. 20180202-SU	
	RATES AT TIME OF FILING	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential</u>			
Base Facility Charge - All Meter Sizes	\$15.82	\$16.22	\$0.05
Charge Per 1,000 gallons 6,000 gallon cap	\$5.88	\$6.03	\$0.02
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$15.82	\$16.22	\$0.05
3/4"	N/A	\$24.33	\$0.07
1"	\$39.55	\$40.55	\$0.12
1-1/2"	\$79.08	\$81.10	\$0.25
2"	\$126.53	\$129.76	\$0.40
3"	\$253.06	\$259.52	\$0.79
4"	\$395.41	\$405.50	\$1.24
6"	\$790.83	\$811.00	\$2.48
8"	\$1,265.32	\$1,297.60	\$3.97
Charge per 1,000 gallons	\$7.05	\$7.23	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$27.58	\$28.28	
4,000 Gallons	\$39.34	\$40.34	
6,000 Gallons	\$51.10	\$52.40	

Item 14

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: October 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Ramos, Hudson) *SH ELD MR DB WRD*
Division of Accounting and Finance (D. Brown, T. Brown) *ALM JPH*
Division of Engineering (Doehling, Graves, Knoblauch) *TD EK TB*
Office of the General Counsel (Murphy) *CM TH GP*

RE: Docket No. 20190121-WS – Application for limited proceeding rate increase in Polk County, by CHC VII, Ltd.

AGENDA: 11/05/19 –Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

CHC VII, Ltd. (CHC or utility) is a Class C water and wastewater utility serving approximately 891 customers in Polk County. The service territory is located in the Southwest Florida Water Management District. According to the utility's 2018 annual report, operating revenues were \$107,213 for water and \$172,851 for wastewater. Operating expenses were \$131,124 for water and \$158,915 for wastewater.

On May 29, 2019, CHC filed a request for a limited proceeding increase in water rates. In its application, CHC requested recovery of costs associated with installing automatic meter reading

(AMR) water meters. The utility requested a final revenue increase of \$27,355 (24.37 percent) for its water system. Additionally, the utility's last rate case was in 2014.¹

A customer meeting was held on September 11, 2019, in Haines City, Florida. Three customers attended and one customer spoke at the meeting. The customer's comments inquired about the nature and costs of the utility's requested meter replacement program.

This recommendation addresses CHC's requested final water rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.0822, Florida Statutes (F.S.).

¹Order No. PSC-2014-0196-PAA-WS, issued May 1, 2014, in Docket No. 20130210-WS, In re: Application for staff-assisted rate case in Polk County by CHC VII, Ltd.

Date: October 24, 2019

Discussion of Issues

Issue 1: Should the Commission approve the utility's request for a limited proceeding?

Recommendation: The Commission should approve the utility's request for a limited proceeding rate increase as modified by staff. CHC should be allowed an annual increase of \$23,368 (20.82 percent) for water. The adjusted revenue requirement is reflected on Schedule No. 1. (Doehling, Knoblauch, D. Brown, T. Brown)

Staff Analysis: Limited proceedings generally address specific or significant changes that would adversely affect the normal operating income of the utility and are usually narrow in scope. Staff believes that CHC's case as filed is sufficiently narrow in scope to qualify for a limited proceeding. Staff also believes that CHC has met all the minimum filing requirements as set forth in Rule 25-30.445, Florida Administrative Code (F.A.C.).

Secondary Water Quality Standards

Pursuant to Rule 25-30.445(4)(o), F.A.C., utilities are required to provide a copy of all customer complaints received regarding Florida Department of Environmental Protection (DEP) secondary water quality standards during the past five years as well as a copy of the utility's most recent secondary water quality standards test results. The utility asserted it did not receive any customer complaints regarding DEP secondary water quality standards during the past five years. Also, test results provided by CHC indicated that the utility is currently passing secondary standards.

A customer meeting was held September 11, 2019, in Haines City, Florida. One customer spoke and had no concerns with the quality of CHC's product. Staff also reviewed complaints received by the Commission and DEP for the previous five years. In August 2019, the Commission received two complaints addressing concerns of foul odor. The utility responded to both complaints and was able to resolve one of the complaints by visiting the customer in person and flushing her lines of stagnant water. The other customer was not receptive and denied further assistance from the utility. The Commission received one additional consumer correspondence filed in the docket addressing concerns of foul odor and gray water. Staff responded to the consumer correspondence and provided information on the Commission's practice and rate case process.

DEP received one complaint on September 14, 2014, for foul odor and black particles. DEP investigated and found that there was no chlorine residual at the customer's house and chlorine was low at the treatment plant. The operator made a repair to the chlorine injection pumps and the system was flushed to restore residual and help with any sediment in the mains. DEP conducted a sanitary survey on August 14, 2018, and determined the system to be substantially in compliance with DEP's rules and regulations.

As previously discussed, CHC has provided the necessary information to comply with Rule 25-30.445(4)(o), F.A.C. Based on review of the information provided by the utility, as well as supplemental information gathered throughout the course of this docket, staff does not believe any actions need to be taken with respect to secondary standards. In addition, staff further notes the overall quality of service for CHC's water system was considered satisfactory in the utility's last rate case in 2014.

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Incremental Rate Base

The utility requested that costs related to replacing water meters across its system be included in rate base as part of this proceeding. CHC requested a rate base increase of \$232,600 to recover the cost associated with the plant additions. The appropriate plant additions and retirements, as well as corresponding adjustments to accumulated depreciation, depreciation expense, and taxes other than income (TOTI) are discussed below. Staff's recommended additions to plant are supported by invoices for the completed work. In addition, as a result of recommended changes to operating expense, the utility's working capital allowance should also be updated.

Plant Additions and Retirements

In its application, CHC stated that the existing meters are original to the system, which was constructed in the 1980s, and are likely not capturing all water usage. The utility stated that it planned to replace all of the existing meters with automatic meter reading (AMR) meters. The utility affirmed that AMR meters have been installed at Four Lakes Golf Club, Ltd. and S.V. Utilities, Ltd., which are under the same ownership as CHC.² In order to utilize existing meter reading equipment, the utility sought to purchase the same meters for the CHC system that were installed at the other two systems. The utility was unable to locate multiple vendors in the area that offered the same meters; therefore, only one quote was obtained for the project.

A quote for 894 AMR meters at a cost of \$185 per residential meter with a higher cost for larger general service meters was provided. The total cost for all AMR meters was \$209,131, which also included the costs for installation and replacement parts. As of October 17, 2019, 700 meters have been installed, and all meters are expected to be installed by the end of October. The utility proposed \$16,535 in retirements related to the meters and meter installations based on the cost reflected in the utility's books. Staff verified the amount in the utility's 2018 Annual Report and agrees with the adjustment.

The utility provided an invoice for the existing meter reading equipment that will be utilized for all of the systems under the same ownership as CHC that use AMR meters. The total cost of the meter reading equipment was allocated to each system based on the total number of lots being read by the equipment. For CHC, an amount of \$8,341 or 36 percent was allocated to the system. There were no retirements associated with the meter reading equipment system since those are new additions to the system and not replacements.

Additionally, the utility provided a quote for 225 shut-off valves totaling \$18,429, which will be installed on an as needed basis. Therefore, the total cost for the meter replacement project is \$235,901. This includes the costs of the meters, meter installations, allocation of the meter reading equipment, and shut-off valves. There were no retirements related to the curb stops (shut-off valves) were made because the Commission previously disallowed the inclusion of the cost due to lack of support. Therefore, costs associated with the curb stops are not reflected in the utility's books.

Based on Commission approval of a similar meter replacement project for Four Lakes Golf Club, Ltd., staff believes the costs presented by CHC are reasonable and recommends approval of the utility's meter replacement project. Staff's recommended plant additions and retirements are summarized in Table 1-1.

²Order No. PSC-2017-0459-PAA-WS, issued November 30, 2017, in Docket No. 20160176-WS, *In re: Application for staff-assisted rate case in Polk County by Four Lakes Golf Club, Ltd.*

Table 1-1
Summary of Requested Plant Additions

Project	Plant Additions	Retirements
Water Meter Replacement	\$209,131	(\$16,535)
Meter Reading Equipment	8,341	0
Shut-Off Valves	<u>18,429</u>	<u>0</u>
Total	<u>\$235,901</u>	<u>(\$16,535)</u>

Source: Utility's Filing and staff calculations.

Based on the plant additions described above, staff believes corresponding adjustments should also be made to accumulated depreciation, depreciation expense, and TOTI. These adjustments are discussed elsewhere in this issue.

Accumulated Depreciation

CHC requested accumulated depreciation of \$12,882 for plant additions. Staff calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. As a result, staff increased accumulated depreciation by \$2,677 to account for the plant additions and retirements recommended above. Accordingly, staff recommends an increase to accumulated depreciation of \$15,559 (\$12,882 + \$2,677).

Working Capital Allowance

Working capital is defined as the short-term, investor-supplied funds that are necessary to meet operating expenses of the utility. Consistent with Rule 25-30.433(3), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Staff is recommending an adjustment to O&M expense resulting in a decrease to O&M expenses of \$6,624. This adjustment is discussed in the "Operating Expense" section of this recommendation. Staff also removed the unamortized balance of rate case expense pursuant to Section 367.081(9), F.S.³ Applying this formula, staff recommends a decrease to the working capital allowance of \$828.

Rate Base Summary

Based on the foregoing, staff recommends a rate base increase of \$234,097. Staff's rate base calculations are shown on Schedule No. 1.

Rate of Return

CHC consists of two mobile home parks, a golf course, and the utility. The utility does not have a separate capital structure. Rule 25-30.445(4)(e), F.A.C., requires that the weighted average cost of capital be calculated based on the most recent 12-month period and include all of the appropriate capital structure components. In its filing, CHC provided a weighted average cost of capital (rate of return) of 4.18 percent, based on a capital structure consisting of 100 percent debt using the most recent 12-month period ended December 31, 2018.

³Section 367.081(9), F.S., states, "A utility may not earn a return on the unamortized balance of the rate case expense. Any unamortized balance of rate case expense shall be excluded in calculating the utility's rate base." Therefore, staff excluded rate case expense from the working capital calculations.

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CHC's capital structure consists of long-term debt of \$41,562,940 and negative common equity of \$15,443,740. The utility does not have customer deposits. Consistent with prior Commission orders and the utility's last rate case, staff set the common equity balance at zero.⁴ Staff used the Commission-approved 11.16 percent return on equity from the utility's last rate case, with a range of 10.16 percent to 12.16 percent.⁵ Based on a capital structure of 100 percent debt, the appropriate overall rate of return is 4.18 percent.

Operating Expenses

In its petition, CHC requested an increase to operating expenses of \$17,632. The components for the operating expenses were Depreciation Expense, Regulatory Commission Expense, Meter Reading Expense, and Regulatory Assessment Fees (RAF). While TOTI was not part of the utility's calculation, staff has included a TOTI adjustment in its calculation of operating expenses to reflect the increase in property taxes based on staff's recommended plant additions.

Depreciation Expense

In its filing, the utility requested an increase in Depreciation Expense of \$13,640, which impacted three accounts (331, 334, and 340). The utility originally listed the meter reading equipment in Account 340 – Office Furniture and Equipment, but staff believes it is more appropriate to include it in Account 334 – Meters and Meter Installations. This results in a change in the depreciation rate from 16.67 percent to 5.88 percent. Staff calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. Based on staff's recommended increase in rate base, staff recommends depreciation expense of \$12,305. This results in a reduction of \$1,335 (\$13,640 - \$12,305).

Regulatory Commission Expense

In its filing, the utility initially requested \$37,750 in rate case expense, with an annual amortization expense of \$9,438.⁶ This included \$35,200 for legal fees and costs associated with legal services, \$1,000 for the filing fee, \$800 for noticing, and \$750 for travel. In response to a staff data request, the utility provided updated rate case expense showing actual rate case expense and an estimate of expenses through completion of the docket.⁷ The update reflected actual expenses of \$4,128 for legal fees, associated costs, and filing fees through August 15, 2019, with an additional \$12,068 in estimated rate case expense.

Pursuant to Section 367.081(7), F.S., the Commission shall determine the reasonableness of rate case expenses and shall disallow all rate case expenses determined to be unreasonable. Staff has examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current case. Based on its review, staff believes several adjustments to the utility's proposed rate case expense are necessary.

⁴Order No. PSC-14-0196-PAA-WS, issued May 1, 2014, in Docket No. 20130201-WS, *In re: Application for staff-assisted rate case in Polk County by CHC VII, Inc.*; Order No. PSC-2018-0591-PAA-WS, issued December 19, 2018, in Docket No. 20180063-WS, *In re: Application for limited proceeding rate increase in Polk County by Orchid Springs Development Corporation*; and Order No. PSC-08-0652-PAA-WS, issued October 6, 2008, in Docket No. 20070722-WS, *In re: Application for staff-assisted rate case in Palm Beach County by W.P. Utilities, Inc.*

⁵Order No. PSC-14-0196-PAA-WS, p.8.

⁶Document No. 04606-2019.

⁷Document No. 08865-2019, filed on September 18, 2019.

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The first adjustment relates to the utility's legal fees. CHC included \$14,408 in legal fees and associated costs to complete this limited proceeding. The utility provided invoices from Dean Mead Attorneys at Law (Dean Mead) through August 15, 2019, showing actual expenses associated with the rate case totaling \$4,128, and estimated an additional \$10,260 to complete the case. These amounts included 6.2 hours of actual time and 27 hours of time to complete the limited proceeding.

Staff reduced actual expense by \$152 (0.4 hrs. x \$380/hr.) to remove the attorney's time related to work on a deficiency, per Commission practice. Staff made no additional adjustments to actual expense. Staff notes the actual amount included the appropriate \$1,750 filing fee.⁸ Staff also made an adjustment to Dean Mead's estimate to complete the case, which included 7 hours to "Travel to and from Haines City for Customer Meeting and meet with staff, and with client." Staff notes that the Dean Mead offices are located in downtown Orlando and the customer meeting was held in Haines City, approximately 40 miles away. In addition, the customer meeting only lasted 20 minutes. As such, staff believes that 3.5 hours is appropriate for the customer meeting. This represents an hour of travel time each way, half an hour for the customer meeting, and an hour to meet with the client. Accordingly, staff believes that 3.5 hours, or \$1,330 (3.5 hrs. x \$380/hr.) should be removed from the estimate to complete the case. As such, staff recommends 23.5 hours (27 hours – 3.5 hours) total for the attorney's estimate to complete the case. Accordingly, staff believes that the appropriate amount of legal fees is \$12,926, for a total reduction of \$1,482 (\$152 + \$1,330).

The next adjustment relates to the utility's noticing costs. The utility requested \$800 for costs associated with copying and mailing the required notices. The utility is required by Rule 25-30.446, F.A.C., to provide notices of the customer meeting and notices of final rates in this case to its customers. Staff is also recommending that the utility be required to provide notice of the four-year rate reduction to its customers when the rates are reduced to remove the amortized rate case expense. For noticing, staff calculated \$1,470 for postage expense, \$624 for printing expense, and \$134 for envelopes. This results in \$2,228 (\$1,470 + \$624 + \$134) for the noticing requirement.

Staff's final adjustment relates to travel expense. The utility requested \$750 for travel expense for one utility employee to attend the customer meeting and the Commission Conference. This amount included \$200 for hotel, \$400 for auto related expense, and \$150 for meals. In response to a staff data request, travel expense was estimated at \$658, but no supporting documentation was provided. Absent support documentation, staff estimated hotel cost of \$125 for one night for one utility representative to attend the Commission Conference. Staff estimated auto expense of \$306 based on the IRS 2019 standard mileage rate and the Florida Department of Transportation's mileage calculator for travel from the utility's offices in Lakeland to Haines City to attend the customer meeting, and from the utility's offices in Lakeland to Tallahassee to attend the Commission Conference.⁹ For utility travel to the Commission Conference, staff used the \$36 per day meal allowance that State of Florida employees receive when traveling. As such,

⁸The utility's initial filing reflected a \$1,000 filing fee. Later, staff notified the utility that the actual filing was \$1,750. The utility paid the additional \$750 on June 27, 2019. The total filing fee of \$1,750 is reflected in staff's rate case expense calculation.

⁹Round-trip mileage from Lakeland to Haines City totaled 42 miles, and Lakeland to Tallahassee totaled 486 miles. The IRS standard mileage rate is \$0.58 per mile for 2019.

staff believes that \$72 (\$36/day x 2 days) for meals is appropriate. Consistent with the discussion above, staff recommends travel expense of \$503 (\$125 + \$306 + \$72).

Based on the above, staff recommends that the total rate case expense is \$15,657, which amortized over four years results in regulatory commission expense of \$3,914 ($\$15,657 \div 4$) for water. These costs and staff's adjustments are summarized below in Table 1-2.

Table 1-2
Appropriate Rate Case Expense

Expense	Utility (As filed)	Adjustments	Staff Rec. RCE
Legal Services & Fees (Dean Mead)	\$36,200	(\$23,274)	\$12,926
Noticing Costs	800	1,428	2,228
Travel	<u>750</u>	<u>(247)</u>	<u>503</u>
Total	<u>\$37,750</u>	<u>(\$22,093)</u>	<u>\$15,657</u>
Four-year amortization of Rate Case Expense:	<u>\$9,438</u>	<u>(\$5,524)</u>	<u>\$3,914</u>

Source: Utility's filing and response to staff data request, and staff calculations.

Meter Reading Expense

In its filing, the utility reflected a reduction in Salary Expense of \$6,624. This is a result of the elimination of the meter reader position previously used by the utility. The calculation of this amount is shown below in Table 1-3.

Table 1-3
Reduction to Meter Reading Expense

Hours reading meters annualized (42 hrs. per month)	480
Employee cost per hour (gross pay plus payroll taxes, benefits, fees)	<u>\$13.80</u>
Total salary & benefits for meter reading	<u>\$6,624</u>

Source: Document No. 04606-2019.

Taxes Other Than Income

Staff calculated the increase in property taxes based on the recommended plant additions. Because the 2019 millage rates for Polk County have not been finalized at this time, staff used the 2018 millage rate. Consistent with Commission practice, staff used the four percent discount that is available to the utility for early payment of its property taxes. Staff recommends an increase in property taxes of \$2,981.

Based on staff's recommendations above, staff is recommending an increase to expenses before RAFs of \$12,576. These calculations are shown below in Table 1-4.

Table 1-4
Expenses Before RAFs

	Per Utility	Adjustments	Staff Recommended
Depreciation Expense	\$13,640	(\$1,335)	\$12,305
Rate Case Expense	9,438	(5,524)	3,914
Meter Reading Expense	(6,624)	0	(6,624)
TOTI	<u>0</u>	<u>2,981</u>	<u>2,981</u>
Total Increase in Operating Expense	<u>\$16,454</u>	<u>(\$3,878)</u>	<u>\$12,576</u>

Source: Utility's application, staff calculations.

Regulatory Assessment Fees

Based on the above, staff is recommending a revenue increase before RAFs of \$22,361. Therefore, staff recommends that RAFs should be increased by \$1,006 (\$22,361 x 4.5 percent).

Operating Expenses Summary

Based on the above, staff is recommending an incremental increase to Operating Expenses of \$13,582 (\$12,576 + \$1,006). Staff's calculations are shown on Schedule No. 1.

Conclusion

Based on the above, staff recommends a revenue requirement increase of \$23,368. This represents an increase of 20.82 percent. The utility requested a revenue requirement increase of \$27,355, or 24.37 percent. Staff's revenue requirement calculations are shown on Schedule No. 1.

Date: October 24, 2019

Issue 2: What are the appropriate water rates for CHC?

Recommendation: The recommended monthly water rates are shown on Schedule No. 2. The recommended rates should be designed to produce additional revenues of \$23,368 (20.82 percent increase). The percent increase should be applied as an across-the-board increase to the existing rates. 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 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 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. (Ramos)

Staff Analysis: Staff recommends that service rates for CHC be designed to allow the utility the opportunity to generate annual service revenues of \$135,631 for water. The annualized service revenues before the rate increase are \$112,263. This results in a 20.82 percent increase for the utility's water service revenues. The corresponding percentage increase should be applied as an across-the-board increase to the existing water rates.

Based on the above, the recommended monthly water rates are shown on Schedule No. 2. The recommended rates should be designed to produce additional revenues of \$23,368 (20.82 percent increase). The percent increase should be applied as an across-the-board increase to the existing rates. 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 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 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

Date: October 24, 2019

Issue 3: What is the appropriate amount by which rates should be reduced in four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.081(8), F.S.?

Recommendation: The water rates should be reduced, as shown on Schedule No. 2, to remove rate case expense grossed-up for RAFs and amortized over a 4-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 367.081(8), F.S. CHC 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. (D. Brown, T. Brown, Ramos)

Staff Analysis: Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the 4-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. This results in a reduction of \$4,099.

The water rates should be reduced, as shown on Schedule No. 2, to remove rate case expense grossed-up for RAFs and amortized over a 4-year period. The decrease in rates should become effective immediately following the expiration of the 4-year rate case expense recovery period, pursuant to Section 367.081(8), F.S. CHC 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.

Date: October 24, 2019

Issue 4: Should the recommended rates be approved for CHC on a temporary basis, subject to refund, in the event of a protest filed by a substantially affected person or party?

Recommendation: Yes. The recommended rates should be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a substantially affected person or party. 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 temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the utility should file reports with the Commission Clerk's office no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (D. Brown, T. Brown)

Staff Analysis: This recommendation proposes an increase in rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the utility, staff recommends that the recommended rates be approved as temporary rates. 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 temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. The recommended rates collected by the utility should be subject to the refund provisions discussed below.

The utility should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$15,797. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond should contain wording to the effect that it will be terminated only under the following conditions:

1. The Commission approves the rate increase; or,
2. If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as a security, it should contain the following conditions:

1. The letter of credit is irrevocable for the period it is in effect.
2. The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

Date: October 24, 2019

If security is provided through an escrow agreement, the following conditions should be part of the agreement:

1. The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement.
2. No monies in the escrow account may be withdrawn by the utility without the prior written authorization of the Commission Clerk, or his or her designee.
3. The escrow account shall be an interest bearing account.
4. If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
5. If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
6. All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
7. The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
8. This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to *Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
9. The account must specify by whom and on whose behalf such monies were paid.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase should be maintained by the utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the utility should file reports with the Office of Commission Clerk no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Date: October 24, 2019

Issue 5: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, 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. (Murphy)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order 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.

CHC VII, LTD.		SCHEDULE NO. 1	
DOCKET NO. 20190121-WS			
Water Revenue Requirement			
	<u>Per Utility</u>	<u>Adjustment</u>	<u>Staff Recommended</u>
UPIS	\$235,901	\$0	\$235,901
Retirements	(16,535)	0	(16,535)
Less: Accumulated Depreciation	12,882	2,677	15,559
Working Capital	<u>352</u>	<u>(1,180)</u>	<u>(828)</u>
Total Increase in Rate Base	<u>\$232,600</u>	<u>\$1,497</u>	<u>\$234,097</u>
Weighted Cost of Capital	4.18%		4.18%
Return on Rate Base	<u>\$9,723</u>		<u>\$9,785</u>
Depreciation Expense	\$13,640	(\$1,335)	\$12,305
Rate Case Expense	9,438	(5,524)	3,914
Meter Reading Expense	(6,624)	0	(6,624)
TOTI	0	2,981	2,981
State Income Tax	0	0	0
Federal Income Tax	0	0	0
Regulatory Assessment Fees	<u>1,178</u>	<u>(172)</u>	<u>1,006</u>
Total Operating Expenses	<u>\$17,632</u>	<u>(\$4,050)</u>	<u>\$13,582</u>
Total Revenue Increase Requested/Recommended	<u>\$27,355</u>		<u>\$23,368</u>
Annualized Revenue	\$112,263		\$112,263
Percentage Increase	24.37%		20.82%
Note (1): Limited Partnership is not subject to State Income Tax.			
Note (2): Limited partnership not taxed directly by IRS; passed through to partners.			

CHC VII, Ltd. MONTHLY WATER RATES		SCHEDULE NO. 2 DOCKET NO. 20190121-WS	
	UTILITY CURRENT RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" X 3/4"	\$4.55	\$5.50	\$0.17
3/4"	\$6.83	\$8.25	\$0.26
1"	\$11.38	\$13.75	\$0.43
1-1/4"	\$18.20	\$22.00	\$0.68
1-1/2"	\$22.75	\$27.50	\$0.85
2"	\$36.40	\$44.00	\$1.36
3"	\$72.80	\$88.00	\$2.72
4"	\$113.75	\$137.50	\$4.25
6"	\$227.50	\$275.00	\$8.50
8"	\$364.00	\$440.00	\$13.60
<u>Irrigation Service</u>			
All Meter Sizes	\$4.55	\$5.50	\$0.17
Charge per 1,000 gallons- Residential Service			
0-5,000 gallons	\$1.14	\$1.38	\$0.04
Over 5,000 gallons	\$1.51	\$1.82	\$0.05
Charge per 1,000 gallons- General and Irrigation Service			
	\$1.24	\$1.50	\$0.05
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$7.97	\$9.64	
5,000 Gallons	\$10.25	\$12.40	
8,000 Gallons	\$14.78	\$17.86	