

MINUTES OF June 19, 2012
COMMISSION CONFERENCE
COMMENCED: 9:31
ADJOURNED: 10:43

COMMISSIONERS PARTICIPATING: Chairman Brisé
Commissioner Edgar
Commissioner Graham
Commissioner Balbis
Commissioner Brown

Parties were allowed to address the Commission on items designated by double asterisks (**).

- 1 **Approval of Minutes**
 March 27, 2012 Regular Commission Conference
 April 10, 2012 Regular Commission Conference
 May 8, 2012 Regular Commission Conference

DECISION: The minutes were approved.

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

ITEM NO.

CASE

2**

Consent Agenda

PAA

- A) Request for cancellation of Certificate of Necessity No. 8044 by VBNet, Incorporated, effective December 31, 2011.
Request for cancellation of Certificate of Necessity No. 8467 by New Talk, Inc., effective February 15, 2012.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>EFFECTIVE DATE</u>
120151-TX	VBNet, Incorporated	12/31/2011
120159-TX	New Talk, Inc.	02/15/2012

PAA

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

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
120077-TX	Semnac Technologies, LLC

Recommendation: The Commission should approve the action requested in the dockets referenced above and close these dockets.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

3**PAA

Docket No. 120084-WS – Application of Utilities, Inc. for authority to transfer majority organizational control of Hydro Star, LLC to Corix Utilities (Illinois), LLC.

Critical Date(s): Pursuant to Section 120.542(8), F.S., the Commission must grant or deny a waiver by July 12, 2012.

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: GCL: Jaeger

ECR: Brady

(Rule Waiver - Proposed Agency Action for Issue 1.)

Issue 1: Should the Commission grant Utilities, Inc.'s Petition for Variance or Waiver of Rules 25-30.030(4)(c), (5), (6), and (7), and 25-30.037(3)(i), (j), and (k), Florida Administrative Code (F.A.C.)?

Recommendation: The Commission should grant Utilities, Inc.'s Petition for Waiver of Rules 25-30.030(4)(c) and 25-30.037(3)(i) and (k), F.A.C. If the Commission approves waiver of Rule 25-30.030(4)(c), F.A.C., which requires a full legal description, a waiver of Rules 25-30.030(5), (6), and (7), F.A.C., is moot and is not required. The Utility's request for waiver of Rule 25-30.037(3)(j), F.A.C., should be granted as to all tariff sheets, except for Tariff Sheet 3.0.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open pending the Commission's decision on the substantive aspects of the application.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

4**

Docket No. 120054-EM – Complaint of Robert D. Reynolds and Julianne C. Reynolds against Utility Board of the City of Key West, Florida d/b/a Keys Energy Services regarding extending commercial electrical transmission lines to each property owner of No Name Key, Florida.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Balbis

Staff: GCL: Brown, Harris

ECR: Rieger

(Motion to Dismiss – Oral Argument Requested.)

Issue 1: Should the Commission entertain oral argument on Keys Energy’s Motion to Dismiss?

Recommendation: Yes. The Commission should entertain oral argument on the motion to dismiss.

Issue 2: Should the Commission deny the Motion to Dismiss?

Recommendation: Yes. The Commission should deny the Motion to Dismiss. The Reynolds’ complaint adequately states a cause of action upon which relief can be granted. The Commission should treat Keys Energy’s pleading as a response and affirmative defense, to be addressed in the context of full consideration of the complaint.

Issue 3: Should this docket be closed?

Recommendation: If the Commission denies the motion to dismiss in Issue 2, the docket should remain open to address the complaint. If the Commission grants the motion to dismiss in Issue 2, the docket should be closed.

DECISION: Item 4 was withdrawn.

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

ITEM NO.

CASE

5**

Docket No. 110138-EI – Petition for increase in rates by Gulf Power Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: GCL: Klancke, Barrera, Young

ECR: Slemkewicz, Breman, Gardner

(Decision on Motion for Reconsideration - Oral Argument Requested on Gulf Power Company's Motion - Participation dependent upon Commissioners' vote on Issue 1.)

Issue 1: Should the Commission grant Gulf Power Company's Request for Oral Argument?

Recommendation: No. The Commission should deny Gulf Power Company's request for oral argument on its motion for reconsideration. The issues are thoroughly addressed in the parties' pleadings and it does not appear oral argument would not aid the Commission in its decision.

DECISION: The Commissioners voted to deny staff's recommendation and oral argument was granted.

Issue 2: Should the Commission grant Gulf Power Company's Motion for Reconsideration of Order No. PSC-12-0179-FOF-EI?

Recommendation: No. The Commission should deny the Motion for Reconsideration. Gulf Power Company has failed to identify a point of fact or law that was overlooked or which the Commission failed to consider in Order No PSC-12-0179-FOF-EI.

DECISION: The recommendation was deferred to the July 17, 2012 Commission Conference.

Issue 3: Should this docket be closed?

Recommendation: Yes. This docket should be closed upon the expiration of the time for appeal.

DECISION: Due to the vote on Issue 2, staff's recommendation is moot.

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

ITEM NO.

CASE

6**

Docket No. 120074-EI – Petition for approval of revisions to standard offer contract and rate schedules COG-1 and COG-2, by Tampa Electric Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: RAD: S. Brown

GCL: Robinson

Issue 1: Should the Commission approve the standard offer contract filed by Tampa Electric Company?

Recommendation: Yes. The standard offer contract and related tariffs comply with Rules 25-17.200 through 25-17.310, F.A.C., and should be approved.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendation to approve the proposed standard offer contract and tariff filed by TECO, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 120074-EI should be closed upon issuance of a consummating order, and the standard offer contract and tariff filed by TECO should be effective as of the date of the Commission's vote. If a protest is filed within 21 days of the issuance of the Commission's Order, the tariff should remain in effect pending resolution of the protest. Potential signatories to the standard offer contract should be aware that TECO's tariff and standard offer contract may be subject to a request for hearing, and if a hearing is held, may subsequently be revised.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

7**

Docket No. 120072-EQ – Petition for approval of renewable energy tariff and standard offer contract, by Florida Power & Light Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: RAD: Graves

GCL: Robinson

Issue 1: Should the Commission approve the standard offer contract and the associated renewable energy tariff filed by Florida Power & Light Company?

Recommendation: Yes. The revised standard offer contract and related tariffs filed on April 2, 2012, comply with Rules 25-17.200 through 25-17.310, F.A.C.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendation to approve the proposed standard offer contract and related tariffs submitted by FPL, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 120072-EQ should be closed, and the standard offer contracts and related tariffs submitted by FPL should be effective as of the date of the Commission's vote. If a protest is filed within 21 days of the issuance of the Commission's Order, the tariffs should remain in effect pending resolution of the protest. Potential signatories to the standard offer contract should be aware that FPL's tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may be subsequently revised.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

8**

Docket No. 120071-EQ – Petition for approval of new standard offer for purchase of firm capacity and energy from renewable energy facilities or small qualifying facilities and approval of revised tariff schedule REF-1, by Gulf Power Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: RAD: Ellis

GCL: Robinson

Issue 1: Should the Commission approve the standard offer contract filed by Gulf Power Company?

Recommendation: Yes. The proposed standard offer contract and related tariffs submitted by Gulf conform to all requirements of Rules 25-17.200 through 25-17.310, F.A.C.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendation to approve the proposed standard offer contract and related tariff submitted by Gulf, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 120071-EQ should be closed, and the standard offer contracts and related tariff submitted by Gulf should be effective as of the date of the Commission's vote. If a protest is filed within 21 days of the issuance of the Commission's Order, the tariff should remain in effect pending resolution of the protest. Potential signatories to the standard offer contract should be aware that Gulf's tariff and standard offer contract may be subject to a request for hearing, and if a hearing is held, may be subsequently revised.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

9**

Docket No. 120069-EQ – Petition for approval of revisions to renewable energy tariff, by Florida Public Utilities Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: RAD: Ma

GCL: Robinson

Issue 1: Should the Commission approve the standard offer renewable energy tariff filed by Florida Public Utility Company be approved?

Recommendation: Yes. The standard offer renewable energy tariffs comply with Rules 25-17.200 through 25-17.310, F.A.C.

Issue 2: Should this docket be closed?

Recommendation: If the Commission approves staff's recommendation to approve the proposed standard offer contract and tariffs filed by FPUC, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 120069-EQ should be closed upon issuance of a Consummating Order, and the standard offer contracts and tariffs filed by FPUC should be effective as of the date of the Commission's vote. If a protest is filed within 21 days of the issuance of the Commission's Order, the tariffs should remain in effect pending resolution of the protest. Potential signatories to the standard offer contract should be aware that approval of FPUC's tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

10**

Docket No. 120067-EI – Petition for approval of amended standard offer contract, by Progress Energy Florida, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: RAD: Matthews

GCL: Murphy

Issue 1: Should the Commission approve the revised standard offer contract filed by Progress Energy Florida, Inc.?

Recommendation: Yes. The standard offer contract and related tariffs comply with Rules 25-17.200 through 25-17.310, F.A.C.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendation to approve the proposed standard offer contract and tariffs filed by PEF, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 120067-EI should be closed upon issuance of a Consummating Order, and the standard offer contracts and tariffs filed by PEF should be effective as of the date of the Commission's vote. If a protest is filed within 21 days of the issuance of the Commission's Order, the tariffs should remain in effect pending resolution of the protest. Potential signatories to the standard offer contract should be aware that approval of PEF's tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, PEF's tariffs and standard offer contracts may subsequently be revised.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

11**

Docket No. 120001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Balbis

Staff: ECR: Barrett, Draper, M. Watts

GCL: Barrera

Issue 1: Should the Commission approve Gulf’s petition for a mid-course reduction to its 2012 fuel cost recovery factors?

Recommendation: Yes. Staff recommends the Commission approve Gulf’s petition for mid-course reduction to its 2012 Fuel Cost Recovery Factors. The revised fuel factors should become effective with the July 2012 billing cycle. The recommended fuel factors are presented in Attachment A of staff’s memorandum dated June 7, 2012.

Issue 2: Should this docket be closed?

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

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

12**

Docket No. 110293-EI – Petition for approval of revised underground residential distribution tariffs, by Progress Energy Florida, Inc.

Critical Date(s): 8-Month Effective Date Waived by Company

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECR: Draper

GCL: Barrera

Issue 1: Should the Commission approve PEF's proposed underground residential distribution (URD) tariffs and associated charges?

Recommendation: Yes, the proposed URD tariffs and associated charges should be approved.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, this tariff should become effective on June 19, 2012. If a protest is filed within 21 days of the issuance of the order, this 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.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

13**PAA

Docket No. 120081-GU – Petition for waiver of requirement of Rule 25-7.045(8)(a), F.A.C., to file depreciation study within five years from date of filing previous study, and for authorization to file next depreciation study by August 17, 2012, by Florida Division of Chesapeake Utilities Corporation.

Critical Date(s): 07/11/12 (Petition Deemed Approved If Not Granted or Denied Within 90 Days of Receipt)

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECR: Ollila

GCL: Klancke

Issue 1: Should the Florida Division of Chesapeake Utilities Corporation's request for a waiver of Rule 25-7.045(8)(a), Florida Administrative Code, be granted?

Recommendation: Yes. The Commission should grant the Florida Division of Chesapeake Utilities Corporation's waiver request for an extension of time to file its depreciation study no later than August 17, 2012. The petition satisfies the statutory criteria for a rule waiver.

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.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

14**PAA

Docket No. 120076-SU – Investigation of rates of Mid-County Services, Inc. in Pinellas County for possible overearnings.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECR: Wright, Fletcher, Maurey

GCL: Lawson

(Proposed Agency Action Except for Issue Nos. 11 and 12.)

Issue 1: Should the audit adjustments to rate base and net operating income, to which the Utility agrees, be made?

Recommendation: Yes. Based on audit adjustments agreed to by the Utility and staff, the following adjustments to rate base and net operating income, as set forth in Table 1-1 of the analysis portion of staff's memorandum dated June 7, 2012.

DECISION: The recommendation was approved.

Issue 2: Should any adjustment be made to the Utility's Phoenix Project Financial/Customer Care Billing System (Phoenix Project)?

Recommendation: Yes. Plant should be reduced by \$29,871. In addition, accumulated depreciation should be reduced by \$4,479 and depreciation expense should be decreased by \$11,885.

DECISION: The recommendation was modified, as discussed at the Commission conference and the Phoenix Project will be addressed as a separate issue in a separate docket, consistent with the decision of the Eagle Ridge docket (Docket No. 110153-SU), Item No. 22.

Issue 3: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$141,681.

Issue 4: What is the appropriate rate base for the year ended December 31, 2010?

Recommendation: Consistent with other recommended adjustments, the appropriate rate base for Mid-County is \$3,245,368.

DECISION: The recommendation was approved.

ITEM NO.

CASE

14**PAA

Docket No. 120076-SU – Investigation of rates of Mid-County Services, Inc. in Pinellas County for possible overearnings.

(Continued from previous page)

Issue 5: What is the appropriate return on equity?

Recommendation: The appropriate return on equity is 10.60 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

DECISION: The recommendation was approved.

Issue 6: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the year ended December 31, 2010.

Recommendation: The appropriate weighted average cost of capital for the year ended December 31, 2010, is 8.33 percent.

DECISION: The recommendation was approved.

Issue 7: What is the appropriate amount of regulatory commission expense related to this earnings investigation of Mid-County?

Recommendation: Regulatory commission expense of \$6,400 should be allowed for the Mid-County wastewater system. To reflect the 4-year amortization, the O&M expenses of Mid-County should be increased by \$1,600.

DECISION: The recommendation was approved.

ITEM NO.

CASE

14**PAA

Docket No. 120076-SU – Investigation of rates of Mid-County Services, Inc. in Pinellas County for possible overearnings.

(Continued from previous page)

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$1,716,866.

DECISION: The recommendation was approved.

Issue 9: In determining whether any refund is appropriate, how should the refund be calculated and what is the amount of the refund, if any, for 2010?

Recommendation: The adjusted final 2010 revenue requirement should be compared with the 2010 operating revenues to determine if a refund is necessary. Based on staff's analysis of Mid-County, the Utility should refund 13.63 percent, which is equal to the amount collected subject to refund, pursuant to Section 367.082(4), F.S. Pursuant to Rule 25-30.360(3), F.A.C., the refund should be made to the customers of record as of the date the PAA Order is final and made on the basis of usage. Mid-County should apply the 13.63 percentage to the monthly revenues from August 16, 2011 until the effective date of the new rates. The refund should be with interest in accordance with Rule 25-30.360(4), F.A.C. Mid-County should provide refund reports in accordance with Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refund as CIAC in accordance with Rule 25-30.360(8), F.A.C.

DECISION: The recommendation was approved.

ITEM NO.

CASE

14**PAA

Docket No. 120076-SU – Investigation of rates of Mid-County Services, Inc. in Pinellas County for possible overearnings.

(Continued from previous page)

Issue 10: Are the present rates for Mid-County appropriate on a going-forward basis?
Recommendation: No. The rates for Mid-County should be decreased across-the-board by 14.35 percent. The Utility should file revised tariff sheets and a proposed customer notice reflecting the appropriate rates and the reason for the reduction within 15 days of the date that the Order is final. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475(1), F.A.C., after staff has verified that the proposed customer notice is adequate and this notice has been provided to the customer. The Utility should provide proof that the customers have received notice within 10 days after the date of the notice.

DECISION: The recommendation was approved.

Issue 11: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense?

Recommendation: The rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated June 7, 2012, to remove \$1,955 for rate case expense, grossed up for Regulatory Assessment Fees (RAFs), which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility should be required to file revised 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.

DECISION: The recommendation was approved.

ITEM NO.

CASE

14**PAA

Docket No. 120076-SU – Investigation of rates of Mid-County Services, Inc. in Pinellas County for possible overearnings.

(Continued from previous page)

Issue 12: Should the Utility be required to provide proof that it has adjusted its books for all Commission-approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission’s decision, Mid-County should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts primary accounts have been made.

DECISION: The recommendation was approved.

Issue 13: Should this docket be closed?

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

DECISION: The recommendation was approved.

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

ITEM NO.

CASE

15**PAA

Docket No. 120006-WS – 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.

Critical Date(s): 12/31/2012 - Pursuant to Section 367.081 (4)(f), F.S.

Commissioners Assigned: All Commissioners

Prehearing Officer: Balbis

Staff: ECR: Buys, Cicchetti

GCL: Jaeger

Issue 1: What is the appropriate range of returns on common equity for water and wastewater (WAW) utilities, pursuant to Section 367.081(4)(f), Florida Statutes?

Recommendation: Staff recommends that the current 2011 leverage formula authorized by the Commission in Order No. PSC-11-0287-PAA-WS continue to be used until the leverage formula is readdressed in 2013. Accordingly, staff recommends the following leverage formula:

$$\text{Return on Common Equity} = 7.13\% + 1.610/\text{Equity Ratio}$$

Where the Equity Ratio = Common Equity / (Common Equity + Preferred Equity + Long-Term and Short-Term Debt)

Range: 8.74% @ 100% equity to 11.16% @ 40% equity

Additionally, staff recommends that the Commission cap returns on common equity at 11.16 percent for all WAW utilities with equity ratios less than 40 percent. Staff believes that this will discourage imprudent financial risk. This cap is consistent with the methodology in Order No. PSC-08-0846-FOF-WS.

Issue 2: Should this docket be closed?

Recommendation: No. Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, the decision should become final and effective upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to monitor changes in capital market conditions and to readdress the reasonableness of the leverage formula as conditions warrant.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

16**

Docket No. 120104-WU – Notice of abandonment of water system in Lee County by Bayshore Utilities, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: ECR: McRoy, Hudson, Roberts, Trueblood

GCL: Barrera

Issue 1: Should the Commission acknowledge the abandonment of the utility system by Bayshore Utilities, Inc., and the appointment of Lee County as receiver, and cancel Certificate No. 129-W?

Recommendation: Yes, the Commission should acknowledge the abandonment of Bayshore, pursuant to Section 367.165, F.S., and appointment of Lee County as the receiver for the Utility. Certificate No. 129-W should be cancelled effective May 7, 2012.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendation in Issue 1, this docket should be closed because no further action is necessary.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

17**PAA

Docket No. 110022-WU – Application for certificate to operate water utility in Pasco County by HV Utility Systems, L.L.C.

Critical Date(s): 06/25/12 (Statutory Deadline for Original Certificates Pursuant to Section 367.031, Florida Statutes)

Commissioners Assigned: All Commissioners

Prehearing Officer: Brisé

Staff: ECR: Daniel, Mouring

GCL: Klancke

(Proposed Agency Action for Issues 2-3.)

Issue 1: Should the Commission grant HV Utility’s application for an original water certificate?

Recommendation: Yes. The Commission should grant HV Utility Certificate No. 659-W to serve the territory described in Attachment A, of staff’s memorandum dated June 7, 2012, effective the date of the Commission’s vote. The resultant order should serve as the Utility’s water certificate and should be retained by the Utility as such. Pursuant to Rule 25-30.033(1)(j), Florida Administrative Code (F.A.C.), HV Utility should submit an executed and recorded copy of the warranty deed within 30 days after the date of the order granting the certificate.

Issue 2: What are the appropriate initial water rates and return on investment for HV Utility?

Recommendation: The water rates, as shown on Schedule No. 1 of staff’s memorandum dated June 7, 2012, are reasonable and should be approved. HV Utility should be required to file a proposed customer notice to reflect the Commission-approved rates for the water system. The approved rates should be effective for services 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. The Utility should provide proof of the date notice was given no less than ten days after the date of the notice. HV Utility should be required to charge the approved rates until authorized to change them by the Commission in a subsequent proceeding. A return on equity of 10.85 percent plus or minus 100 basis points should also be approved.

ITEM NO.

CASE

17**PAA

Docket No. 110022-WU – Application for certificate to operate water utility in Pasco County by HV Utility Systems, L.L.C.

(Continued from previous page)

Issue 3: What are the appropriate miscellaneous service charges for HV Utility?

Recommendation: The appropriate miscellaneous service charges for HV Utility are those described in the analysis portion of staff’s memorandum dated June 7, 2012. HV Utility should be required to file a proposed customer notice to reflect the Commission-approved charges for the water system. The approved miscellaneous service charges should be effective for services rendered or connections made 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 charges should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days after the date of the notice. HV Utility should be required to collect the approved charges until authorized to change them by the Commission in a subsequent proceeding.

Issue 4: Should this docket be closed?

Recommendation: If no timely protest to the proposed agency action issues is filed with the Commission by a substantially affected person, a Consummating Order should be issued. However, the docket should remain open to allow HV Utility to file a proposed customer notice reflecting the Commission-approved water rates and charges and to provide proof of the date notice was given no less than ten days after the date of the notice.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

18**PAA

Docket No. 100048-WU – Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.

Critical Date(s): 5-Month Effective Date Waived Through June 19, 2012

Commissioners Assigned: All Commissioners

Prehearing Officer: Balbis

Staff: ECR: M. Brown, Fletcher, Daniel, Lingo, Maurey, McRoy, Stallcup
GCL: Jaeger

(Proposed Agency Action Except for Issue Nos. 20 & 21.)

Issue 1: Is the quality of service provided by Sunshine Utilities of Central Florida, Inc. satisfactory?

Recommendation: Yes. The overall quality of service provided by Sunshine is satisfactory.

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

Recommendation: Yes. Based on the audit adjustments agreed to by the Utility and staff, the following adjustments should be made to rate base and net operating income as set forth in the analysis portion of staff's memorandum dated June 7, 2012.

Issue 3: What are the used and useful percentages of the Utility's water systems?

Recommendation: The composite used and useful (U&U) percentage for the Unified water treatment plants (WTPs), as well as the Ponderosa Pines, Quail Run, and Sandy Acres WTPs should be considered 100 percent U&U. The composite U&U percentage for all of the Unified water distribution systems excluding the Ponderosa Pines, Quail Run, and Sandy Acres systems should be considered 83 percent U&U. The Ponderosa Pines distribution system should be considered 100 percent U&U, and the Quail Run and Sandy Acres distribution systems should each be considered 93 percent U&U. The resulting rate base adjustments are shown on Schedule No. 2-B of staff's memorandum dated June 7, 2012, and the depreciation expense and property tax adjustments are shown on Schedule No. 3-B.

Issue 4: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$107,683.

Issue 5: What is the appropriate rate base for the test year ended December 31, 2010?

Recommendation: Consistent with other recommended adjustments, the appropriate rate base for the test year ended December 31, 2010, is \$315,168.

Issue 6: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 9.13 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

ITEM NO.

CASE

18**PAA

Docket No. 100048-WU – Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.

(Continued from previous page)

Issue 7: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

Recommendation: Based on the resolution of the previous issues, the appropriate weighted average cost of capital, including the proper components, amounts, and cost rates associated with the capital structure, is 8.11 percent.

Issue 8: Should the Utility’s pro forma O&M expense adjustment be allowed?

Recommendation: No. Staff believes O&M expense should be reduced by \$9,769. The specific adjustments to each system are set forth in the analysis portion of staff’s memorandum dated June 7, 2012.

Issue 9: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$49,400. This expense should be recovered over four years for an annual expense of \$12,350. Therefore, annual rate case expense should be reduced by \$150.

Issue 10: Should any adjustments be made to salaries expense?

Recommendation: Yes. Staff believes Salaries and Wages – Officers expense should be increased by \$8,597. Accordingly, a corresponding adjustment should be made to increase benefits and payroll taxes by \$1,132 and \$658, respectively. The specific adjustments to each system are set forth in the analysis portion of staff’s memorandum dated June 7, 2012.

Issue 11: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

<u>Systems</u>	<u>Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Unified Systems	\$851,899	\$68,017	\$919,916	7.98%
Quail Run	14,892	12,351	27,243	82.94%
Sandy Acres	42,165	11,539	53,704	27.37%
Ponderosa Pines	<u>34,877</u>	<u>15,641</u>	<u>50,518</u>	<u>44.85%</u>
Total	<u>\$943,833</u>	<u>\$107,548</u>	<u>\$1,051,381</u>	<u>11.39%</u>

ITEM NO.

CASE

18**PAA

Docket No. 100048-WU – Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.

(Continued from previous page)

Issue 12: What are the appropriate billing determinants for the test year?

Recommendation: The appropriate billing determinants for the test year are shown in Sunshine’s revised MFR Schedules E-2 and E-14, and are summarized below:

Sunshine Utilities of Central Florida, Inc. Test Year Ending December 31, 2010 Appropriate Test Year Billing Determinants			
<u>System Name</u>	<u>Bills Rendered</u>	<u>Equivalent Residential Connections</u>	<u>(000) Gallons Sold</u>
Unified Systems	37,675	41,654	227,726
Sandy Acres	2,641	2,641	17,005
Ponderosa Pines (1)	2,125	2,125	13,457
Quail Run (1)	1,082	1,082	8,046
(1) Gallons sold based on 90 percent of gallons treated from MFR volume 1 Schedules F-1 for the respective systems.			
<u>Sources:</u> Sunshine Utilities of Central Florida, Inc., <u>Minimum Filing Requirements</u> , Schedules E-2, E-14 and F-1.			

ITEM NO.

CASE

18**PAA

Docket No. 100048-WU – Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.

(Continued from previous page)

Issue 13: What, if any, limits should be imposed on subsidy values that could result if the current stand-alone rates are converted to a more consolidated rate structure?

Recommendation: Staff recommends that the appropriate subsidy limit, based on 7,000 gallons of usage, should represent no more than 21 percent of the pre-repression bill resulting from consolidation. The pre-repression bill is based on staff’s recommended consolidation, rate structures, revenue requirements and repression adjustments.

Issue 14: What are the appropriate rate structures for the Utility’s water systems?

Recommendation: The appropriate rate structure for the Utility’s Unified Systems and Sandy Acres residential water customers is a three-tiered inclining block rate structure with usage blocks for monthly consumption of: (a) 0-5,000 gallons, (b) 5,001-10,000 gallons, and (c) usage in excess of 10,000 gallons. The usage block rate factors should be 1.0, 1.093 and 2.186, respectively, with both the multi-residential and general service gallonage charge rate based on the average overall water rate per 1,000 gallons. The appropriate rate structure for the Utility’s Ponderosa Pines and Quail Run water customers is a BFC/uniform gallonage charge rate structure. The BFC cost recovery allocation for all four systems should be set at 40 percent.

Issue 15: What is the appropriate rate consolidation for the Utility’s water systems?

Recommendation: Staff recommends that: 1) the Unified Systems and the Sandy Acres system be combined into a single, consolidated system; and 2) the Ponderosa Pines and Quail Run systems be combined into a single, consolidated system.

Issue 16: What are the appropriate repression adjustments?

Recommendation: The appropriate repression adjustments for the water systems are shown in the table below.

Staff’s Recommended Repression Adjustments Based on Staff’s Recommended Water System Consolidation Methodology		
<u>System Name</u>	<u>Unified Systems / Sandy Acres Consolidation</u>	<u>Ponderosa Pines/ Quail Run Consolidation</u>
1,000 Gallons Repressed	(5,377)	(3,295)
Expense Adjustments:		
Purchased Power	(\$1,464)	(\$767)
Chemicals	(\$439)	(\$92)
Regulatory Assessment Fees	(\$86)	(\$39)
Total	(\$1,988)	(\$898)

ITEM NO.

CASE

18**PAA

Docket No. 100048-WU – Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.

(Continued from previous page)

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

Recommendation: The appropriate monthly water rates are shown on Schedule 4 of staff's memorandum dated June 7, 2012, for the respective systems. Excluding miscellaneous service charges, and including the repression adjustments discussed in Issue 16, the recommended water rates produce revenues of \$925,685 for the Unified Systems/Sandy Acres consolidated system, and \$73,615 for the Ponderosa Pines/Quail Run consolidated system. The Utility should file revised water tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water systems. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25.30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days after the date of the notice.

ITEM NO.

CASE

18**PAA

Docket No. 100048-WU – Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.

(Continued from previous page)

Issue 18: What are the appropriate miscellaneous service charges?

Recommendation: The appropriate miscellaneous service charges, fees and deposits are contained in the table below.

Sunshine Utilities of Central Florida, Inc. Test Year Ending December 31, 2010 Recommended Miscellaneous Service Charges		
Type of Charge	Business Hours	After Hours
Initial Connection	\$21	\$42
Normal Reconnection	\$21	\$42
Violation Reconnection	\$21	\$42
Premises Visit	\$21	\$42
Late Fee	\$5	N/A
Meter Test Deposit		
5/8" x 3/4"	\$20	N/A
1"	\$25	N/A
1 1/4"	\$25	N/A
1 1/2"	\$25	N/A
2" and greater	Actual cost	N/A
Customer Deposits		
5/8" x 3/4"	2 x (avg of 2 months' bill)	N/A
1"	2 x (avg of 2 months' bill)	N/A
1 1/4"	2 x (avg of 2 months' bill)	N/A
1 1/2"	2 x (avg of 2 months' bill)	N/A
2" and greater	2 x (avg of 2 months' bill)	N/A
Meter Tampering Charge / Illegal Reconnect	\$50	\$50
Sources: Sunshine Utilities of Central Florida, Inc., <u>Minimum Filing Requirements</u> , Schedules E-5.		

ITEM NO.

CASE

18**PAA

Docket No. 100048-WU – Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.

(Continued from previous page)

The Utility should file revised water tariff sheets that include provisions for the recommended charges, fees and deposits contained in the table above. Staff should be given authority to administratively approve these tariff sheets upon verification they are consistent with the Commission's decision. The revised tariff sheets should be implemented on or after the stamped approval date on the revised tariff sheet, if no protest is filed and once the proposed customer notice has been approved by staff as adequate, and the customers have received the approved notice. The notice may be combined with the notice for the approved service rates.

Issue 19: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense not in effect during the interim period. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, a refund of 5.69 percent is required for the Sandy Acres system.

Issue 20: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

Recommendation: The rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated June 7, 2012, to remove \$12,096 collectively for the Unified and Sandy Acres systems and \$957 collectively for the Quail Run and Ponderosa Pines systems related annual rate case expense and the associated return included in working capital, grossed up for regulatory assessment fees (RAFs), which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than 30 days prior to the actual date of the required rate reduction. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. Sunshine should provide proof of the date notice was given within 10 days of the date of the notice. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense.

ITEM NO.

CASE

18**PAA

Docket No. 100048-WU – Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.

(Continued from previous page)

Issue 21: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts associated with the Commission-approved adjustments?

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

Issue 22: Should this docket be closed?

Recommendation: This docket should remain open to address the Utility’s requested uniform service availability charges which will be addressed in a subsequent recommendation for the July 17, 2012, Commission Conference. ~~No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff’s verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the escrow account should be released.~~

DECISION: The recommendations on Issues 1-21 were approved and, based on oral modification presented by staff, Issue 22 was approved as modified.

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

ITEM NO.

CASE

19**

Docket No. 120157-WS – Request by Aqua Utilities Florida, Inc. to establish residential wastewater only rates.

Critical Date(s): 06/19/12 (60-Day Suspension Date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECR: Lingo, Stallcup

GCL: Klancke

Issue 1: Should the Commission suspend AUF’s proposed tariff to establish Residential Wastewater Only rates for each of the wastewater rate bands serving residential customers?

Recommendation: Yes. AUF’s proposed tariff sheets to establish Residential Wastewater Only rates for each of the wastewater rate bands serving residential customers should be suspended to allow staff sufficient time to review the Utility’s request.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open pending the Commission’s final action on the Utility’s request to establish RWO rates for each of the wastewater rate bands serving residential customers.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

20**

Docket No. 120042-WS – Notice of abandonment of water and wastewater systems in Okeechobee County by Pine Ridge Management Corporation.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Brown

Staff: ECR: Daniel, Kaproth, Mouring, Simpson

GCL: Barrera

Issue 1: Should the Commission acknowledge Pine Ridge Management Corporation's notice of abandonment, and the appointment of the Okeechobee Utility Authority as receiver, and cancel Certificate Nos. 630-W and 539-S?

Recommendation: Yes, the Commission should acknowledge Pine Ridge's notice of abandonment, pursuant to Section 367.165, F.S., and appointment of the Okeechobee Utility Authority as receiver for the Utility. Certificate Nos. 630-W and 539-S should be cancelled effective April 12, 2012.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendation in Issue 1, this docket should be closed because no further action is necessary.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

21**

Docket No. 120030-WS – Notice of abandonment of water and wastewater systems in Polk County by Four Points Utility Corporation and Bimini Bay Utilities Corporation.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Brown

Staff: ECR: Daniel, McRoy, Mouring

GCL: Bennett, Lawson

Issue 1: Should the Commission acknowledge Four Points Utility Corporation’s notice of abandonment, and the appointment of Michael Smallridge as receiver?

Recommendation: Yes. The Commission should acknowledge Four Points’ notice of abandonment, pursuant to Section 367.165, F.S., and appointment of Michael Smallridge as receiver.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff’s recommendation in Issue 1, this docket should be closed, as no further action is necessary.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

22**

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

Critical Date(s): None

Commissioners Assigned: Graham, Balbis, Brown

Prehearing Officer: Brown

Staff: ECR: Fletcher, Maurey

GCL: Barrera

(Decision on Stipulation Prior to Hearing.)

Issue 1: Should the Commission approve the Joint Motion Requesting Commission Approval of Stipulation and Settlement Agreement?

Recommendation: Yes. The Joint Motion requesting approval of the Stipulation and Settlement Agreement should be approved. The Utility should file a proposed customer notice and revised tariff sheets consistent with the Commission's decision within 15 days of the Commission vote. The approved rates should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., after staff has verified that the proposed customer notice is adequate and the notice has been provided to the customers. The Utility should provide proof that the customers have received notice within 10 days of the date of the notice.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendation in Issue 1, this docket should be closed upon the issuance of the final order approving the Parties' Stipulation and Settlement Agreement. Further, upon the issuance of the final order approving the Parties' Stipulation and Settlement Agreement, staff recommends the corporate undertaking amount approved by the Commission for interim rates be released.

DECISION: The recommendations were approved.

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