

LONG RANGE



FLORIDA PUBLIC SERVICE COMMISSION

FISCAL YEAR

2015-16

THROUGH

2019-20

SEPTEMBER 30, 2014

PROGRAM PLAN

STATE OF FLORIDA

COMMISSIONERS:
ART GRAHAM, CHAIRMAN
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN



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Public Service Commission

LONG RANGE PROGRAM PLAN

September 29, 2014

Cynthia Kelly, Director
Office of Policy and Budget
Executive Office of the Governor
1701 Capitol
Tallahassee, Florida 32399-0001

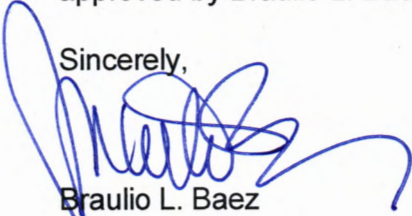
JoAnne Leznoff, Staff Director
House Appropriations Committee
221 Capitol
Tallahassee, Florida 32399-1300

Cindy Kynoch, Staff Director
Senate Committee on Appropriations
201 Capitol
Tallahassee, FL 32399-1300

Dear Directors:

Pursuant to Chapter 216, Florida Statutes, our Long Range Program Plan (LRPP) for the Public Service Commission is submitted in the format prescribed in the budget instructions. The information provided electronically and contained herein is a true and accurate presentation of our mission, goals, objectives and measures for the Fiscal Year 2015-16 through Fiscal Year 2019-20, pending approval of budget amendment EOG#00054. The internet website address that provides the link to the LRPP located on the Florida Fiscal Portal is <http://www.floridapsc.com/publications/reports.aspx>. This submission has been approved by Braulio L. Baez, Executive Director.

Sincerely,


Braulio L. Baez
Executive Director

FLORIDA PUBLIC SERVICE COMMISSION



LONG RANGE PROGRAM PLAN FY 2015-16 through 2019-20

SEPTEMBER 30, 2014

AGENCY MISSION

**Facilitate The Efficient Provision of
Safe and Reliable Utility Services at
Fair Prices**

**Public Service Commission
Long Range Program Plan FY 2015-16 through 2019-20
Goals and Objectives
in Priority Order**

GOAL #1: Ensure that the Florida utilities provide reliable service to customers.

OBJECTIVE 1A: Ensure adequate planning of electric utility infrastructure to meet customer needs.

OUTCOME 1A-1: Percent of generation reserve margin for Florida electric utilities compared to industry standard. (Electric)

FY 2012-13 Baseline (Actual)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
26.5%	≥15%	≥15%	≥15%	≥15%	≥15%

OUTCOME 1A-2: Percent of Gas and Class A & B Water and Wastewater companies that annually prepare planning documents for infrastructure needs and expected capital expenditures.

FY 2012-13 Baseline(Actual)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
(new)	70%	80%	90%	90%	90%

OBJECTIVE 1B: Ensure adequate operation and maintenance of utility infrastructure to meet customer needs.

OUTCOME 1B: Number of outage-related customer complaints. (Electric, Gas, Water & Wastewater)

FY 2012-13 Baseline(Actual)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
417 (electric)	≤500	≤500	≤500	≤500	≤500
0 (gas)	≤10	≤10	≤10	≤10	≤10
43 (water)	≤50	≤50	≤50	≤50	≤50

**Public Service Commission
 Long Range Program Plan FY 2015-16 through 2019-20
 Goals and Objectives
 in Priority Order**

GOAL #2: Ensure the provision of safe electric and natural gas utility services to customers in the State of Florida.

OBJECTIVE 2A: Ensure compliance with safety standards for electric utilities.

OUTCOME 2A: Number of electric-related injuries or fatalities resulting from utility rule violations.

FY 2011-12 Baseline	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
0	0	0	0	0	0

OBJECTIVE 2B: Ensure compliance with safety standards for natural gas utilities.

OUTCOME 2B: Number of gas-related injuries or fatalities resulting from utility rule violations.

FY 2011-2012 Baseline	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
0	0	0	0	0	0

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GOAL #3: Ensure that the regulatory process results in fair and reasonable rates while offering rate-base-regulated utilities an opportunity to earn a fair return on their investments.

OBJECTIVE 3A: Establish rates and charges which are fair and reasonable for all customers.

OUTCOME 3A: Percent increase in annual utility bill for average residential usage compared to inflation as measured by the Consumer Price Index plus 1%: Electric, Gas, and Water/Wastewater industries.

FY 2000-01 Baseline (Actual)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
CPI 3.4% FL 1.84%	CPI + 1	CPI + 1	CPI + 1	CPI + 1	CPI + 1

OBJECTIVE 3B: Ensure that Commission-established returns on equity are commensurate with the level of risk associated with similar investments.

OUTCOME 3B: Average allowed return on equity (ROE) in Florida compared to average ROE in U.S.

FY 2000-01 Baseline (Electric)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
USA 12.2 FL 11.38	USA +/- 1	USA +/- 1	USA +/- 1	USA +/- 1	USA +/- 1

FY 2000-01 Baseline (Gas)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
USA 11.6 FL 11.31	USA +/- 1	USA +/- 1	USA +/- 1	USA +/- 1	USA +/- 1

FY 2000-01 Baseline (W&W)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
USA 11.2 FL 9.69	USA +/- 1	USA +/- 1	USA +/- 1	USA +/- 1	USA +/- 1

OBJECTIVE 3C: Ensure that achieved returns on equity do not exceed authorized returns.

OUTCOME 3C: Percent of utilities achieving within range or over range of last authorized ROE.

FY 2000-01 Baseline (Actual)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
E 67% / 33%	100% / 0%	100% / 0%	100% / 0%	100%/0%	100%/0%
G 25% / 0%	29% / 0%	29% / 0%	29% / 0%	29%/0%	29%/0%
W 10% / 5%	10% / 5%	10% / 5%	10% / 5%	10%/5%	10%/5%

**Public Service Commission
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GOAL #4: Encourage and facilitate responsible use of resources and technology in the provision and consumption of utility services.

OBJECTIVE 4A: Inform customers regarding options to use energy and water more efficiently.

OUTCOME 4A: Number of events attended by the PSC for the purpose of promoting energy and water conservation.

FY 2012-2013 Baseline (Actual)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
30	30	30	30	30	30

OBJECTIVE 4B: Ensure the continued use of water conservation rates and rate structures.

OUTCOME 4B: Percent of jurisdictional water companies utilizing water conservation rates and/or structures.

FY 2012-13 Baseline (Actual)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
40%	40%	40%	40%	40%	40%

OBJECTIVE 4C: Ensure electric utilities are implementing Commission-approved energy efficiency programs.

OUTCOME 4C: Percent of utility energy efficiency programs evaluated annually for program effectiveness.

FY 2012-13 Baseline (Actual)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
100%	100%	100%	100%	100%	100%

**Public Service Commission
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GOAL #5: Expedite resolution of disputes between customers and utilities.

OBJECTIVE 5A: Provide timely and quality assistance to customers regarding utility complaints and inquiries.

OUTCOME 5A-1: Percent of consumer complaints closed in 60 days

FY 2012-2013 Baseline (Actual)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
90%	85%	85%	85%	85%	85%

OUTCOME 5A-2: Percent of consumer complaints closed through the informal resolution process, without a Commission hearing.

FY 2012-2013 Baseline (Actual)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
99%	90%	90%	90%	90%	90%

**Public Service Commission
Long Range Program Plan FY 2015-16 through 2019-20
Goals and Objectives
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GOAL #6: Identify and address barriers that impede competitive telecommunications markets from being fair and efficient.

OBJECTIVE 6A: Monitor the telecommunications market and provide the appropriate regulatory review and oversight.

OUTCOME 6A-1: Percent of interconnection agreements processed within 100 days.

FY 2012-2013 Baseline (Actual)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
100%	95%	95%	95%	95%	95%

OUTCOME 6A-2: Number of proceedings which evaluate or resolve wholesale telecommunications competitive issues.

FY 2012-2013 Baseline (Actual)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
410	300	290	280	270	260

TRENDS AND CONDITIONS STATEMENT

The Florida Public Service Commission (FPSC) is committed to making sure that Florida's consumers receive essential services — electric, natural gas, water, and wastewater — in a safe, affordable, and reliable manner. At the same time, the FPSC balances consumer needs with the opportunity for utilities and their stockholders to earn a fair rate of return on their capital investments. In doing so, the FPSC exercises regulatory authority over utilities in one or more of three key areas: rate base/economic regulation, competitive market oversight, and monitoring of safety, reliability, and service. The FPSC's authority over wireline telecommunications entails facilitating the development of competitive markets and managing issues associated with them.

FPSC Responsibilities

Scope of Authority

The FPSC regulates the retail rates and services provided by all investor-owned electric utilities, gas utilities, and water and wastewater companies. The regulation of energy (electricity and natural gas) and water and wastewater investor-owned utilities is commonly referred to as rate base or rate-of-return regulation, which includes rate setting responsibility, earnings oversight, quality of service, and consumer complaints. A characteristic unique to Florida's water and wastewater industry is that counties have the option to elect to regulate the investor-owned water and wastewater companies in their county pursuant to Chapter 367, or transfer regulation to the FPSC. Currently 35 of 67 counties cede regulatory authority to the FPSC. For telecommunications companies, the FPSC has jurisdiction over company-to-company matters, including disputes over interconnection agreements. The FPSC also provides oversight for the Lifeline program for low income customers, established under the federal Universal Service Program, Telephone Relay Services for the deaf, hard of hearing, and speech impaired, and Area Code relief when Florida's area codes are near exhaustion. The FPSC also has limited oversight over pay phone services.

The FPSC exercises rate structure, electric safety, and territorial jurisdiction over municipally-owned electric systems and rural electric cooperatives. Proper rate structure ensures that rates charged to customers of these utilities are non-discriminatory and that one class of customers does not subsidize another class.

In order to assure an adequate and reliable supply of electricity in Florida, the FPSC has jurisdiction over the generation and transmission planning of all electric utilities in Florida. The FPSC is responsible for reviewing electric utility Ten-Year Site Plans and determining the need for major new power plant and transmission line additions under the Florida Power Plant and Transmission Line Siting Acts. Finally, the FPSC also has authority to set conservation goals for Florida's investor-owned electric utilities and the two largest municipal electric utilities.

The FPSC also ensures compliance with gas safety rules and regulations for municipally-owned natural gas utilities, special gas districts, investor-owned gas utilities, intrastate gas pipelines, and private master meters.

Statutory Authority

The FPSC's authority for its activity is contained in the following Florida Statutes:

- Chapter 120, Rulemaking
- Chapter 186, Planning and Development (10-Year Site Plans)
- Chapter 350, Organization, Powers and Duties
- Chapter 364, Telecommunications
- Chapter 366, Electric Utilities
- Chapter 367, Water and Wastewater Systems
- Chapter 368, Gas Transmission and Distribution Facilities
- Chapter 403, Power Plant, and Transmission Line Siting, and Intrastate Natural Gas Pipeline Siting
- Chapter 427, Special Transportation and Communications Services

Rules adopted by the FPSC to implement the above laws are contained in Chapter 25, Florida Administrative Code (F.A.C.). The FPSC also exercises quasi-judicial responsibilities to conduct evidentiary hearings regarding cost and quality of regulated services, hear complaints, and issue written orders.

To meet its statutory responsibilities, the FPSC has established the following six primary goals:

1. Ensure that Florida utilities provide reliable service to customers.
2. Facilitate the provision of safe utility services at levels of quality and reliability that satisfy customer needs.
3. Utilize a regulatory process that results in fair and reasonable rates for consumers while offering rate base regulated utilities an opportunity to earn a fair return on their investments.
4. Encourage and facilitate responsible use of resources and technology in the provision and consumption of services.
5. Inform utility consumers regarding utility matters and expedite resolution of disputes between consumers and utilities.
6. Provide appropriate regulatory oversight to facilitate fair and effective competition in the provision of telecommunications services.

AGENCY PRIORITIES

As discussed previously, the FPSC regulates the retail rates and services provided by all investor-owned electric, natural gas, water and wastewater utilities. The FPSC also has jurisdiction over certain telecommunications matters. Each industry has unique characteristics and each has significant issues that will require regulatory actions by the FPSC over the next five years. The agency's priorities are based on legislative directives and economic and environmental factors affecting provision of utility services within the state.

Energy Priorities

Florida's electric utilities are required by law to furnish adequate, reliable electricity service at a reasonable cost to each customer. Meeting customer demand in a time of rising costs and uncertain economic conditions represents a significant challenge. Recent legislative initiatives stress the importance of diversifying fuels used for electric power generation. These initiatives include enhancing contract provisions for the purchase of renewable energy by investor-owned utilities, encouraging customer ownership of renewable energy resources, placing additional emphasis on energy efficiency and conservation, and establishing regulatory treatment for costs associated with nuclear construction.

Since the late 1990s, utilities across the nation, including those in Florida, have selected natural gas-fired generation as the predominant source of new capacity. The use of natural gas for electricity production in Florida increased from 19.3 percent in 1995 to 59.6 percent in 2013. Natural gas usage is expected to remain at approximately 60 percent over the next ten years. Given the potential volatility of natural gas prices, the Florida Legislature, since 2005, established policies addressing the state's fuel diversity.

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

Energy Conservation

During the 2008 legislative session, the Legislature amended the Florida Energy Efficiency and Conservation Act (FEECA) to place greater emphasis on the pursuit, through utility sponsored incentives, of cost-effective customer conservation and energy efficiency measures. Under FEECA, the FPSC must establish numeric conservation goals for each FEECA utility, at least every five years. FEECA goals were last set in 2009 to reflect the provisions of the revised FEECA statutes. On January 17, 2013, FPSC staff initiated the 2014 goal-setting process with a meeting involving interested stakeholders and in July 2014, the FPSC conducted hearings to establish new goals for the FEECA utilities. Interveners in the hearing included the Florida Industrial Power Users Group, Southern Alliance for Clean Energy, the Sierra Club, the Environmental Defense Fund, Walmart and Sam's Clubs of the East, and the National Association for the Advancement of Colored People. In late 2014, the FPSC will establish new Demand Side Management goals consistent with the FEECA statute.

Renewable Generation

Another priority of the FPSC is to increase the use of cost-effective renewable energy. Currently there are approximately 1,627 MW of renewable generation resources in Florida from non-utility and utility-owned renewable generating facilities. Over the next 10 years, the utilities project an increase of approximately 966 MW of new renewable facilities, primarily from solar and biomass facilities.

The Florida Legislature, in 2008, placed emphasis on customer-owned renewable energy as well as supply-side or grid-tied renewables. All electric utilities were directed to offer customers standard interconnection agreements and net metering for renewable energy generation. This policy ensures a simplified, expedited process for interconnecting a renewable system to the utility. Net metering is a billing function that allows customers to receive credit for renewable energy generated in excess of the customer's requirements. Customer-owned renewable energy systems have increased in 2013 to 63 MW, which is up from a capacity of 2.8 MW in 2006. Small customer-owned renewable facilities are primarily solar photovoltaic (PV) installations. Between 2008 and 2013, the number of these small solar installations increased nearly ten-fold.

On August 12, 2014, the Commission approved Florida Power and Light Company's (FPL's) Voluntary Solar Program tariff. This tariff will allow customers to voluntarily contribute \$9.00 per month, beginning in May 2015, towards the construction of solar photovoltaic generation located in FPL's service territory. FPL will begin building 300 kilowatts of this generation in January 2015 in advance of customer subscription, and anticipates building as much as 2.4 megawatts in its "high participation" scenario. FPL has designed the program so that non-participants will not be subsidizing the program even in the event that subscriptions are lower than anticipated. The program will sunset at the end of 2017 unless the Commission takes action to extend it.

Over the next five years, the FPSC will continue to enforce existing renewable policies, and explore additional policies to benefit Florida's consumers. In addition, the FPSC will monitor the utilities' efforts to interconnect and net meter customer-owned renewables under the FPSC's rule. The FPSC will also review and approve investor-owned utilities' standardized contracts to purchase renewable capacity and energy. Finally, the FPSC will monitor the impact of evolving federal and state energy policies on the development of renewables in Florida, and on the state's ratepayers and provide technical information to assist legislators in the formulation of renewable energy policy.

Alternative Cost Recovery

Florida Power and Light Company (FPL) has utilized the alternative cost recovery provision of Section 366.93, F.S., to increase generating capacity at existing nuclear facilities by a total of 522 megawatts.

FPL is currently proceeding through state site certification with two new nuclear units with in-service dates of 2022 and 2023. Duke Energy Florida (DEF) and FPL have also submitted applications to the Nuclear Regulatory Commission (NRC) for a combined operating license for new nuclear units. An NRC-issued combined operating license is required before a utility can begin construction.

Rate Cases

Gulf Power Company

On July 12, 2013, Gulf Power Company (Gulf) filed a request for an annual base rate increase of \$74.4 million and a step increase of \$16.4 million associated with transmission system upgrade projects. Two customer meetings were held in September 2013. On November 22, 2013, a joint motion was filed by Gulf, the Office of Public Counsel, the Florida Industrial Power Users Group, the Federal Executive Agencies, Wal-Mart Stores East, LP, and Sam's East, Inc., seeking approval of a stipulation and settlement.

The settlement provides for a \$55 million rate increase in two phases: a \$35 million increase effective January 1, 2014, and a \$20 million increase effective January 1, 2015. The parties agreed to a return on equity (ROE) of 10.25 percent, with an authorized range from 9.25 to 11.25 percent. The settlement provides the ROE could increase to 10.50 if market conditions change, as detailed in the settlement. The parties also stipulated that 15 transmission upgrade projects were prudent and as a result, agreed that Gulf be allowed to accrue interest on the projects from the beginning of construction until the company's next rate case. The settlement also requires Gulf to offer three new economic development riders on a pilot basis and precludes Gulf from filing for a base rate increase prior to July 1, 2017, unless the company's ROE falls below the base of the range. The FPSC approved the settlement agreement on December 3, 2013.

Duke Energy Florida, Inc.

On January 20, 2012, Duke Energy Florida, Inc. (DEF) filed a Petition for Limited Proceeding to Approve Stipulation and Settlement Agreement (DEF 2012 Stipulation). The DEF 2012 Stipulation resolved certain outstanding issues in several existing dockets, including issues related to the examination of the outage and replacement costs associated with DEF's Crystal River Unit 3 (CR3) steam generator replacement and the Nuclear Cost Recovery Clause. The DEF 2012 Stipulation, which was approved March 8, 2012, set limits on the recovery of costs associated with the proposed Levy Nuclear Project, provided a framework for the treatment of costs associated with the repair or retirement of the CR3 nuclear plant, provided for a base rate increase of \$150 million effective January 2013, and provided for refunds totaling \$288 million over the period 2013 to 2016.

On August 1, 2013, DEF filed a revised stipulation and settlement agreement. The revised settlement addressed issues resulting from the cancellation and decommissioning of CR3, the termination of the Levy Nuclear Plant contract, and addressed future generation issues. In accordance with the settlement, DEF's base rates can not be increased prior to January 1, 2019. The FPSC approved the revised stipulation and settlement agreement on October 17, 2013.

Florida Power & Light Company

On March 19, 2012, Florida Power & Light Company (FPL) filed a petition for an annual base rate increase of \$516.5 million effective January 2013 and a step increase of \$173.9

million associated with the Cape Canaveral Modernization Project to be effective June 2013. FPL's requested base rate increases were based in part on an ROE of 11.50 percent. As part of the case process, the FPSC held nine customer service hearings throughout FPL's service territory. A technical hearing was conducted August 20-24 and August 27-30, 2012.

On December 13, 2012, the FPSC approved a settlement (FPL 2012 Settlement) proposed by the signatories to the agreement. The 2012 Settlement includes a \$350 million rate increase and a 10.5 percent ROE, effective January 2013. It also provides that step increases will occur when three power plant modernizations come online: approximately \$164 million for the Cape Canaveral plant in June 2013; \$234 million for the Riviera plant in June 2014; and \$216 million for the Port Everglades plant in June 2016. Absent the occurrence of a major storm resulting in significant damage to FPL's territory or FPL achieving an ROE above 11.5 percent or below 9.5 percent, FPL can not petition the Commission for base rate increase effective before January 1, 2017.

On February 7, 2013, the non-signatory parties to the FPL 2012 Settlement appealed the FPSC's decision to approve the agreement to the Florida Supreme Court. Oral arguments on this matter were heard before the Florida Supreme Court on September 19, 2013. On August 28, 2014, the Florida Supreme Court issued a unanimous decision upholding the Commission's approval of the FPL 2012 Settlement.

Tampa Electric Company

On April 5, 2013, Tampa Electric Company (TECO) filed a request for an annual base rate increase of \$134.8 million effective January 2014. TECO's requested rate increase is based in part on an authorized ROE of 11.25 percent. Two customer hearings were held in May 2013. On September 6, 2013, a joint motion for approval of a stipulation and settlement agreement was filed by TECO, the Office of Public Counsel, the Florida Industrial Power Users Group, Florida Retail Federation, the Federal Executive Agencies and WCR Hospital Alliance. The settlement provided for a base rate increase of \$57.5 million effective November 2013, an additional \$7.5 million in November 2014, followed by a \$5 million increase in November 2015. The settlement provides for an ROE of 10.25 percent, with a range of 9.25 percent to 11.25 percent. The ROE could be increased to 10.50 percent if market conditions change as detailed in the settlement. The parties agreed that TECO would be permitted to increase its base rates by \$110 million when its Polk 2-5 Waste Heat Recovery Conversion Project enters commercial service. Other than the increases provided for in the settlement, TECO can not increase base rates before January 1, 2018 unless authorized by the FPSC. The FPSC approved the stipulation and settlement agreement September 11, 2013.

Florida Public Utilities Company

On April 28, 2014, Florida Public Utilities Company (FPUC) filed a petition requesting a \$5.8 million base rate increase. FPUC's proposed increase is based on an 11.25 percent ROE. Two customer meetings were held August 19 and 20, and a technical hearing is scheduled for September 15-18, 2014. The FPSC is scheduled to vote on FPUC's proposed increase in November 2014.

Natural Gas Bare Steel and Cast Iron Pipe Replacement

In August 2012, the FPSC approved cast iron/bare steel pipe replacement riders for three natural gas utilities, Peoples Gas System, Florida Public Utilities, and the Florida Division of Chesapeake Utilities. Gas utilities have been urged by the Pipeline Hazardous Materials and Safety Administration, which acts through the Office of Pipeline Safety within the U.S. Department of Transportation, to replace these older facilities as a safety measure. Cast iron pipe is subject to “graphitization” or graphitic softening and bare steel is subject to corrosion. Both hazards can lead to structural failure and the release of gas. Under the approved pipeline replacement program, these three utilities will replace 917 miles of cast iron and bare steel distribution pipe and 8,052 service lines within a 10-year period. For the period 2012-2014, the monthly residential bill impacts are projected to be 5 cents for Peoples Gas System customers, 4 cents for Florida Public Utilities customers, and 22 cents for customers of the Florida Division of Chesapeake Utilities Corporation.

Water & Wastewater Priorities

The water and wastewater industry, although not subject to competitive pressures, faces unique challenges of its own in the areas of aging infrastructure, rate relief requests, affordability, and reuse.

The major workload for the FPSC in this industry is ratemaking to ensure utilities remain financially viable so customers continue to receive their water at reasonable rates. A key consideration in setting water rates is sending proper price signals to customers to encourage efficient use of this critical resource.

Population growth exerts upward pressure on water rates as demand for potable water continually increases. Compared to other utility industries, water and wastewater utilities generally have much smaller customer bases over which to spread increasing costs.

Because customer bases are smaller, the effects of increased costs may be greater for the individual customer of a water or wastewater utility than for customers of other utility services. Increases in the cost of gasoline, insurance, labor, chemicals, property taxes and sludge removal adversely affect the financial position of water and wastewater utilities. During the fiscal year 2013-2014, the FPSC processed 11 petitions for rate relief. The 11 petitions consisted of 4 file and suspend cases, 6 staff assisted rate cases and 1 limited proceeding. The FPSC expects rate case activity for the water and wastewater industry to remain the same in the coming year.

Compliance with the standards in the federal Safe Drinking Water Act and the Clean Water Act has also increased the cost of providing water and wastewater services to the public, in some instances dramatically. Drinking water standards have become more stringent with respect to the maximum levels allowed for certain contaminants. The tightening of standards often requires utilities to expend funds to make modifications to their plants or processes in order to gain compliance with the tighter standards.

The 2014 Legislature passed Senate Bill 272, which was signed into law by the Governor. The legislation seeks to address the concerns of customers of those water

utilities subject to the jurisdiction of the FPSC, regarding the quality of water service. These concerns primarily center on secondary water quality characteristics, which refer to aspects of drinking water that typically have no known adverse health effects but are associated with aesthetic concerns such as odor, taste, and appearance. The Department of Environmental Protection (DEP) has established standards associated with secondary water quality characteristics and monitors for compliance. The legislation creates a process through which customers of a water utility may provide information to the FPSC on each issue that customers have with the quality of water service provided by the utility, and petition the FPSC to revoke the operating certificate of the utility. If the FPSC determines there is a reasonable likelihood that the customers' utility is failing to provide quality water service, a proceeding to revoke the operating certificate of the utility will be initiated. Also, the legislation requires the FPSC to take into consideration, in a proceeding to set the rates for a water utility, the extent to which the utility provides water that meets DEP secondary water quality standards. Upon its review of any secondary water quality issues, the FPSC may require the utility to implement a solution that is in the best interest of the customers.

Telecommunications Priorities

In 1995, the Florida Legislature recognized the potential benefits of introducing competition for telecommunications services and enacted legislation to open local telecommunications markets to service providers other than the incumbent local exchange companies (ILECs). The following year, Congress enacted the Telecommunications Act of 1996 making local competition a national objective. The emergence of technologies such as wireless and Voice over Internet Protocol has created an increasingly competitive market for telecommunications services. The Legislature amended the law again in 2011, deregulating retail services and interexchange companies, in addition to creating further measures intended to increase competition.

Under the current law, the FPSC will continue promoting competitive markets by resolving disputes between companies, facilitating company-to-company interconnection (arbitrations, contract interpretations, complaints, etc.), and monitoring evolving telecommunications technology. Also, the FPSC will continue to address Lifeline, area code relief and Telephone Relay Service issues and monitor related federal matters that may impact Florida carriers and consumers.

The Lifeline program provides a minimum credit of up to \$9.25 per month to subscribers' bills to make telephone service affordable to eligible low-income customers. Lifeline is a program funded by the Federal Universal Service Fund. All telecommunications carriers providing international and interstate service and earning above certain revenue thresholds make contributions to the fund. Consumers may notice a universal service line item on their telephone bills. Wireless carriers designated as Eligible Telecommunications Carriers in Florida have been extremely successful in increasing Lifeline enrollment in Florida, thereby increasing Universal Service Fund benefits to our state.

To facilitate access to affordable telecommunications service for all consumers, the FPSC and the Florida Department of Children and Families implemented a Lifeline

automatic enrollment process. The FPSC and Florida Department of Children and Families are continuing to work together to make enrolling in the Lifeline program easier for applicants. FPSC efforts ensure that all Florida consumers have access to telecommunications services at affordable rates.

Pursuant to the Telecommunications Access Services Act of 1991 (TASA), the FPSC is responsible for establishing, implementing, promoting, and overseeing the administration of a statewide telecommunications access system to provide access to telecommunications relay services by people who are hearing or speech impaired and those who communicate with them. As part of its TASA responsibility, the FPSC oversees Florida Telecommunications Relay, Inc., a not-for-profit corporation that fulfills certain TASA requirements by distributing specialized equipment required for telecommunications services to the deaf, hard of hearing, and speech impaired and providing outreach in the most cost-effective manner.

Three issues currently before the Federal Communications Commission (FCC) could potentially affect Florida telecommunications customers:

The telecommunications network is presently undergoing technological change. Time Division Multiplexing (TDM) has been a dominant telecommunications technology since the early 1960s. TDM is now being replaced by Internet Protocol (IP)-based architecture on a widespread basis. AT&T, Verizon, and CenturyLink have all indicated they will be converting their networks from TDM to IP. The estimated time to convert varies by company and ranges from 5 to 10 years. AT&T has a petition pending with the FCC seeking approval to run IP trials in two wire centers - one in Florida and one in Alabama - to determine issues that might be encountered with the IP transition. The FPSC will be involved with the regulatory issues surrounding the IP transition, including the appropriate level of state and federal regulation and wholesale interconnection requirements.

The FCC is looking into possible long-term changes to the basic telephone numbering system. Because of the increased use of mobile services, the evolution from TDM to IP technologies, and the transition to bill-and-keep compensation, the FCC is looking into the possibility of eliminating geographic telephone numbers and area codes. The FCC believes that decreasing the need to associate numbers with geography could allow more efficient allocation of limited numbering resources and expansion of the consumer benefits associated with the ability to transfer wire line numbers. The FCC is in the process of gathering information and comments on creating a unified or national numbering regime that would apply equally to all service providers, regardless of location, and how this regime would incorporate the current authority of the state commissions. The FCC is investigating how moving away from geographic number assignment would affect states' role in numbering administration, including area code relief planning. The FCC will be examining the effects of eliminating geographic numbers on public safety, disability access, and routing/interconnection.

The FCC is considering several issues that could affect Lifeline customers in Florida. First, AT&T requested that ILECs be able to choose, as do other carriers, whether to participate in Lifeline programs. AT&T contends in its filings that ILECs are no longer the

dominant carriers. In addition, the FCC is considering revisions to rules governing reimbursements to telecommunications carriers providing Lifeline discounts. Finally, the FCC is proceeding with plans to establish a National Eligibility Database using Food Stamps, Medicaid and SSI as the eligibility criteria. In addition, a National Accountability Database has been initiated to eliminate duplicative provision of Lifeline discounts to consumers.

The FCC has decided to use Universal Service Funds to support broadband expansion, in part using the funds saved from Lifeline. On the state level, the statutes were revised in 2011 to remove wireless ETC authority from the FPSC. A large percent of the Lifeline consumers use wireless service. The combination of these potential and real changes could mean a reduced role for the FPSC regarding Lifeline over the next few years.

Conclusion

Safe, reliable and affordable utility services are critical to promoting a positive business and social environment for Florida's residents. Measures of our success focus on ratemaking, customer protection, conservation, safety and competitive market oversight.

The FPSC's primary responsibility is to ensure that customers of regulated utility companies receive safe and reliable service at fair and reasonable rates. At the same time, the FPSC is required by law to ensure that rate base regulated companies are afforded an opportunity to earn a fair return on their investment in property dedicated to providing utility service. With Florida's dynamic energy climate, the targets are ever changing, and this task is more complex than ever before.

**FLORIDA PUBLIC SERVICE
COMMISSION**

LRPP EXHIBIT II

**PERFORMANCE MEASURES
AND
STANDARDS**

LRPP Exhibit II - Performance Measures and Standards

Department: Florida Public Service Commission **Department No:** 61000000
Program: Utilities Regulation/Consumer Assistance **Code:** 1205.00.00.00
Service/Budget Entity: Utility Regulation **Code:** 61030100

	Approved Performance Measure FY 2013-14	Approved Prior Year Standard FY 2013-14	Prior Year Actual FY 2013-14	Approved Standards For FY 2014-15	Requested Standards FY 2015-16
1	Percent of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index (CPI): composite	CPI + 1 (2.46%)	0.37%	CPI + 1	CPI + 1
2	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: composite	USA +/- 1 (10.25 +/- 1)	10.46%	USA +/- 1	Measure Deleted
3	Percent of utilities achieving within range and over range of last authorized ROE: Electric	100% / 0%	80% / 0%	100% / 0%	100% / 0%
4	Percent of utilities achieving within range and over range of last authorized ROE: Gas	29% / 0%	43% / 0%	29% / 0%	29% / 0%
5	Percent of utilities achieving within range and over range of last authorized ROE: Water/Wastewater	10% / 5%	8% / 7%	10% / 5%	10% / 5%
6	Percent of electric and gas safety variances corrected on first reinspection	60.1%	86.0%	60.1%	Measure Deleted
7	Consumer calls: Percent of calls answered	86%	91.6%	86%	Measure Deleted
8	Consumer Calls: Average waiting time (in minutes)	1.4	0.2	1.4	Measure Deleted
9	Conservation Programs Reviewed and Conservation Proceedings Undertaken	94	133	94	Measure Deleted
10	Per capita annual kWh energy savings through conservation programs (in kWh)	368	427	368	Measure Deleted
11	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Electric	19	28	19	Measure Deleted
12	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Gas	6	8	6	Measure Deleted

	Approved Performance Measure FY 2013-14	Approved Prior Year Standard FY 2013-14	Prior Year Actual FY 2013-14	Approved Standards For FY 2014-15	Requested Standards FY 2015-16
13	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Water/Wastewater	145	143	145	Measure Deleted
14	Proceedings to Evaluate or Resolve Wholesale Telecommunications Competitive Issues	300	301	300	300
15	Number of proceedings granting certificates to operate as a telecommunications company and registering intrastate interexchange telecommunications companies	20	25	20	Measure Deleted
16	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Electric	3	7	3	Measure Deleted
17	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Gas	1	2	1	Measure Deleted
18	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Water/Wastewater	45	41	45	Measure Deleted
19	Number of proceedings relating to wholesale competition or electric reliability	33	44	33	Measure Deleted
20	Utility Consumer Complaints and Information Requests Closed	43,000	34,943	43,000	Measure Deleted
21	Safety Inspections Performed (Electric and Gas)	3,000	3,935	3,000	Measure Deleted
22	Number Average Customer Satisfaction Rating of the Complaint Handling Function	4	6.29	4	Measure Deleted
23	Percent of generation reserve margin for Florida electric utilities compared to industry standard. (Electric)	New Measure	New Measure	New Measure	≥15%
24	Percent of Gas and Class A&B Water and Wastewater companies that annually prepare planning documents for infrastructure needs and expected capital expenditures	New Measure	New Measure	New Measure	80%
25	Number of outage related customer complaints. (Electric)	New Measure	New Measure	New Measure	≤500
26	Number of outage related customer complaints. (Gas)	New Measure	New Measure	New Measure	≤10
27	Number of outage related customer complaints. (Water & Wastewater)	New Measure	New Measure	New Measure	≤50
28	Number of electric-related injuries or fatalities resulting from utility rule violations	New Measure	New Measure	New Measure	0

	Approved Performance Measure FY 2013-14	Approved Prior Year Standard FY 2013-14	Prior Year Actual FY 2013-14	Approved Standards For FY 2014-15	Requested Standards FY 2015-16
29	Number of gas-related injuries or fatalities resulting from utility rule violations	New Measure	New Measure	New Measure	0
30	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Electric	New Measure (like Measure #2)	New Measure (like Measure #2)	New Measure (like Measure #2)	USA +/- 1
31	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Gas	New Measure (like Measure #2)	New Measure (like Measure #2)	New Measure (like Measure #2)	USA +/- 1
32	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Water & Wastewater	New Measure (like Measure #2)	New Measure (like Measure #2)	New Measure (like Measure #2)	USA +/- 1
33	Number of events attended by the PSC for the purpose of promoting energy and water conservation	New Measure	New Measure	New Measure	30
34	Percent of jurisdictional water companies utilizing water conservation rates and/or structures	New Measure	New Measure	New Measure	40%
35	Percent of utility energy efficiency programs evaluated annually for program effectiveness	New Measure	New Measure	New Measure	100%
36	Percent of consumer complaints closed in 60 days	New Measure	New Measure	New Measure	85%
37	Percent of consumer complaints closed through the informal resolution process, without a Commission hearing	New Measure	New Measure	New Measure	90%
38	Percent of interconnection agreements processed within 100 days	New Measure	New Measure	New Measure	95%

**FLORIDA PUBLIC SERVICE
COMMISSION**

LRPP EXHIBIT III

**PERFORMANCE MEASURES
ASSESSMENT**

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: #3 Percent of Utilities Achieving Within Range and Over Range of Last Authorized ROE: Electric

Action:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
100%/0%	80%/0%	(20%) /0%	20%

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify) |

Explanation:

External Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster |
| <input type="checkbox"/> Target Population Change | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem | |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission | |

Explanation: One out of the five electric utilities earned below the ROE range. Utilities are responsible for filing petitions for rate increases to address under earning. The utility that was earning below the ROE range filed for rate relief. That petition is currently being processed. The Commission is scheduled to vote on the petition in November 2014.

Management Efforts to Address Differences/Problems (check all that apply):

Training

Technology

Personnel

Other (Identify)

Recommendations: No changes are recommended at this time. Utilities may petition for rate increases when they deem an increase is warranted and the Commission may take action if the utilities are determined to be overearning.

Office of Policy and Budget – July 2014

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: #5 Percent of Utilities Achieving Within Range and Over Range of Last Authorized ROE: Water & Wastewater

Action:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
10%/5%	8%/7%	(2%) /2%	20% /40%

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify) |

Explanation:

External Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster |
| <input type="checkbox"/> Target Population Change | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem | |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission | |

Explanation: Of the 150 water and wastewater utilities, 8 percent earned within the range. Utilities that are under earning are responsible for filing petitions for rate relief. The Commission does not initiate rate increases on behalf of utilities. In addition, based on an initial review, 9 utilities have reported overearnings based on data filed in their annual reports. The Commission cannot prevent over earnings of water and wastewater utilities, but addresses overearnings on a prospective basis. A more detailed evaluation will be conducted to determine the actual earnings levels of the utilities, and whether refunds, and/or rate reductions should be undertaken.

Management Efforts to Address Differences/Problems (check all that apply):

- Training
- Personnel

- Technology
- Other (Identify)

Recommendations: No changes are recommended to the current process. The earnings levels should continue to be reviewed annually and actions undertaken, when appropriate, to address over earnings of the utilities.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: #13 Utility Companies for Which Rates or Earnings were Reviewed/Adjusted:
Water/Wastewater

Action:

- | | |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
145	143	(2)	(1.4%)

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify) |

Explanation:

External Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster |
| <input type="checkbox"/> Target Population Change | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem | |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission | |

Explanation: The water and wastewater utilities subject to Commission jurisdiction varies yearly. In the past four years, there has been a decline in the number of water and wastewater utilities subject to Commission jurisdiction. The decline has resulted from the transfer of investor-owned utilities to governmental entities, which are not subject to Commission oversight. Recently, the Commission has issued original certificates to newly formed water and wastewater utilities, increasing the number of water and wastewater utilities under the Commission's jurisdiction. However, the Commission currently has pending cases in which investor-owned utilities would be transferred to governmental entities, if approved. Currently, the Commission regulates 150 water and wastewater utilities. Of these 150 utilities, 143 were reviewed to

determine the level of earnings. Seven utilities were not reviewed as they failed to file their required annual reports. Those 7 utilities were mailed certified letters informing them that they are subject to per-day penalties and that failure to submit the report and pay the penalties may result in show cause proceedings and possibly additional fines.

Management Efforts to Address Differences/Problems (check all that apply):

- Training
- Personnel

- Technology
- Other (Identify)

Recommendations: No recommended changes. The Commission's policy regarding the filing of annual reports is clearly articulated in Rule 25-30.110, F.A.C.

Office of Policy and Budget – July 2014

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: # 18 Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Water/Wastewater

Action:

- Performance Assessment of Outcome Measure Revision of Measure
 Performance Assessment of Output Measure Deletion of Measure
 Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
45	41	(4)	(8.9%)

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|---|--|
| <input type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify) |

Explanation:

External Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster |
| <input type="checkbox"/> Target Population Change | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem | |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission | |

Explanation: Fewer petitions filed during FY 2013-14.

Management Efforts to Address Differences/Problems (check all that apply):

- | | |
|------------------------------------|---|
| <input type="checkbox"/> Training | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

Recommendations:

No change is needed at this time.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: #20 – Utility Consumer Complaints and Information Requests Closed

Action:

- Performance Assessment of Outcome Measure Revision of Measure
 Performance Assessment of Output Measure Deletion of Measure
 Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
43,000	34,943	(8,057)	(18.74%)

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

Explanation:

Agency received only 34,963 complaints and information requests. However, of the 34,963 received, 34,943 or 99.9% were closed.

External Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input checked="" type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster |
| <input type="checkbox"/> Target Population Change | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem | |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission | |

Explanation:

Changes in the agency's jurisdiction of telecommunications companies and a water/wastewater company had a direct impact on the complaints and information requests received.

Management Efforts to Address Differences/Problems (check all that apply):

- | | |
|------------------------------------|--|
| <input type="checkbox"/> Training | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

Recommendations:

Achievement of this measure is not within the control of the agency.

**FLORIDA PUBLIC SERVICE
COMMISSION**

LRPP EXHIBIT IV

**PERFORMANCE MEASURE VALIDITY
AND RELIABILITY**

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: **#2 Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Composite**

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. **Accordingly, it should be deleted.**

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: **#6 Percent of electric and gas safety variances corrected on first reinspection.**

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. **Accordingly, it should be deleted.**

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: #7 Consumer Calls: Percent of calls answered

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. **Accordingly, it should be deleted.**

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: #8 Consumer Calls: Average waiting time (in minutes)

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. **Accordingly, it should be deleted.**

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection
Measure: **#9 Conservation Programs Reviewed and Conservation Proceedings Undertaken**

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. **Accordingly, it should be deleted.**

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: # 10 Per capita annual kWh energy savings through conservation programs (in kWh)

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. It measures customer acceptance of conservation programs, not PSC activity.

Accordingly, it should be deleted.

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: # 11 Utility Companies for which Rates or Earnings were Reviewed/ Adjusted: Electric

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. Accordingly, it should be deleted.

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/ Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: # 12 Utility Companies for which Rates or Earnings were Reviewed/ Adjusted: Gas

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. Accordingly, it should be deleted.

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/ Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: **# 13 Utility Companies for which Rates or Earnings were Reviewed/ Adjusted: Water & Wastewater**

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. **Accordingly, it should be deleted.**

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/ Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: # 15 Number of proceedings granting certificates to operate as a telecommunications company and registering intrastate interexchange telecommunications companies

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. **Accordingly, it should be deleted.**

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/ Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: **# 16 Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Electric**

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. **Accordingly, it should be deleted.**

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/ Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: # 17 Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Gas

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. **Accordingly, it should be deleted.**

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/ Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: # 18 Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Water & Wastewater

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. **Accordingly, it should be deleted.**

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/ Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: # 19 Number of proceedings relating to wholesale competition or electric reliability

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. **Accordingly, it should be deleted.**

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/ Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: # 20 Utility Consumer complaints and Information Requests Closed

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. **Accordingly, it should be deleted.**

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/ Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: # 21 Safety Inspections Performed (Electric and Gas)

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. **Accordingly, it should be deleted.**

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/ Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: # 22 Number Average Customer Satisfaction
Rating of the Complaint Handling Function

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20. **Accordingly, it should be deleted.**

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW #23 - Percent of generation reserve margin for Florida electric utilities compared to industry standard (Electric)

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: Ten Year Site Plans of all Florida electric utilities are analyzed after being submitted to the FPSC on an annual basis. The current year summer generation reserve margins of all Florida electric utilities are averaged together and measured against the 15 percent minimum generation reserve margin industry standard.

Validity: Winter and summer reserve margins have a demand side management component that when implemented ensures the 15 percent generation reserve margin is met. Typically, the non demand side management reserve margins are below the 15 percent reserve margin in the summer and above it during the winter.

Reliability: This data is filed annually by Florida utilities pursuant to Section 186.801, Florida Statutes. The ten-year site plans not only project energy needs for customers but also account for generation resources, planned down times, fuel needs, etc. This planning tool is used in many other proceedings and is considered a very reliable source.

Office of Policy and Budget – July 2014

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection
Measure: NEW **#24 - Percent of Gas and Class A&B Water and Wastewater companies that annually prepare planning documents for infrastructure needs and expected capital expenditures**

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: Class A and B water and wastewater companies file an annual report for business conducted in the calendar year. The report is due prior to April 1 for business as of December 31 of the previous year. As part of the report, the water and wastewater companies state the estimated completion dates for enlargements or improvements to the system. Upon receipt of the annual report, staff will manually count the companies that are planning for infrastructure needs.

Staff will send a data request to gas companies along with the annual report forms to ask for infrastructure plans and expected capital expenditures. The reports will be sent in January for activity for the previous calendar year. The reports will be due April 30 of each year.

Validity: Pursuant to Section 367.111(1), Florida Statutes, a water and wastewater company is to provide service to its prescribed service area at a reasonable cost and time. The Florida Public Service Commission (FPSC) has authority to protect the public health, safety and welfare. The FPSC also has jurisdiction over gas companies to determine whether safety standards are met and improvements to the gas transmission and distribution systems are made for the protection of the public. Accordingly, this measure is highly valid.

Reliability: Annual reports for water and wastewater companies are required by 25-30.110, Florida Administrative Code. Annual reports for gas companies are required by 25-7.11, Florida Administrative Code. Both reports are highly reliable. Staff procedures will be amended to require a special data request be sent with annual reports to gas companies.

Office of Policy and Budget – July 2014

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW #25 - Number of outage related customer complaints - Electric

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: Customer complaints, reported to the Commission concerning investor owned electric utilities, are extracted from the Consumer Activity Tracking System (CATS) and analyzed for specific close out codes related to service outages and reliability. The data is then tabulated and analyzed in the Annual Distribution Reliability Report. The Annual Distribution Reliability Report will then be used to determine the total average for the year of all investor-owned electric utilities and should not exceed 456 customer outage reliability complaints.

Validity: Ensures the electric service being provided to Florida's residents is safe and reliable.

Reliability: Data is extracted from the CATS system on reported customer outages of Florida's electric investor-owned utilities and analyzed in the Annual Distribution Reliability Report to determine whether the number of outage related customer complaints-Electric are above the LRPP established standard.

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW #26 - Number of outage related customer complaints - Gas

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: Customer complaints, reported to the Commission concerning investor-owned gas utilities, are extracted from the Consumer Activity Tracking System (CATS), and examined for specific close out codes related to service outages and reliability. The resulting data is analyzed for the current year to determine whether or not it exceeds the standard set for the measure.

Validity: Ensures the gas service being provided to Florida residents is safe and reliable.

Reliability: Data is extracted from the CATS system on reported customer outages of Florida's gas investor-owned utilities and analyzed in the Annual Distribution Reliability Report to determine whether the number of outage related customer complaints-Gas are above the LRPP established standard.

Office of Policy and Budget – July 2014

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW #27 - Number of outage related customer complaints – Water/Wastewater

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: Customer complaints, reported to the Commission concerning investor-owned water and wastewater utilities, are extracted from the Consumer Activity Tracking System (CATS), and examined for specific close out codes related to service outages and reliability. The resulting data is analyzed for the current year to determine whether or not it exceeds the standard set for the measure.

Validity: Ensures the water and wastewater service being provided to Florida's residents is safe and reliable.

Reliability: Data is extracted from the CATS system on reported customer outages of Florida's water and wastewater investor-owned utilities and analyzed in the Annual Distribution Reliability Report to determine whether the number of outage related customer complaints-Water and Wastewater are above the LRPP established standard.

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW #28 - Number of electric related injuries or fatalities resulting from utility rule violations

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: Electric incident reporting required by Rule 25-6.019, F.A.C.

Validity: The goal of the electric safety inspection program is to ensure public safety.

Reliability: The information comes directly from the companies involved. The companies report clearance information for electric incidents which is used to determine rule violations.

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW #29 - Number of gas related injuries or fatalities resulting from utility rule violations

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: Gas incident reporting required by Rule 25-12.084, F.A.C.

Validity: The goal of the gas safety inspection program is to ensure public safety.

Reliability: Gas companies report investigation results which are used to determine rule violations.

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW #30 - Average allowed return on equity (ROE) in Florida compared to average ROE in U.S. - Electric

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: Florida Statutes require the Florida Public Service Commission to ensure that the regulatory process results in fair and reasonable rates while offering rate base regulated utilities an opportunity to earn a fair return on their investments. The Commission currently has rate setting authority over the investor-owned electric and natural gas utilities and the water and wastewater utilities located in counties that have opted to give jurisdiction to the Commission. Rate setting actions are taken by the Commission with the filing of a petition by a regulated utility, or upon the Commission's own motion. This outcome measure evaluates the Commission's performance in ensuring the utilities an opportunity to earn a fair return on investments by comparing the Return on Equity (ROE) authorized for Florida utilities to ROEs authorized for comparable utilities in other states. The determination of the ROE to be authorized for the utility is one of, if not the most, complex and important decisions made in a rate case. The fact that a specific ROE is authorized for a utility does not mean that the utility is guaranteed to receive that return on its investments. Economic conditions, management practices, and other factors have a significant effect on actual ROE achieved.

The amounts reported under this measure compare the Weighted Average Allowed ROE for electric utilities in Florida to the Weighted Average Allowed ROE for comparable companies in the USA. The Average Allowed ROE in the USA is computed as follows:

All electric utilities in the USA with a Standard & Poor's (S&P's) investment grade credit rating and that derive the majority of revenues from regulated operations are included in the calculation. The ROE for the USA index is calculated using a weighted average of the ROEs reported by AUS Utility Reports based on asset size as reported in the utilities' Security and Exchange Commission (SEC) reports.

The data sources include Security and Exchange Commission form 10-Qs, AUS Utility Reports, S&P Capital IQ ratings direct, and Florida Public Service Commission surveillance reports. The methodology criteria limits selection to electric utilities with a majority of revenue generated by regulated electric operations, a BBB or higher S&P 500 rating, and an allowed ROE.

Many risk factors can impact the determination of ROE. These factors include, but are not limited to, the customer mix, the fuel mix, the regulatory environment, the opportunity offered to achieve the authorized return, and the extent of competition. The risk factors that exist yearly will determine whether Florida's ROE should be higher or lower than the USA ROE.

Validity: This measure uses the ROEs established by regulatory commissions in other states for comparable utilities as a benchmark for evaluating the reasonableness of ROEs established for Florida utilities. This measure is a valid indicator of the Commission's achievement of this goal in a broad sense. To truly evaluate the Commission's performance in setting ROE, one would have to review the evidence presented in each rate case and base a conclusion thereon. Also, external factors beyond the control of the Commission such as economic, geographic, environmental, and political circumstances all affect ROE and must be considered in evaluating the Commission's performance under this measure. As a result, this measure should be considered as only a general indicator of the Commission's performance in this area. However, viewed as a trend over a number of years, this measure provides a valid general indication of the Commission's performance in this area.

The landmark Supreme Court Bluefield and Hope¹ cases established standards of a fair rate of return that are commensurate with returns available on investments having corresponding risks. These Supreme Court decisions justify the comparison between Florida specific electric utility ROE information with the rest of the United States electric utility ROE information.

Reliability: The Commission's Division of Accounting and Finance provides the data for this measure. The data for other states is based on their review and determination of comparable systems and research regarding ROEs. A list of utilities selected for comparison and the factors evaluated in selecting have been documented. Standard operating procedures have been developed to ensure that this data is developed and recorded consistently and accurately.

These are publicly traded companies that file with the SEC and are audited by major accounting firms. The information is also confirmed by the Sarbanes-Oxley Act of 2002. These utilities are rated by Standard & Poor's.

Office of Policy and Budget – July 2014

¹ Bluefield Water Works & Improvement Co. v. P.S.C. of West Virginia, 262 U.S. 679 (1923) and F.P.C. v. Hope Natural Gas Co., 320 U.S. 591 (1944).

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW #31 - Average allowed return on equity (ROE) in Florida compared to average ROE in U.S. - Gas

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: Florida Statutes require the Florida Public Service Commission to ensure that the regulatory process results in fair and reasonable rates while offering rate base regulated utilities an opportunity to earn a fair return on their investments. The Commission currently has rate setting authority over the investor-owned electric and natural gas utilities and the water and wastewater utilities located in counties that have opted to give jurisdiction to the Commission. Rate setting actions are taken by the Commission with the filing of a petition by a regulated utility, or upon the Commission's own motion. This outcome measure evaluates the Commission's performance in ensuring the utilities an opportunity to earn a fair return on investments by comparing the Return on Equity (ROE) authorized for Florida utilities to ROEs authorized for comparable utilities in other states. The determination of the ROE to be authorized for the utility is one of, if not the most, complex and important decisions made in a rate case. The fact that a specific ROE is authorized for a utility does not mean that the utility is guaranteed to receive that return on its investments. Economic conditions, management practices, and other factors have a significant effect on actual ROE achieved.

The amounts reported under this measure compare the Weighted Average Allowed ROE for natural gas utilities in Florida to the Weighted Average Allowed ROE for comparable companies in the USA. The Average Allowed ROE in the USA is computed as follows:

All natural gas utilities in the USA followed by AUS Utility Reports and that derive the majority of revenues from regulated operations are included in the calculation. The weighted average ROE for the USA index is then calculated based on asset size as reported by AUS Utility Reports.

The data sources include Security and Exchange Commission form 10-Qs, AUS Utility Reports, S&P Capital IQ ratings direct, and Florida Public Service

Commission surveillance reports. The methodology criteria limits selection to natural gas utilities with a majority of revenue generated by regulated natural gas operations, a BBB- or higher Standard & Poor's rating, and an allowed ROE.

Many risk factors can impact the determination of ROE. These factors include, but are not limited to, the customer mix, the fuel mix, the regulatory environment, the opportunity offered to achieve the authorized return, and the extent of competition. The risk factors that exist yearly will determine whether Florida's ROE should be higher or lower than the USA ROE.

Validity: This measure uses the ROEs established by regulatory commissions in other states for comparable utilities as a benchmark for evaluating the reasonableness of ROEs established for Florida utilities. This measure is a valid indicator of the Commission's achievement of this goal in a broad sense. To truly evaluate the Commission's performance in setting ROE, one would have to review the evidence presented in each rate case and base a conclusion thereon. Also, external factors beyond the control of the Commission such as economic, geographic, environmental, and political circumstances all affect ROE and must be considered in evaluating the Commission's performance under this measure. As a result, this measure should be considered as only a general indicator of the Commission's performance in this area. However, viewed as a trend over a number of years, this measure provides a valid general indication of the Commission's performance in this area.

The landmark Supreme Court Bluefield and Hope¹ cases established standards of a fair rate of return that are commensurate with returns available on investments having corresponding risks. These Supreme Court decisions justify the comparison between Florida specific natural gas utility ROE information with the rest of the United States natural gas utility ROE information.

Reliability: The Commission's Division of Accounting and Finance provides the data for this measure. The data for other states is based on their review and determination of comparable systems and research regarding ROEs. A list of utilities selected for comparison and the factors evaluated in selecting have been documented. Standard operating procedures have been developed to ensure that this data is developed and recorded consistently and accurately.

The U.S. natural gas utilities are publicly traded companies that file with the Security and Exchange Commission (SEC) and are audited by major accounting firms. The U.S. natural gas utilities' information is also confirmed by the Sarbanes-Oxley Act of 2002. The Florida natural gas utilities are not rated by Standard & Poor's, and must file surveillance reports with the Florida Public Service Commission.

Office of Policy and Budget – July 2014

¹ Bluefield Water Works & Improvement Co. v. P.S.C. of West Virginia, 262 U.S. 679 (1923) and F.P.C. v. Hope Natural Gas Co., 320 U.S. 591 (1944).

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW #32 - Average allowed return on equity (ROE) in Florida compared to average ROE in U.S. – Water/Wastewater

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: Florida Statutes require the Florida Public Service Commission to ensure that the regulatory process results in fair and reasonable rates while offering rate base regulated utilities an opportunity to earn a fair return on their investments. The Commission currently has rate setting authority over the investor-owned electric and natural gas utilities and the water and wastewater utilities located in counties that have opted to give jurisdiction to the Commission. Rate setting actions are taken by the Commission with the filing of a petition by a regulated utility, or upon the Commission's own motion. This outcome measure evaluates the Commission's performance in ensuring the utilities an opportunity to earn a fair return on investments by comparing the Return on Equity (ROE) authorized for Florida utilities to ROEs authorized for comparable utilities in other states. The determination of the ROE to be authorized for the utility is one of, if not the most, complex and important decisions made in a rate case. The fact that a specific ROE is authorized for a utility does not mean that the utility is guaranteed to receive that return on its investments. Economic conditions, management practices, and other factors have a significant effect on actual ROE achieved.

All water and wastewater utilities reported by AUS Utility Reports are selected for inclusion in the USA average. The Average Allowed ROE in the USA is calculated using a weighted average of the ROEs reported by AUS Utility Reports based on asset size. The data sources include Security and Exchange Commission form 10 Qs, AUS Utility Reports and S&P Capital IQ ratings direct.

Many risk factors can impact the determination of ROE. These factors include, but are not limited to, the customer mix, the fuel mix, the regulatory environment, the opportunity offered to achieve the authorized return, and the extent of

competition. The risk factors that exist yearly will determine whether Florida's ROE should be higher or lower than the USA ROE.

Validity: This measure uses the ROEs established by regulatory commissions in other states for comparable utilities as a benchmark for evaluating the reasonableness of ROEs established for Florida utilities. This measure is a valid indicator of the Commission's achievement of this goal in a broad sense. To truly evaluate the Commission's performance in setting ROE, one would have to review the evidence presented in each rate case and base a conclusion thereon. Also, external factors beyond the control of the Commission such as economic, geographic, environmental, and political circumstances all affect ROE and must be considered in evaluating the Commission's performance under this measure. As a result, this measure should be considered as only a general indicator of the Commission's performance in this area. However, viewed as a trend over a number of years, this measure provides a valid general indication of the Commission's performance in this area.

The landmark Supreme Court Bluefield and Hope¹ cases established standards of a fair rate of return that are commensurate with returns available on investments having corresponding risks. These Supreme Court decisions justify the comparison between Florida specific water and wastewater utility ROE information with the rest of the United States water and wastewater utility ROE information.

Reliability: The Commission's Division of Accounting and Finance provides the data for this measure. The data for other states is based on their review and determination of comparable systems and research regarding ROEs. A list of utilities selected for comparison and the factors evaluated in selecting have been documented. Standard operating procedures have been developed to ensure that this data is developed and recorded consistently and accurately.

Office of Policy and Budget – July 2014

¹ Bluefield Water Works & Improvement Co. v. P.S.C. of West Virginia, 262 U.S. 679 (1923) and F.P.C. v. Hope Natural Gas Co., 320 U.S. 591 (1944).

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW #33 - Number of events attended by the PSC for the purpose of promoting energy and water conservation

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology:

Through annual observations (Energy Awareness Month, National Consumer Protection Week, Earth Day, etc.) the Florida Public Service Commission plans outreach events to promote energy and water conservation to help customers lower utility bills. Outreach staff also promote conservation at PSC customer meetings, customer service hearings, and outreach events at Florida senior centers, Housing Authorities, WorkForce Centers, and other venues.

Validity: This is a valid measure because it accurately reflects the various outreach venues and approaches the PSC utilizes to reach Florida consumers.

Reliability: While event attendance cannot be controlled, the number of events attended is a reliable approach to measure the PSC's efforts to reach Florida consumers with its helpful energy and water conservation information.

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW **#34 Percent of jurisdictional water companies utilizing water conservation rates and/or structures**

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: The number of jurisdictional water companies is based on the regulated utilities in the Master Commission Directory (MCD). The MCD is updated as (1) new utilities are granted a certificate or (2) existing utility certificates are cancelled as a result of a transfer or sale to an exempt entity or a County rescinding Commission jurisdiction over the privately owned water and wastewater utilities in that County. The number of those companies that utilize a conservation rate and/or structure is quantified based on the rates approved by the Commission as reflected in Commission orders. A conservation rate structure includes all rate structures other than a flat rate or a Base Facility Charge and uniform gallonage charge.

Validity: The performance measure is valid because it pertains to establishing rates to affect the consumption of utility services. The higher percent of utilities which have conservation rates or rate structures, the more consumers will be incented to conserve.

Reliability: The performance measure is reliable because it is based on (1) the Master Commission directory which contains all of the water utilities regulated by the Commission, and (2) a review of Commission orders which prescribe the approved rates and rate structures for those utilities.

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW #35 - Percent of utility energy efficiency programs evaluated annually for program effectiveness

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: This measure will include the FPSC's actions to review the effectiveness of conservation programs offered by (1) electric utilities subject to the Florida Energy Efficiency and Conservation Act (FEECA) and (2) natural gas utilities that receive cost recovery for FPSC-approved conservation programs.

Electric Utility Sponsored Conservation Programs – The FPSC will review several data sources to determine program effectiveness for the seven electric utilities subject to FEECA. First, each program will be thoroughly reviewed for cost-effectiveness when initially approved by the FPSC, as well as when a utility requests approval of a program modification. Second, the FPSC analyzes annual reports provided by each utility on their programs' achievements. The seven utilities subject to FEECA are required to file these annual reports with the FPSC by March 1, which provide data on each approved conservation program's customer participation, penetration rates, and demand and energy savings. FPSC staff will send discovery to the utilities to obtain additional data, as necessary. The FPSC prepares an annual report on the conservation achievements of the utilities subject to FEECA (FEECA report) for the Governor and Legislature. Finally, the costs and participation rates associated with each conservation program offered by the five investor-owned electric utilities will be reviewed in the annual Energy Conservation Cost Recovery proceeding. In order to determine if these costs are reasonable and prudent, the FPSC will conduct an audit, perform discovery, and conduct a full evidentiary hearing.

Natural Gas Utility Sponsored Conservation Programs – Conservation programs offered by natural gas utilities must be approved by the FPSC prior to a utility receiving cost recovery from its ratepayers. The FPSC will thoroughly review petitions by natural gas companies for approval of new programs and program modifications. The costs and participation rates associated with each

conservation program offered by the investor-owned natural gas utilities will also be reviewed in the annual Energy Conservation Cost Recovery proceeding. In order to determine if these costs are reasonable and prudent, the FPSC will conduct an audit, perform discovery, and conduct a full evidentiary hearing.

Validity: The FPSC's evaluation of conservation program effectiveness is a meaningful measure of the FPSC's efforts to cost-effectively reduce energy consumption, as directed by Section 366.82(2), Florida Statutes, and ensure that utility expenditures on these programs are reasonable and prudent.

Reliability: The data used to determine program effectiveness are reliable because each of these utility filings are required by FPSC rules. Petitions for approval of new or modified conservation programs are carefully reviewed to ensure compliance with the cost-effectiveness methodology and manual specified by Rules 25-17.008 and 25-17.009, Florida Administrative Code. The FEECA reports submitted annually by the electric utilities are reviewed to ensure compliance with reporting requirements specified by Rule 25-17.0021(5), Florida Administrative Code. The required information in each utility's annual conservation cost recovery filings are specified by Rule 25-17.015, Florida Administrative Code.

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LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW #36 - Percent of consumer complaints closed in 60 days

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology:

The PSC's Consumer Activity Tracking System (CATS) tracks all consumer inquiries and complaints received by the Commission. The CATS database is used to record all complaint activity (consumer, utility, PSC staff) throughout the resolution process. As complaints are entered in CATS, the receipt date is automatically populated. Once the complaint has been resolved, the complaint is closed and the date is entered in CATS. The utility is notified when a consumer complaint is closed.

Validity: This measures the Commission's performance in resolving consumer inquiries and disputes in a specified period of time.

Reliability: The CATS system includes data reflecting opening and closing dates of consumer inquiries and complaints, and Commission procedures define consistent criteria for entry of data.

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW #37 - Percent of consumer complaints closed through the informal resolution process, without a Commission hearing.

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: It is the Commission's intent that disputes between regulated companies and their customers be resolved as quickly, efficiently, and cost-effectively as possible. The informal complaint process is designed for expedited complaint resolution. As complaints progress through the informal process, some complaints require a more detailed analysis and/or informal mediation. These complaints are transferred from the PSC's Consumer Activity Tracking System (CATS) to its Process Review Tracking System (PRTS), a sub-system of CATS, and different PSC staff is assigned to resolve the complaint. If a complaint does not reach resolution and must be resolved through a Commission hearing, the PRTS is noted in the specified field, and a copy of the complaint file is forwarded to legal and technical staff for initiation of a docketed proceeding. Once a docket is opened, the informal complaint becomes a formal complaint and is closed in CATS. The PSC's Case Management System (CMS) then tracks the related complaint activity.

Validity: This measures the Commission's ability to expedite and resolve complaints through the informal process, which is typically more efficient and timely than a formal Commission hearing.

Reliability: Data for this measure is compiled from CATS system reports indicating the total number of complaints resolved, along with PRTS report data noting complaints scheduled for Commission hearing. This allows calculation of that percentage of complaints resolved without a Commission hearing.

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: NEW #38 - Percent of interconnection agreements processed within 100 days.

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

Data Sources and Methodology: One of the Commission's goals is to "Monitor the telecommunications market and provide appropriate review and oversight." In a competitive market, the Commission's review must be done expeditiously. For interconnection agreements (wholesale agreements between carriers), the federal law requires 90 days for the market to be able to protest the agreements before it is effective.

The interconnection agreements are docketed and recorded in the Commission's Case Management System. The data included in the Case Management System includes the opening and closing dates of the dockets. The number of closed interconnection agreements will be compared to the number of interconnection agreements closed within 100 days to calculate the percentage for this outcome. The data for this measure will be reported on a fiscal year basis.

Validity: This measures the timeliness of the Commission's activity to facilitate the competitive market by allowing carriers to operate under the agreements as quickly as possible. The agreements are reviewed, approved and processed in a limited time frame. If agreements don't meet federal mandates or are protested by a third party, the interconnection agreements may be delayed.

Reliability: Data for this measure is taken from the Commission's Case Management System. Standard Operating Procedures are in place to ensure that the data is pulled from the system and calculated consistently. External factors as cited above may affect the percentages reported under this measure.

**FLORIDA PUBLIC SERVICE
COMMISSION**

LRPP EXHIBIT V

**ASSOCIATED ACTIVITIES
CONTRIBUTING TO PERFORMANCE
MEASURES**

LRRP Exhibit V: Identification of Associated Activity Contributing to Performance Measures		
Measure Number	APPROVED PERFORMANCE MEASURES FOR FY 2014-15	Associated Activities Title
1	Percentage of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index (CPI): Composite	Ratemaking
2	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Composite	Ratemaking
3	Percent of utilities achieving within range and over range of last authorized ROE: Electric	Ratemaking
4	Percent of utilities achieving within range and over range of last authorized ROE: Gas	Ratemaking
5	Percent of utilities achieving within range and over range of last authorized ROE: Water & Wastewater	Ratemaking
6	Percent of electric and gas safety variances corrected on first reinspection	Safety Oversight
7	Consumer Calls: Percent of calls answered	Consumer Protection And Assistance
8	Consumer Calls: Average waiting time (in minutes)	Consumer Protection And Assistance
9	Conservation Programs Reviewed and Conservation Proceedings Undertaken	Conservation
10	Per capita annual kWh energy savings through conservation programs (in kWh)	Conservation
11	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Electric	Ratemaking
12	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Gas	Ratemaking

LRRP Exhibit V: Identification of Associated Activity Contributing to Performance Measures		
Measure Number	APPROVED PERFORMANCE MEASURES FOR FY 2014-15	Associated Activities Title
13	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Water & Wastewater	Rate-making
14	Proceedings to Evaluate or Resolve Retail and Wholesale Telecommunications Competitive Issues	Competitive Market Oversight
15	Number of proceedings granting certificates to operate as a telecommunications company and registering intrastate interexchange telecommunications companies	Certificates And Territorial Disputes
16	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Electric	Certificates And Territorial Disputes
17	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Gas	Certificates And Territorial Disputes
18	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Water & Wastewater	Certificates And Territorial Disputes
19	Number of proceedings relating to wholesale competition or electric reliability	Electric Reliability
20	Utility Consumer Complaints and Information Requests Closed	Consumer Protection And Assistance
21	Safety Inspections Performed (Electric and Gas)	Safety Oversight
22	Number Average Customer Satisfaction Rating of the Complaint Handling Function	Consumer Protection And Assistance

**FLORIDA PUBLIC SERVICE
COMMISSION**

LRPP EXHIBIT VI

**AGENCY-LEVEL UNIT
COST SUMMARY**

NUCSSP03 LAS/PBS SYSTEM
BUDGET PERIOD: 2005-2016
STATE OF FLORIDA

SP 09/08/2014 15:52
SCHED XI: AGENCY-LEVEL UNIT COST SUMMARY
AUDIT REPORT PUBLIC SERVICE COMMISSION

ACTIVITY ISSUE CODES SELECTED:

TRANSFER-STATE AGENCIES ACTIVITY ISSUE CODES SELECTED:

1-8:

AID TO LOCAL GOVERNMENTS ACTIVITY ISSUE CODES SELECTED:

1-8:

THE FOLLOWING STATEWIDE ACTIVITIES (ACT0010 THROUGH ACT0490) HAVE AN OUTPUT STANDARD (RECORD TYPE 5)
AND SHOULD NOT:

*** NO ACTIVITIES FOUND ***

THE FCO ACTIVITY (ACT0210) CONTAINS EXPENDITURES IN AN OPERATING CATEGORY AND SHOULD NOT:
(NOTE: THIS ACTIVITY IS ROLLED INTO EXECUTIVE DIRECTION, ADMINISTRATIVE SUPPORT AND INFORMATION
TECHNOLOGY)

*** NO OPERATING CATEGORIES FOUND ***

THE FOLLOWING ACTIVITIES DO NOT HAVE AN OUTPUT STANDARD (RECORD TYPE 5) AND ARE REPORTED AS 'OTHER' IN
SECTION III: (NOTE: 'OTHER' ACTIVITIES ARE NOT 'TRANSFER-STATE AGENCY' ACTIVITIES OR 'AID TO LOCAL
GOVERNMENTS' ACTIVITIES. ALL ACTIVITIES WITH AN OUTPUT STANDARD (RECORD TYPE 5) SHOULD BE REPORTED
IN SECTION II.)

*** NO ACTIVITIES FOUND ***

TOTALS FROM SECTION I AND SECTIONS II + III:

*** NO DISCREPANCIES FOUND ***

FLORIDA PUBLIC SERVICE COMMISSION

GLOSSARY

TERMS AND ACRONYMS

Glossary

Terms and Acronyms

Alternative Cost Recovery – Any recovery mechanism that is different from the base rates mechanism is alternative cost recovery. An example of this for a nuclear construction project is recovery of project financing costs or carrying costs and other expenses as the project develops through the Capacity Cost Recovery Clause upon a showing that costs were prudently incurred.

Base Rate – The amount per kWh a utility charges for energy to meet its revenue requirements.

Baseline Data – Indicators of a state agency's current performance level, pursuant to guidelines established by the Executive Office of the Governor in consultation with legislative appropriations and appropriate substantive committees.

CLEC – Competitive local exchange carrier. Any telecommunications company certificated by the Public Service Commission to provide local exchange telecommunications services in Florida on or after July 1, 1995.

Demand Side Management – Energy users voluntarily lowering energy demand, thereby reducing the amount of energy that must be generated.

Demand-Side Renewable Energy – A system located on a customer's premises generating thermal or electric energy using Florida renewable energy resources and primarily intended to offset all or part of the customer's electricity requirements provided such system does not exceed 2 megawatts.

ETC – Eligible Telecommunications Carrier.

FEECA – Florida Energy Efficiency and Conservation Act.

FPSC – Florida Public Service Commission.

F.S. – Florida Statutes.

IOU – Investor-Owned Utility.

kWh – Kilowatt Hour.

KW – Kilowatt, or 1000 watts.

MW – Megawatt. A megawatt is the equivalent to 1000 kilowatts.

NRC – Nuclear Regulatory Commission.

Rate Base – The value of utility assets, less depreciation, upon which a utility earns a rate of return.

Reliability – The extent to which the measuring procedure yields the same results on repeated trials, and data are complete and sufficiently error-free for the intended use.

Renewable Energy - Energy from a source that is not depleted when used, such as wind or solar power.

SSI – Supplemental Security Income. SSI is a benefit program funded by the Social Security Administration.

Standard – The level of performance to an outcome or output.

Validity – The appropriateness of the measuring instrument in relation to the purpose for which it is being used.

Watt – A unit of power.