

LONG RANGE



FLORIDA PUBLIC SERVICE COMMISSION

FISCAL YEAR

2016-17

THROUGH

2020-21

SEPTEMBER 30, 2015

PROGRAM PLAN

COMMISSIONERS:
ART GRAHAM, CHAIRMAN
LISA POLAK EDGAR
RONALD A. BRISÉ
JULIE I. BROWN
JIMMY PATRONIS

STATE OF FLORIDA



EXECUTIVE DIRECTOR
BRAULIO L. BAEZ
(850)413-6463

Public Service Commission

LONG RANGE PROGRAM PLAN

September 29, 2015

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 2016-17 through Fiscal Year 2020-21. 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,

A blue ink signature of Braulio L. Baez, written in a cursive style.

Braulio L. Baez
Executive Director

FLORIDA PUBLIC SERVICE COMMISSION



LONG RANGE PROGRAM PLAN FY 2016-17 through 2020-21

SEPTEMBER 30, 2015

AGENCY MISSION

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

**Public Service Commission
Long Range Program Plan FY 2016-17 through 2020-21
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
(new)	80%	90%	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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
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 2016-17 through 2020-21
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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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
0	0	0	0	0	0

**Public Service Commission
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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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
USA 12.2 FL 11.38	USA +/- 1	USA +/- 1	USA +/- 1	USA +/- 1	USA +/- 1

FY 2000-01 Baseline (Gas)	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
USA 11.6 FL 11.31	USA +/- 1	USA +/- 1	USA +/- 1	USA +/- 1	USA +/- 1

FY 2000-01 Baseline (W&W)	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
100%	100%	100%	100%	100%	100%

**Public Service Commission
 Long Range Program Plan FY 2016-17 through 2020-21
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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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
99%	90%	90%	90%	90%	90%

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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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
410	240	220	180	150	120

TRENDS AND CONDITIONS STATEMENT

The Florida Public Service Commission (FPSC or Commission) 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.

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 Commission has jurisdiction over company-to-company matters, including disputes over interconnection agreements. The Commission also provides oversight for the Lifeline program for low income customers, established under the federal Universal Service Program, and Telephone Relay Services for the deaf, hard of hearing, and speech impaired. The PSC also has 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 Commission 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 five primary goals:

1. 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.
2. Provide appropriate regulatory oversight to facilitate fair and effective competition in the provision of telecommunications services.
3. Facilitate the provision of safe utility services at levels of quality and reliability that satisfy customer needs.
4. Inform utility consumers regarding utility matters and expedite resolution of disputes between consumers and utilities.
5. Encourage and facilitate responsible use of resources and technology in the provision and consumption of services.

AGENCY PRIORITIES

As discussed previously, the FPSC's authority extends over three major utility industries: energy (electricity and natural gas), telecommunications, and water and wastewater. 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, 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 58.8 percent in 2014. Natural gas usage is expected to remain at approximately 60 percent over the next decade. 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 climate change regulations, fuel price variability, changes in the capital cost of generating units, and the expansion and integration of renewable energy resources.

Gas Reserves

On June 25, 2014, Florida Power and Light Company (FPL) petitioned the FPSC for a determination on whether it would be prudent to acquire an interest in a natural gas reserve project (the Woodford Project). The utility also sought to have the revenue requirement associated with investing in and operating the gas reserve project to be recovered through the fuel clause. The request from FPL included a request to establish guidelines under which FPL could participate in future gas reserve projects without prior FPSC approval. The Office of Public Counsel (OPC), the Florida Industrial Power Users Group (FIPUG) and the Florida Retail Federation (FRF) intervened in the case.

Evidentiary hearings were held and on December 18, 2014, the FPSC determined that the investment in gas reserves could potentially reduce the volatility of FPL's natural gas costs, which are passed through to the utility's customers. The FPSC determined that in addition to acting as a long-term physical hedge designed to decouple costs from market prices, the investments provided the utility with the flexibility to create a risk management program for fuel procurement while giving the FPSC the discretion to evaluate the utility's investments. The decision has been appealed by OPC to the Florida Supreme Court and a decision is pending.

The FPSC took up the issue of guidelines for evaluating future gas reserve projects June 18, 2015. Acknowledging the value in securing low-cost, stable fuel prices, the FPSC also put in place a series of guidelines to provide protection for FPL customers. The protections include a reduction in the maximum volume as a percentage of average daily burn; submission of detailed annual filings of natural gas investment activity; engagement of a third-party auditor to perform audits of gas reserve transactions; imposition of a requirement that FPL only enter into transactions that involve wells classified as "proven," or "probable;" and a requirement that any proposed modifications to the guidelines be filed in March for consideration at the FPSC's fuel clause hearings that year.

Alternative Cost Recovery

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.

Duke Energy Florida, LLC, (DEF) and FPL have also submitted applications to the Nuclear Regulatory Commission (NRC) for a Combined Operating License (COL) for new nuclear units. The COL is authorization to begin construction and operation of the new nuclear power units. FPL has also obtained state site certification for two new nuclear units with in-service dates of 2027 and 2028.

Energy Conservation

On January 17, 2013, FPSC staff initiated the 2014 goal-setting process with a meeting involving interested stakeholders. In July 2014 the FPSC conducted hearings to establish new goals for the FEECA utilities. Intervenors in the hearings included the Florida Industrial Power Users Group (FIPUG), the Environmental Defense Fund, Walmart and Sam's Clubs of the East, and the National Association for the Advancement of Colored People.

In December 2014, the FPSC established annual numeric demand-side management (DSM) goals for all seven FEECA utilities for the period 2015 through 2024. The DSM goals were established for residential and commercial/industrial customers in three categories: summer peak demand, winter peak demand, and annual energy consumption. On July 21, 2015, the DSM plans to meet those goals were approved with modifications that eliminated savings associated with programs that contained behavioral modifications of utility customers. The FPSC determined the savings from energy audits were not susceptible to monitoring; however, the FEECA utilities' DSM plans were able to meet the DSM goals.

Renewable Generation

Another priority of the FPSC is to increase the use of cost-effective renewable energy. Currently there are approximately 1,470 MW of renewable generation resources in Florida from non-utility and utility-owned renewable generating facilities. The majority, approximately 900 MW, are municipal solid waste (MSW) or biomass 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 power produced from renewable energy systems. Customer-owned renewable energy systems have increased in 2014 to 79.8 MW, which is up from a capacity of 2.4 MW in 2006. Small customer-owned renewable facilities are primarily solar photovoltaic (PV) installations. Between 2008 and 2014, the number of these small solar installations increased significantly.

On August 12, 2014, the FPSC approved 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 2015 unless the FPSC takes action to extend.

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.

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. On November 22, 2013, a joint motion was filed by Gulf, OPC, FIPUG, the Federal Executive Agencies, Walmart 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 will remain in effect until the last billing cycle in June, 2017.

Duke Energy Florida, LLC

On January 20, 2012, 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 2013–2016.

On August 1, 2013 DEF filed a revised stipulation and settlement agreement. The proposed settlement extends a base rate freeze from 2017 through 2018, addresses issues resulting from the cancellation and decommissioning of CR3, including the

termination of the Levy Nuclear Plant contract, and addresses potential future generation issues. The revised stipulation and settlement agreement remains in effect until December 2018.

In February 2014, DEF elected to retire CR3. DEF implemented deferral accounting through the establishment of a regulatory asset to account for the capital cost amounts and revenue requirements associated with all CR3 related costs, including depreciation, operation and maintenance expense, property taxes and a cost of capital return.

On May 22, 2015, DEF filed a petition for approval to implement a base rate increase, effective with the first billing cycle of January 2016. This petition was approved by the Commission at its' September 2015 agenda conference. The requested increase is intended to recover the revenue requirement associated with the CR3 regulatory asset. On July 1, 2015, Section 366.96, Florida Statutes, became effective, allowing an electric utility to petition for approval to finance (securitize) some or all of nuclear asset recovery costs using specific bonds. On July 24, 2015, DEF petitioned the FPSC for a financing order pursuant to the new statute. A hearing on the request is scheduled in October 2015 to consider the request.

Florida Power & Light Company

On March 19, 2012, 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.

On December 13, 2012, the Commission adopted a settlement (FPL 2012 Settlement) proposed by the signatories to the agreement. The FPL 2012 Settlement includes a base rate increase of \$350 million effective January 1, 2013. The Settlement also provides for step increases 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. The settlement remains in effect until December 2016.

Tampa Electric Company

On April 5, 2013, Tampa Electric Company (TECO) filed a request for an annual base rate increase of \$134.8 million based in part on an authorized ROE of 11.25 percent. On September 6, 2013, a joint motion for approval of a stipulation and settlement agreement was filed by TECO, OPC, FIPUG, FRF, the Federal Executive Agencies and WCR Hospital. On September 11, 2013, the FPSC approved the settlement, which provides for a base rate increase of \$57.5 million effective November 2013, and an

additional \$7.5 million in November 2014, followed by a \$5 million increase in November 2015 based on an ROE of 10.25 percent. The settlement is in effect until December 31, 2017.

Florida Public Utilities Company

On April 28, 2014, Florida Public Utilities Company (FPUC) filed a petition requesting a \$5.8 million base rate increase. The proposed increase was based on an 11.25 percent ROE. Customer meetings were held in August 2014. On August 29, 2014, the parties to the case filed a Joint Motion for Approval of Stipulation and Settlement (Settlement), which allowed for an annual base rate increase of \$3.75 million based on an ROE of 10.25 percent. The Settlement also suspended the annual accrual of \$121,620 for storm damage and directed the company to expand tree trimming cycles and conduct underground feasibility studies. The FPSC approved the Settlement September 15, 2014, and it remains in effect until December 2016.

Natural Gas Industry

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 2015, the monthly residential bill impacts are \$0.04 for Peoples Gas System customers, \$2.10 for Florida Public Utilities customers and \$1.14 cents for customers of the Florida Division of Chesapeake Utilities Corporation.

Pipeline Replacement Program

Company Name	Total Miles of Bare Steel (BS) Pipe Needing Replacement (as of 9/30/12)	Total Miles of Cast Iron Pipe (CIP) Needing Replacement (as of 9/30/12)	Total Remaining BS Mileage (as of 12/31/14)	Total Remaining CIP Mileage (as of 12/31/14)	Total Mileage Replaced (as of 12/31/14)
Chesapeake Utilities	152	0	111.3	0.0	40.7
Pensacola Energy	469	88	413.3	84.8	58.9
Florida Public Utilities	197	1	92.0	1.0	105.0
TECO Peoples Gas	411	156	239.5	85.0	242.5
TOTALS	1229	245	856	171	447

As a result of these programs, 447 total miles have been replaced. In 2014, gas operators replaced 4 miles of cast iron pipeline and 137 miles of unprotected bare steel pipeline.

Natural Gas Vehicle Tariffs

The Florida Legislature has taken steps to encourage the use of natural gas as a motor fuel. During the 2012 session of the Legislature, changes to Section 334.044, Florida Statutes, were passed to encourage the use of natural gas to reduce transportation costs for individuals and businesses. In recent years, the FPSC has approved natural gas vehicle tariffs for a number of gas utilities, including Peoples Gas, City Gas, Florida Public Utilities Company, Indiantown, Ft. Meade and the Florida Division of Chesapeake Utilities. In April 2015 the FPSC approved Peoples Gas System's special contract with Nopetro-Orlando, LLC. Founded in Miami in 2007, Nopetro builds and operates natural gas fueling stations. Nopetro's facility in Orlando will be similar to one it operates in Tallahassee, where it fuels trucks and buses for Leon County government, the city of Tallahassee, and the Leon County School Board.

Allocation of Intrastate Transmission Pipelines Costs

Some of Florida's natural gas providers (Florida Public Utilities Company, and the Florida Division of Chesapeake Utilities) are evaluating possible changes in how intrastate transmission pipeline capacity costs are allocated among customers. A segment of the natural gas market, primarily large volume commercial/industrial customers that are purchasing directly from a third party marketer, currently are not allocated intrastate transmission costs. The gas utilities have initiated communication with the third party marketers to explore a revised cost allocation methodology. The FPSC will be involved with the regulatory issues surrounding the allocation of intrastate transmission pipeline capacity costs.

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 2014-2015 the FPSC processed 14 petitions for rate relief. The 14 petitions consisted of four file and suspend cases, nine staff assisted rate cases and one 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.

A significant issue for the water and wastewater industry is the challenge of regulatory compliance for small systems. Encouraging acquisitions of small systems by larger more financially sound water and wastewater companies may be one way to address the problems of small systems.

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. The legislation also 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. Last, the legislation required the FPSC to adopt rules to implement the new law. The FPSC held a rule development workshop and invited written comments from interested parties. The rules were filed with the Department of State January 21, 2015, and took effect February 10, 2015. To date no customers have taken advantage of this legislation.

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 (VoIP) 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 measures intended to increase competition.

Under the new 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 and Telephone Relay Service matters and monitor related federal matters that may impact Florida carriers and consumers.

The Lifeline program provides a 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 customers contribute to the Universal Service Fund through a line item on their monthly telephone bill. Wireless carriers designated as Eligible Telecommunications Carriers (ETCs) 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 Department of Children and Families (DCF) implemented a Lifeline coordinated enrollment process. The FPSC and DCF are continuing to work together to streamline the enrollment process for Lifeline 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 to 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 providing for the distribution of specialized equipment required for telecommunications services to the deaf, hard of hearing, and speech impaired and for 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 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 from TDM to IP. The estimated time to convert varies by company and ranges from 5 to 10 years. Under the FCC's purview, AT&T has been running IP trials in two wire centers – one in Florida and one in Alabama – to determine issues that may be encountered with IP transition. The FCC has the option to issue an order requiring certain safeguards that must be followed in an IP environment. 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 intercarrier bill-and-keep compensation, the FCC is looking into the possibility of eliminating geographic telephone numbers and area codes. On June 22, 2015, the FCC released an order that establishes a process to authorize interconnected VoIP providers to obtain North American Numbering Plan (NANP) telephone numbers directly through the NANP administrators rather than through intermediaries. 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 wireline 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 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. The agency released a Lifeline Order and Further Notice of Proposed Rulemaking on June 22, 2015. Among the issues on which the FCC is seeking comment is whether to include broadband as a facet of the Lifeline program, whether to set a budget for the Lifeline program, whether to change programs through which consumers qualify for the Lifeline, whether to permit Lifeline providers to opt out of providing the service and whether ETC designation process should be streamlined to include only FCC designated companies as ETCs. In the order, the FCC removed the requirement for local exchange carriers to resell retail Lifeline-discounted service to other telecommunications carriers for use by end users.

Finally, the FCC is continuing with plans to establish a National Eligibility Database using Food Stamps, Medicaid and SSI as the eligibility criteria. The National Accountability Database has already been tasked to eliminate duplicative provision of Lifeline discounts to consumers. At Florida's request, the FCC has agreed to allow states to have read-only access to this database to help prevent waste, fraud and abuse in the Lifeline program.

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 2014-15	Approved Prior Year Standard FY 2014-15	Prior Year Actual FY 2014-15	Approved Standards For FY 2015-16	Requested Standards FY 2016-17
1	Percent of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index (CPI): composite	CPI + 1 (2.62%)	5.70%	CPI + 1	CPI + 1
2	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: composite	USA +/- 1 (10.16 +/- 1)	10.45	Measure Deleted	Measure Deleted
3	Percent of utilities achieving within range and over range of last authorized ROE: Electric	100% / 0%	60%/0%	100% / 0%	100% / 0%
4	Percent of utilities achieving within range and over range of last authorized ROE: Gas	29% / 0%	29% / 0%	29% / 0%	29% / 0%
5	Percent of utilities achieving within range and over range of last authorized ROE: Water/Wastewater	10% / 5%	11% / 7%	10% / 5%	10% / 5%
6	Percent of electric and gas safety variances corrected on first reinspection	60.1%	86.3%	Measure Deleted	Measure Deleted
7	Consumer calls: Percent of calls answered	86%	91.5%	Measure Deleted	Measure Deleted
8	Consumer Calls: Average waiting time (in minutes)	1.4	0.16 (10 sec.)	Measure Deleted	Measure Deleted
9	Conservation Programs Reviewed and Conservation Proceedings Undertaken	94	148	Measure Deleted	Measure Deleted
10	Per capita annual kWh energy savings through conservation programs (in kWh)	368	427	Measure Deleted	Measure Deleted
11	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Electric	19	25	Measure Deleted	Measure Deleted
12	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Gas	6	8	Measure Deleted	Measure Deleted

	Approved Performance Measure FY 2014-15	Approved Prior Year Standard FY 2014-15	Prior Year Actual FY 2014-15	Approved Standards For FY 2015-16	Requested Standards FY 2016-17
13	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Water/Wastewater	145	141	Measure Deleted	Measure Deleted
14	Proceedings to Evaluate or Resolve Wholesale Telecommunications Competitive Issues	300	282	300	240
15	Number of proceedings granting certificates to operate as a telecommunications company and registering intrastate interexchange telecommunications companies	20	22	Measure Deleted	Measure Deleted
16	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Electric	3	7	Measure Deleted	Measure Deleted
17	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Gas	1	1	Measure Deleted	Measure Deleted
18	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Water/Wastewater	45	15	Measure Deleted	Measure Deleted
19	Number of proceedings relating to wholesale competition or electric reliability	33	44	Measure Deleted	Measure Deleted
20	Utility Consumer Complaints and Information Requests Closed	43,000	31,708	Measure Deleted	Measure Deleted
21	Safety Inspections Performed (Electric and Gas)	3,000	4,714	Measure Deleted	Measure Deleted
22	Number Average Customer Satisfaction Rating of the Complaint Handling Function	4	6	Measure Deleted	Measure Deleted
23	Percent of generation reserve margin for Florida electric utilities compared to industry standard. (Electric)	New Measure	New Measure	≥15%	≥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	80%	80%
25	Number of outage related customer complaints. (Electric)	New Measure	New Measure	≤500	≤500
26	Number of outage related customer complaints. (Gas)	New Measure	New Measure	≤10	≤10
27	Number of outage related customer complaints. (Water & Wastewater)	New Measure	New Measure	≤50	≤50
28	Number of electric-related injuries or fatalities resulting from utility rule violations	New Measure	New Measure	0	0

	Approved Performance Measure FY 2014-15	Approved Prior Year Standard FY 2014-15	Prior Year Actual FY 2014-15	Approved Standards For FY 2015-16	Requested Standards FY 2016-17
29	Number of gas-related injuries or fatalities resulting from utility rule violations	New Measure	New Measure	0	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)	USA +/- 1	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)	USA +/- 1	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)	USA +/- 1	USA +/- 1
33	Number of events attended by the PSC for the purpose of promoting energy and water conservation	New Measure	New Measure	30	30
34	Percent of jurisdictional water companies utilizing water conservation rates and/or structures	New Measure	New Measure	40%	40%
35	Percent of utility energy efficiency programs evaluated annually for program effectiveness	New Measure	New Measure	100%	100%
36	Percent of consumer complaints closed in 60 days	New Measure	New Measure	85%	85%
37	Percent of consumer complaints closed through the informal resolution process, without a Commission hearing	New Measure	New Measure	90%	90%
38	Percent of interconnection agreements processed within 100 days	New Measure	New Measure	95%	95%

**FLORIDA PUBLIC SERVICE
COMMISSION**

LRPP EXHIBIT III

**PERFORMANCE MEASURES
ASSESSMENT**

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

- Training
- Personnel

- Technology
- Other (Identify)

Recommendations: It is anticipated that the results for the next reporting period (2015-2016) will once again fall within the acceptable range for this Outcome measure (CPI + 1). In 2015, the Commission approved a number of reductions in the cost recovery clause factors for investor-owned electric utilities. These actions included the recent approvals of a mid-course correction in the fuel cost recovery clause for one utility and a significant reduction in the capacity cost recovery clause for another utility. Commission approval of these reductions will have a favorable impact on customer utility bills for the 2015-2016 reporting period.

Office of Policy and Budget – July 2015

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:

- 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
100%/0%	60%/0%	(40%) /0%	40%

Factors Accounting for the Difference:

Internal Factors (check all that apply):

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

Explanation:

External Factors (check all that apply):

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

Explanation: Two of the five electric utilities earned below the ROE range. Utilities are responsible for filing petitions for rate increases to address under earnings. The utilities that were earning below the ROE range have approved settlements. Although their respective settlement agreements terms expire in December 2016 and 2018, they can petition for rate relief for under earnings.

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

- | | |
|-------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Training
<input type="checkbox"/> Personnel | <input type="checkbox"/> Technology
<input checked="" type="checkbox"/> 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 over earning.

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%	11%/7%	1%/2%	10%/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 145 water and wastewater utilities, 16 or 11 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, 10 utilities or 7 percent have reported over earnings based on data filed in their annual reports. The Commission cannot prevent over earnings of water and wastewater utilities, but addresses over earnings 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

Technology

Personnel

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.

Office of Policy and Budget – July 2015

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	141	(4)	(2.8%)

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 145 water and wastewater utilities, 141 were reviewed to determine the level of earnings. Four utilities were not reviewed as they failed to file their required annual reports. Those four 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. If the utility does not file its annual report as set forth in the certified letter, the staff will take further action in accordance with the Accounting & Finance Standard Operating Procedure No. 2845.

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

Training

Technology

Personnel

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 2015

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utility Regulation/Consumer Assistance
Service/Budget Entity: Utility Regulation
Measure: #14 Proceedings to Evaluate or Resolve Retail and Wholesale Telecommunications Competitive Issues

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
300	282	(28)	(9.3%)

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 checked="" type="checkbox"/> Target Population Change | <input 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: This performance measure is reliant upon the telecommunications market. The proceedings are mostly filed by the industry and are a reflection of the market, the economy and other external forces. In addition, as the market moves towards IP and wireless technology that are not regulated by PSC, the number of proceedings will decrease.

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: As a reflection of external factors there is nothing for management to address. The state of the industry will drive the number of proceedings to a high degree.

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 Territory, Resolving Territorial Disputes, or Approving Territorial Amendments: Water/Wastewater

- | | |
|-------------------------------------------------------------------------------------|----------------------------------------------|
| <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
45	15	(30)	(67%)

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: This Output is reactive in nature. The number of water and wastewater utilities filing petitions affecting service territories decreased for this period.

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: None—this measure has been discontinued

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	31,708	(11,292)	(26.26%)

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: N/A

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: During FY 2014-15, the agency received 31,704 complaints/information requests and closed 31,708 complaints/information requests. The complaints/information requests closed were received in the current and prior fiscal years. The majority of complaints/information requests are closed within 60 days.

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: This measure is no longer relevant for the Goals and Objectives as amended for the LRPP 2015-16 through 2019-20 and was approved to be deleted.

**FLORIDA PUBLIC SERVICE
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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: **#14 Proceedings to Evaluate or Resolve Retail and Wholesale Telecommunications Competitive Issues**

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 FPSC's primary role with regard to this industry is to facilitate the competitive telecommunications market by ensuring neither new entrants nor incumbents are unfairly advantaged or disadvantaged. While the telecommunications market has been deemed to be competitive, the FPSC has an oversight role in dealing with initial certifications of wireline carriers and the processing and disputes related to interconnection agreements among the companies. Additionally, issues arise related to area codes, discounted phone service for low-income consumers and the deaf and hard of hearing. Expanding technology and its impact on the telecommunications industry has raised further issues. The telecommunications market is evolving as carriers move to IP technology and more customers migrate to wireless only households. The Commission does not have oversight over all the carriers in the market and it appears the number of proceedings at the PSC may decline over time. Accordingly, we request the official standard to be changed as follows:

FY 2016-17 – 240
FY 2017-18 – 220
FY 2018-19 – 180
FY 2019-20 – 150
FY 2020-21 – 120

This measure captures these and other proceedings relating to competition in the wireline telecommunications industry. As historically counted, these proceedings are routinely recorded in the FPSC Case Management System (CMS) and in the workload system in the Office of Telecommunications. The data for this measure will be extracted from these record systems and reported on a fiscal year basis.

Validity: This measure reports the actual number of “competitive market” proceedings conducted by the FPSC as recorded in CMS and the Office of Telecommunications database; therefore, it is a valid indicator of the level of FPSC workload in its competitive market oversight.

Reliability: External factors such as economic trends and technological changes will affect the number of proceedings conducted under this activity. This measure and the data reported under it should provide a reliable basis for assessing the volume of workload involved in this activity.

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**FLORIDA PUBLIC SERVICE
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LRPP EXHIBIT V

**ASSOCIATED ACTIVITIES
CONTRIBUTING TO PERFORMANCE
MEASURES**

LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures		
Measure Number	APPROVED PERFORMANCE MEASURES FOR FY 2015-16	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
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
14	Proceedings to Evaluate or Resolve Retail and Wholesale Telecommunications Competitive Issues	Competitive Market Oversight
23	Percent of generation reserve margin for Florida electric utilities compared to industry standard. (Electric)	Reliability
24	Percent of Gas and Class A&B Water and Wastewater companies that annually prepare planning documents for infrastructure needs and expected capital expenditures	Reliability
25	Number of outage related customer complaints. (Electric)	Reliability
26	Number of outage related customer complaints. (Gas)	Reliability
27	Number of outage related customer complaints. (Water & Wastewater)	Reliability
28	Number of electric-related injuries or fatalities resulting from utility rule violations.	Safety Oversight
29	Number of gas-related injuries or fatalities resulting from utility rule violations.	Safety Oversight

LRRP Exhibit V: Identification of Associated Activity Contributing to Performance Measures		
Measure Number	APPROVED PERFORMANCE MEASURES FOR FY 2015-16	Associated Activities Title
30	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Electric	Ratemaking
31	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Gas	Ratemaking
32	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Water & Wastewater	Ratemaking
33	Number of events attended by the PSC for the purpose of promoting energy and water conservation.	Conservation
34	Percent of jurisdictional water companies utilizing water conservation rates and/or structures.	Conservation
35	Percent of utility energy efficiency programs evaluated annually for program effectiveness.	Conservation.
36	Percent of consumer complaints closed in 60 days.	Consumer Protection and Assistance
37	Percent of consumer complaints closed through the informal resolution process, without a Commission hearing.	Consumer Protection and Assistance
38	Percent of interconnection agreements processed within 100 days	Competitive Market Oversight

**FLORIDA PUBLIC SERVICE
COMMISSION**

LRPP EXHIBIT VI

**AGENCY-LEVEL UNIT
COST SUMMARY**

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:

DEPARTMENT: 61	EXPENDITURES	FCO
FINAL BUDGET FOR AGENCY (SECTION I):	25,515,427	
TOTAL BUDGET FOR AGENCY (SECTION III):	25,515,431	
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DIFFERENCE:	4-	
(MAY NOT EQUAL DUE TO ROUNDING)	=====	=====

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 that does not exceed 2 megawatts.

ETC – Eligible Telecommunications Carrier. A telephone company that has been designated eligible by a state public utility commission or the Federal Communications Commission to receive financial support for providing basic telephone services to qualified households and for high-cost telephone service.

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 of 1000 kilowatts.

North American Numbering Plan (NANP) - NANP is a telephone numbering system originally developed by American Telephone and Telegraph (AT&T) in 1947 to make long distance direct dialing easier for customers. Each telephone number consists of ten digits; an area code and a seven digit local number.

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.

Voice over Internet Protocol (VoIP) - A technology that transmits a telephone call over a data network such as the public internet.

Watt – A unit of power.