

LONG RANGE



FLORIDA PUBLIC SERVICE COMMISSION

FISCAL YEAR

2014-15

THROUGH

2018-19

SEPTEMBER 30, 2013

PROGRAM PLAN

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

STATE OF FLORIDA



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

Public Service Commission

Long Range Program Plan

September 30, 2013

Jerry L. McDaniel, Director
Office of Policy and Budget
Executive Office of the Governor
1701 The Capitol
Tallahassee, FL 32399-1300

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

Mike Hansen, Staff Director
Senate Budget Officer
201 The 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 2014-15 through Fiscal year 2018-19. The internet website address that provides the link to the LRPP located on the Florida Fiscal Portal is <http://staging.floridapsc.com/publications/reports.aspx>. This submission has been approved by Braulio L. Baez, Executive Director.

Sincerely,

A handwritten signature in blue ink, appearing to read "Braulio L. Baez", with a large, stylized flourish extending to the right.

Braulio L. Baez
Executive Director

FLORIDA PUBLIC SERVICE COMMISSION



LONG RANGE PROGRAM PLAN FY 2014-15 THROUGH 2018-19

September 30, 2013

AGENCY MISSION

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

PUBLIC SERVICE COMMISSION
Long Range Program Plan FY 2014-15 Through FY 2018-19
Goals and Objectives

GOAL #1: 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 1A: To establish rates and charges which result in fair and equitable treatment of all customer classes and competitive providers.

OUTCOME 1A: Percentage 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 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
<i>Actual CPI/Actual FL</i>	CPI 3.4%/FL 1.84%	CPI + 1				

OBJECTIVE 1B: To ensure that Commission established returns on equity are commensurate with the level of risk associated with similar investments and initiate corrective proceedings when appropriate.

OUTCOME 1B: Average allowed Return on Equity (ROE) in Florida compared to average ROE in the USA.

	FY 2000-01 Baseline (Actual)	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
<i>USA/ Florida</i>	Electric USA 12.2 / FL 11.38; Gas USA 11.6 / FL 11.31; W/W USA 11.2 / FL 9.69	USA +/- 1				

OBJECTIVE 1C: To monitor the earnings of all utilities to ensure that achieved returns on equity do not exceed authorized returns, and initiate corrective proceedings when appropriate.

OUTCOME 1C: Percentage of utilities achieving within range or over range of last authorized ROE.

	FY 2000-01 Baseline (Actual)	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
<i>Within Range/ Over Range</i>						
Electric	67% / 33%	100% / 0%	100% / 0%	100% / 0%	100% / 0%	100% / 0%
Gas	25% / 0%	29% / 0%	29% / 0%	29% / 0%	29% / 0%	29% / 0%
Water & Wastewater	10% / 5%	10% / 5%	10% / 5%	10% / 5%	10% / 5%	10% / 5%

GOAL #2 Facilitate the provision of safe utility services at levels of quality and reliability that satisfy customer needs.

OBJECTIVE 2: To enforce commission quality and safety standards for regulated utilities.

OUTCOME 2: Percentage of electric and gas safety variances corrected on first re-inspection.

	FY 2000-01 Baseline (Actual)	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
	65.6%	85%	85%	85%	85%	85%

Long Range Program Plan FY 2014-15 Through FY 2018-19 Goals and Objectives

GOAL #3

Inform utility consumers regarding utility matters and expedite resolution of disputes between consumers and utilities.

OBJECTIVE 3: To provide timely and quality assistance to customers regarding utility complaints and inquiries.

OUTCOME 3A Consumer Calls: Percentage of calls answered.

FY 2000-01 Baseline (Actual)	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
93%	86%	86%	86%	86%	86%

OUTCOME 3B Consumer Calls: Average waiting time.

FY 2000-01 Baseline (Actual)	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
.83 min.	1.4 min				

GOAL #4

Encourage and facilitate responsible use of resources and technology in the provision and consumption of electric utility services.

OBJECTIVE 4: To reduce the rate of growth of energy consumption and weather sensitive peak demand as required by Florida Energy Efficiency and Conservation Act (FEECA).

OUTCOME 4: Per capita annual kWh energy savings through conservation programs.

FY 2000-01 Baseline (Actual)	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
193 kWh	523kWh	567kWh	615kWh	667kWh	723kWh

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 64.8 percent in 2012. 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, the changing capital cost of generating units, and the expansion and integration of renewable energy resources.

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. The projects are scheduled to go before the Power Plant Siting Board in December 2013 with an order expected in January 2014. Duke Energy Florida (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.

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. Hearings to establish new conservation and energy efficiency goals were held August 2009. Interveners in the hearing included the Florida Industrial Power Users Group, the Florida Solar Coalition, the National Resources Defense Council, and the Southern Alliance for Clean Energy. On December 30, 2009, the PSC established new goals for the FEECA utilities that were more robust than those proposed by the utilities. These new goals were based on an Enhanced Total Resource Cost (E-TRC) test that includes total system costs and benefits and estimates of the potential impact of environmental regulations to control greenhouse gas emissions. In addition, the Commission increased the goals to include estimates of the effect of certain measures that have a payback period of two years or less to participating customers.

To implement the new goals, each FEECA utility was required to file plans and programs designed to meet the new standards. The Commission approved plans submitted by Gulf Power, Tampa Electric Company (TECO), Florida Public Utilities Company (FPUC), Jacksonville Electric Authority (JEA), and Orlando Utilities Commission (OUC) in early 2010. On July 26, 2011 the Commission modified plans filed by FPL and DEF due to concerns over the rate impact of the plans filed by the utilities. On January 17, 2013, Commission staff initiated the 2014 goal-setting process with a meeting involving interested stakeholders. Subsequently, the Commission opened goal-setting dockets for each of the seven utilities subject to FEECA. As part of the docket proceeding, a formal hearing will be held in 2014 and Demand Side Management goals will be established prior to the close of 2014, consistent with statute.

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 renewable energy generated in excess of the customer's requirements. As of December 31, 2012, 5,296 customers owned renewable energy systems with an electric capacity of 43.8 MW, up from 537 systems with a capacity of 2.8 MW in 2008. Small customer-owned renewable facilities are primarily solar photovoltaic (PV) installations. Between 2008 and 2012, the number of these small solar installations increased nearly ten-fold.

To further encourage development of solar energy in Florida, the FPSC approved solar energy pilot programs to be offered by IOUs. The pilot programs provide customer rebates to offset a portion of the installation cost for solar photovoltaic and solar hot water heating systems, and also provide solar energy equipment to low-income customers and to schools. As the cost of these pilot programs, including rebates, are paid for by all IOU customers, the FPSC established an annual expenditure cap to limit the rate impact. The pilot programs were approved in December 2009.

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 8, 2011, Gulf Power Company (Gulf) filed a request for an annual base rate increase of \$101.6 million and a step increase of \$4.3 million associated with the Crist Units 6 and 7 turbine upgrade projects. Gulf's requested rate increases were based in part on an authorized return on equity (ROE) of 11.70 percent. On February 27, 2012, the Commission approved an annual base rate increase of \$64.1 million based in part on an ROE of 10.25 percent. In addition to this increase in base rates effective April 2012, the Commission also approved a step increase in base rates of \$4.0 million effective January 2013.

On July 12, 2013, 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. The requested step increase is only applicable if the company's request to recover the transmission-related projects through the Environmental Cost Recovery Clause is denied. Gulf's requested rate increases are based in part on an authorized ROE of 11.50 percent. The matter is scheduled to go to hearing in December 2013 with a Commission decision anticipated in February 2014.

Duke Energy Florida, Inc

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.

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 Commission 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 Commission adopted a settlement (FPL 2012 Settlement) proposed by the signatories to the agreement. The non-signatory parties objected to the Commission's consideration of the agreement. The FPL 2012 Settlement, to be effective from January 2013 through December 2016, provided for the following: a base rate increase of \$350 million effective January 1, 2013; the discretion to record a specified depreciation expense credit during the term of the Settlement in an aggregate amount not to exceed \$400 million; specified recovery of storm damage costs and storm damage reserve replenishment; and the implementation of an incentive mechanism that involves ratepayer/shareholder sharing of gains resulting from FPL's electric wholesale purchases and sales and from certain asset optimization activities. In addition, the FPL 2012 Settlement allowed for base rates to be increased by the annualized base revenue requirement for each of FPL's three power plant modernization projects as each of the units becomes operational. These generation base rate adjustment (GBRA) rate increases are based in part on an ROE of 10.50 percent. The GBRA increase for the Cape Canaveral plant went into effect in May 2013. The GBRA increase for the Riviera plant is expected to go into effect in June 2014 and increase for the Port Everglades plant

is expected to go into effect in June 2016. Finally, the FPL 2012 Settlement allows for FPL to seek rate relief if its earned ROE were to fall below 9.50 percent and any party to petition the Commission for a review of FPL's base rates if the Company's reported ROE exceeds 11.50 percent.

On February 7, 2013, the non-signatory parties to the FPL 2012 Settlement appealed the Commission'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.

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. As part of the case process, the Commission held two customer service hearings in TECO's service territory. On September 6, 2013, the company filed a stipulated settlement agreement that was approved by the Commission September 11, 2013. The approved settlement provides for a reduced ROE of 10.25 percent, compared to the 11.25 percent originally sought, and base rate increase of \$70 million in place of the \$134.8 million. The base rate increase will be phased in starting in November 2013 and concluding in November 2015.

Natural Gas Bare Steel and Cast Iron Pipe Replacement

In August 2012, the Commission 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 five cents for Peoples Gas System customers, four 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 2012-2013 the FPSC processed 10 petitions for rate relief. Of the 10 petitions, five were file and suspend cases, and five were staff assisted rate cases. 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.

In response to a number of issues affecting investor-owned water and wastewater utilities, the Legislature in 2012 passed Chapter 2012-187, Laws of Florida. The legislation created the Study Commission on Investor-Owned Water and Wastewater Systems (Committee). The Committee's purpose was to study issues facing investor-owned water and wastewater systems in Florida, particularly smaller systems. The FPSC has initiated implementation of some of the Committee recommendations, including increasing the use of technology to file reports electronically, enhancing FPSC outreach to investor-owned water and wastewater utilities, and developing metrics to assist staff in reviewing utility operations.

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 \$12.75 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 DCF implemented a Lifeline automatic enrollment process. The FPSC and DCF 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 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 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 Century Link 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. AT&T has a petition pending with the FCC seeking approval to run IP trials for selected wire centers 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 to move 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 incumbent local exchange carriers (ILECs) should 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 is being tested 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 2012-13	Prior Year Actual FY2012-13	Approved Standards For FY 2013-14	Requested Standards FY 2014-15
1	Percentage of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index (CPI): Composite	CPI + 1 (3.07%)	-0.32%	CPI + 1	CPI + 1
2	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Composite	USA +/- 1 (10.49 +/- 1)	10.57	USA +/- 1	USA +/- 1
3	Percent of utilities achieving within range and over range of last authorized ROE: Electric	100% / 0%	40%/0%	100% / 0%	100% / 0%
4	Percent of utilities achieving within range and over range of last authorized ROE: Gas	29% / 0%	57%/14%	29% / 0%	29% / 0%
5	Percent of utilities achieving within range and over range of last authorized ROE: Water & Wastewater	10% / 5%	11% / 1%	10% / 5%	10% / 5%
6	Percent of electric and gas safety variances corrected on first reinspection	60.1%	86.60%	60.1%	60.1%
7	Consumer Calls: Percent of calls answered	86%	92.54%	86%	86%
8	Consumer Calls: Average waiting time (in minutes)	1.4	0.22	1.4	1.4
9	Conservation Programs Reviewed and Conservation Proceedings Undertaken	87	99	87	87
10	Per capita annual kWh energy savings through conservation programs (in kWh)	368	403	368	368
11	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Electric	19	27	19	19
12	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Gas	6	7	6	6

	Approved Performance Measure FY 2013-14	Approved Prior Year Standard FY 2012-13	Prior Year Actual FY2012-13	Approved Standards For FY 2013-14	Requested Standards FY 2014-15
13	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Water & Wastewater	145	140	145	145
14	Proceedings to Evaluate or Resolve Retail and Wholesale Telecommunications Competitive Issues	300	404	300	300
15	Number of proceedings granting certificates to operate as a telecommunications company and registering intrastate interexchange telecommunications companies	20	21	20	20
16	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Electric	3	6	3	3
17	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Gas	1	2	1	1
18	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Water & Wastewater	45	46	45	45
19	Number of proceedings relating to wholesale competition or electric reliability	33	40	33	33
20	Utility Consumer Complaints and Information Requests Closed	43,000	43,156	43,000	43,000
21	Safety Inspections Performed (Electric and Gas)	3,000	4,038	3,000	3,000
22	Number Average Customer Satisfaction Rating of the Complaint Handling Function	4	6	4	4

**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: Consumer Safety / Protection
Measure: #3 Percentage 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%	40%/0%	60%/0%	60%

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 checked="" type="checkbox"/> Other (Identify) |
|---|---|

Explanation:

External Factors (check all that apply):

- | | |
|---|---|
| <input type="checkbox"/> Resources Unavailable
<input type="checkbox"/> Legal/Legislative Change
<input checked="" type="checkbox"/> Target Population Change
<input type="checkbox"/> Current Laws Are Working Against The Agency Mission | <input type="checkbox"/> Technological Problems
<input type="checkbox"/> Natural Disaster
<input type="checkbox"/> Other (Identify) |
|---|---|

Explanation: Three of the five electric utilities earned below the ROE range. Utilities are responsible for filing petitions for rate increases to address under earnings. The Commission does not initiate proceedings to increase rates.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utility Regulation / Consumer Assistance
Service/Budget Entity: Consumer Safety / Protection
Measure: #4 Percentage of Utilities Achieving within Range and Over Range of Last Authorized ROE – Gas

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
29%/0%	57%/14%	28%/14%	97%/14%

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:

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"/> Current Laws Are Working Against The Agency Mission | |

Explanation: A higher percentage of gas utilities earned within their ROE range. This is a positive development. One of the seven gas utilities is earning above its authorized ROE range. This Utility was acquired by a larger gas utility, and due to certain economies of scale, was able to reduce its cost structure and thus increase its reported earnings. A docket has been opened to review this utility's earnings on a going forward basis. The remaining gas utilities are earning below their ROE range.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utility Regulation / Consumer Assistance
Service/Budget Entity: Consumer Safety / Protection
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 |
| X 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	140	5	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 | X 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 |
| X Target Population Change | <input type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission | |

Explanation: The Approved Standard for this measure represents the total number of water and wastewater utilities under the Commission's jurisdiction. In 2000/01 when the standard for this measure was established the number of utilities was 145 which has declined due to companies being transferred to government entities. Water and wastewater utilities that fall under the Commission's jurisdiction will increase as new utilities are formed and will decrease as existing utilities are transferred to governmental entities.. For the current period, 140 utilities were reviewed, which is the total number of utilities under the Commission's jurisdiction required to file an annual report.

Recommendations: Because the number of water and wastewater utilities changes every year, staff is not recommending a change at this time. A number

of cases are currently pending to grant new certificates for utilities that will fall under the Commission's jurisdiction in the future. In addition, there are other cases currently pending regarding transfers of certificates to governmental entities that will remove utilities from the Commission's jurisdiction. Thus, at this point a change in the standard does not seem warranted.

Office of Policy and Budget – July 2013

**FLORIDA PUBLIC SERVICE
COMMISSION**

LRPP EXHIBIT IV

**PERFORMANCE MEASURE VALIDITY
AND RELIABILITY**

**FPSC IS NOT REQUESTING
CHANGES IN STANDARDS FOR THE
2014-15 THROUGH 2018-19 LRPP**

**FLORIDA PUBLIC SERVICE
COMMISSION**

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 2013-14	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

LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures		
Measure Number	APPROVED PERFORMANCE MEASURES FOR FY 2013-14	Associated Activities Title
13	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Water & Wastewater	Ratemaking
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

**FLOIDA 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):	25,051,213	
TOTAL BUDGET FOR AGENCY (SECTION III):	25,051,219	
	-----	-----
DIFFERENCE:	6-	
(MAY NOT EQUAL DUE TO ROUNDING)	=====	=====

FLORIDA PUBLIC SERVICE COMMISSION

GLOSSARY

TERMS AND ACRONYMS

Glossary

Terms and Acronyms

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.

COL -- Combined Operating License

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.

CR3 -- Crystal River Unit 3

DEF -- Duke Energy Florida, Inc.

Demand -- The number of output units which are eligible to benefit from a service or activity.

ETC -- Eligible Telecommunications Carrier

E-TRC -- Enhanced Total Resource Cost

FAC -- Florida Administrative Code

FCC -- Federal Communications Commission The federal agency empowered by law to regulate all interstate and foreign radio and wire communication services originating in the United States, including radio, television, facsimile, telegraph, and telephone systems. The agency was established under the Communications Act of 1934.

FEECA -- Florida Energy Efficiency and Conservation Act

FMIS -- Florida Financial Management Information System

FPSC -- Florida Public Service Commission An agency of the State of Florida that regulates the state's investor-owned electric and natural gas companies, local and long distance telephone companies, and certain water and wastewater companies. The FPSC's primary responsibility is to ensure that customers of regulated utility companies receive safe and reliable service at fair and reasonable rates. The FPSC also facilitates the development of competition in the local telephone market.

FPL -- Florida Power and Light Company

FPUC -- Florida Public Utilities Company

F.S. -- Florida Statutes

GULF -- Gulf Power Company

Glossary **Terms and Acronyms**

IGCC -- Integrated Gasification Combined Cycle

ILEC -- Incumbent Local Exchange Carrier...A term coined from the Telecommunications Act of 1996 to describe the incumbent local telephone company providing local transmission and switching services.

Indexing -- Permits utilities to recognize inflationary increases in major categories of operating expenses, such as chemicals, fuel, materials and supplies, rent and insurance.

IOU -- Investor-Owned Utility

IT -- Information Technology

JEA -- Jacksonville Electric Authority

kWh -- Kilowatt-Hour

LAN -- Local Area Network

L.O.F. -- Laws of Florida

MSW -- Municipal solid waste

Narrative -- Justification for each service and activity is required at the program component detail level. Explanation, in many instances, will be required to provide a full understanding of how the dollar requirements were computed.

Nonrecurring -- Expenditure or revenue which is not expected to be needed or available after the current fiscal year.

NRC -- Nuclear Regulatory Commission

OUC -- Orlando Utilities Commission

Performance Ledger -- The official compilation of information about state agency performance-based programs and measures, including approved programs, approved outputs and outcomes, baseline data, approved standards for each performance measure and any approved adjustments thereto, as well as actual agency performance for each measure.

Policy Area -- A grouping of related activities to meet the needs of customers or clients which reflects major statewide priorities. Policy areas summarize data at a statewide level by using the first two digits of the ten-digit LAS/PBS program component code. Data collection will sum across state agencies when using this statewide code.

Program Purpose Statement -- A brief description of approved program responsibility and policy goals. The purpose statement relates directly to the agency mission and reflects essential services of the program needed to accomplish the agency's mission.

Glossary

Terms and Acronyms

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.

ROE -- Return on Equity

Reuse -- Using effluent water for a beneficial purpose, such as irrigation.

Standard -- The level of performance of an outcome or output.

TASA -- Telecommunications Access Services Act

TDM -- Time Division Multiplexing

TECO -- Tampa Electric Company

TF -- Trust Fund

TRW -- Technology Review Workgroup

Unit Cost -- The average total cost of producing a single unit of output – goods and services for a specific agency activity.

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