

FLORIDA PUBLIC SERVICE COMMISSION
2000 ANNUAL REPORT



TELECOMMUNICATIONS



ELECTRIC



NATURAL GAS



WATER AND WASTEWATER

FLORIDA PUBLIC SERVICE COMMISSION
2000 ANNUAL REPORT

Reflects Calendar Year 2000

Edited by

Division of Consumer Affairs
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

A Message From the Chairman

The Florida Public Service Commission (PSC) has one of the most complex yet rewarding missions of any agency in our state. This Annual Report describes the highlights of the PSC's regulatory efforts for Calendar Year 2000 and defines the PSC's role in the areas of competitive market oversight, rate base/economic regulation, and monitoring of safety, reliability and service quality.

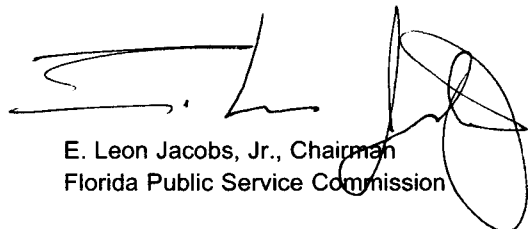
The marketplace for utility services is in a period of fundamental change, presenting the PSC with a number of new challenges during the year 2000. In the electric industry, for example, the development of a competitive wholesale electric market emerged as a key issue, with focus centering on the ability of electric power companies to build so-called "merchant" power plants in Florida. The issue was addressed by the Florida Supreme Court and was discussed at length during the 2000 legislative session. In May 2000, Governor Jeb Bush established the Florida Energy 2020 Study Commission to study how best to meet the state's energy needs over the next two decades. An interim report from the 2020 Commission focused on electric wholesale market issues. The PSC provided technical information to the Legislature and staff support to the 2020 Study Commission.

In the telecommunications industry, the PSC worked on a variety of issues. The PSC's investigation into the quality of service provided by the state's three largest local telephone companies culminated in an agreement by Sprint-Florida, Inc. to provide automatic credits to customers whose service is affected by delayed installations or delayed repairs. In addition, work proceeded on a number of issues designed to facilitate development of greater competition in the telecommunications industry, such as reciprocal compensation, arbitration of interconnection agreements, and the pricing of unbundled network elements. Another significant effort, which is still under way, is the testing of BellSouth's operations support systems to ensure that BellSouth is complying with market-opening requirements.

Deregulation continued to be a major issue in the natural gas industry during 2000. The PSC finalized rules to require natural gas utilities to offer transportation service to all non-residential customers, thus allowing such customers the option to contract for transportation of natural gas and to begin choosing their natural gas suppliers.

In the water and wastewater industries, the PSC collaborated with numerous other public agencies on some important issues during 2000. These included a Copper Pipe Corrosion Project to find solutions to the problem of pipe corrosion experienced by water customers in many parts of the state. In addition, the PSC coordinated the signing of several interagency Memoranda of Understanding to facilitate coordinated efforts toward maintaining clean and affordable water supplies for the state.

The PSC's goal is to ensure that Florida's consumers continue to have access to safe and reliable utility services at fair and reasonable rates. I am pleased to be able to share with you some of our efforts on behalf of Florida's utility customers.



E. Leon Jacobs, Jr., Chairman
Florida Public Service Commission

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I. Introduction

Information Directory

As a government agency whose operations directly affect the public, the Florida Public Service Commission welcomes your requests for information on matters in which you have a concern. Inquiries may be made in writing to the address below or by telephone, e-mail, or toll-free fax.

Florida Public Service Commission
2540 Shumard Oak Blvd. ♦ Tallahassee, Florida 32399-0850

E. Leon Jacobs, Jr., Chairman	(850) 413-6046
J. Terry Deason, Commissioner	413-6038
Lila A. Jaber, Commissioner	413-6044
Braulio L. Baez, Commissioner	413-6042
Michael A. Palecki, Commissioner	413-6040
Executive Director	413-6055
Deputy Executive Director/Administrative	413-6071
Deputy Executive Director/Technical	413-6068
General Counsel	413-7286
Division of Appeals	413-6245
Division of Legal Services	413-6199
Division of Administration	413-6330
Division of Competitive Services	413-6600
Division of Consumer Affairs	413-6100
Toll-Free Number: 1-800-342-3552 (Nationwide)	
Toll-Free Fax: 1-800-511-0809 (Florida)	
Division of Economic Regulation	413-6900
Division of Policy Analysis & Intergovernmental Liaison	413-6800
Division of Records and Reporting	413-6770
Division of Regulatory Oversight	413-6480
Division of Safety & Electric Reliability	413-6700
Inspector General	413-6338

E-mail address: contact@psc.state.fl.us
Internet home page: <http://www.floridapsc.com>

District Offices

Miami

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Suite 400
Miami, Florida 33166-7602
(305) 470-5600

Orlando

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Suite N512
400 W. Robinson St.
Orlando, Florida 32801-1775
(407) 245-0846

Tampa

4950 W. Kennedy Blvd.
Suite 310
Tampa, Florida 33609
(813) 356-1444

PSC Organizational Chart



Braulio L. Baez
Appointed through 01/07/02



J. Terry Deason
Appointed through 01/06/03



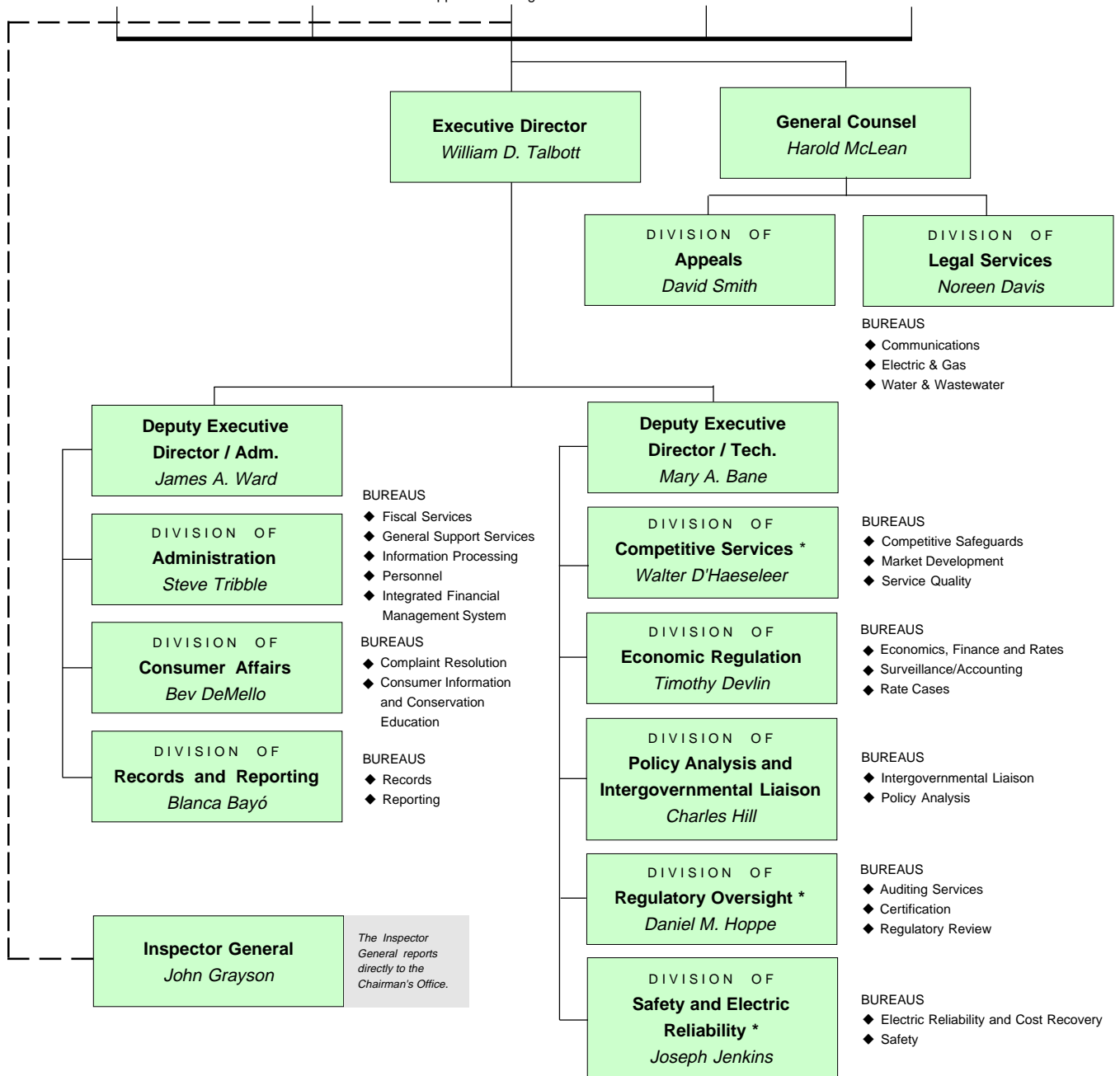
**E. Leon Jacobs, Jr.,
Chairman**
Appointed through 01/07/02



Lila A. Jaber
Appointed through 01/03/05



Michael A. Palecki
Appointed through 01/06/03



* Supervises personnel in district offices: Tallahassee, Orlando, Miami and Tampa

The Commissioners



CHAIRMAN

E. Leon Jacobs, Jr.

Chairman Jacobs was appointed by the late Governor Lawton Chiles to a four-year term beginning in January 1998, and is currently serving a two-year term as Chairman of the Commission. Prior to his appointment, he was a staff attorney for the House Committees on Tourism and Economic Development, Insurance, and Financial Services in the Florida House of Representatives. There, he authored reforms to the state's minority business enterprise programs, as well as managing health insurance and workers' compensation issues. He also was staff counsel to the Florida Senate Committee on Reapportionment, addressing redistricting issues, which involved support of court appeals of the political districts up through the U.S. Supreme Court. In addition, he was an attorney with the Florida Public Service Commission, where he served as counsel to Commission staff and litigator of administrative proceedings.

He is Chairman of the National Association of Regulatory Utility Commissioners' (NARUC) Committee on Consumer Affairs and a member of NARUC's Committee on Electricity. Chairman Jacobs also served as a member of the Distributed Energy Advisory Committee of the Consumer Energy Council of America Research Foundation, and served as a member of the National Drinking Water Advisory Council Small Systems Implementation Working Group. He is also a volunteer guardian in the Guardian Ad Litem Program in the Second Judicial Circuit. Additionally, Chairman Jacobs formerly chaired NARUC's Ad Hoc Task Force on Y2K Readiness, and formerly served as President of the Board of Directors of the Tallahassee affiliate of Habitat for Humanity.

Chairman Jacobs is a member of the Florida Bar. He received a bachelor of technology/science degree, with honors, in data processing from Florida A&M University, and received his juris doctorate from the College of Law at Florida State University. Chairman Jacobs is married with two children.



COMMISSIONER

J. Terry Deason

Commissioner Deason was first appointed to the Commission by the Florida Public Service Commission Nominating Council in January 1991 for a term ending in January 1995. He was subsequently reappointed by the late Governor Lawton Chiles for a term ending in January 1999. Commissioner Deason was then reappointed by Governor Jeb Bush to his current term, which ends in January 2003. Commissioner Deason has served as Chairman of the Commission on two occasions, from January 1993 to January 1995, and from July 2000 to January 2001.

Commissioner Deason is an active member of the National Association of Regulatory Utility Commissioners (NARUC). He currently serves on NARUC's Board of Directors, its Finance and Technology Committee, and its Utility Association Oversight Committee.

Prior to his appointment, he served as Chief Regulatory Analyst in the Office of Public Counsel. In that capacity, he was responsible for the coordination of accounting and financial analysis used by the Public Counsel in cases before the Public Service Commission, presented testimony as an expert witness, and consulted with the Public Counsel on technical issues and ratemaking policies concerning regulated utilities in the State of Florida.

From 1981 to 1987, Commissioner Deason served as Executive Assistant to PSC Commissioner Gerald L. Gunter, during which time he reviewed and analyzed staff recommendations and advised the Commissioner on those recommendations and other pertinent policy determinations. From 1977 to 1981, he served as a Legislative Analyst with the Office of Public Counsel.

He attended the U.S. Military Academy at West Point, and in 1975 received his bachelor of science degree in accounting, summa cum laude, from Florida State University. He also received his master of accounting degree from FSU in 1989.



COMMISSIONER

Lila A. Jaber

Commissioner Jaber was appointed to the Commission by Governor Jeb Bush in February 2000 to complete a term ending in January 2001. She was reappointed by Governor Bush for a term ending in January 2005.

From April 1999 to November 1999, she served as Assistant to Public Service Commissioner Julia L. Johnson. From 1994 to 1999, Commissioner Jaber served as a Bureau Chief with the PSC's Division of Legal Services, Bureau of Water and Wastewater, implementing law and policies on the regulation of more than 1,500 water and wastewater facilities throughout the state of Florida. She also served as an attorney with the Division of Legal Services from 1991 to 1994.

Commissioner Jaber is a court-certified mediator and a member of the Florida Bar and the National Bar Association. She serves on the National Association of Regulatory Utility Commissioners' Committee on Telecommunications and the Committee on Consumer Affairs. Commissioner Jaber also serves as co-chair of the eInfrastructure Subcommittee for the Information Service Technology Development Task Force. In November 2000, she was appointed by the Federal Communications Commission to the Federal-State Joint Conference on Advanced Services. She received a bachelor of arts degree in political science and business from Stetson University in DeLand, and received a juris doctorate from the Stetson University College of Law in St. Petersburg.



COMMISSIONER

Braulio L. Baez

Commissioner Baez was appointed on August 23, 2000, to the Commission by Governor Jeb Bush to complete a term ending in January 2002. Prior to his appointment, Commissioner Baez was an attorney in Miami with a statewide practice representing municipal and county governments in telecommunications, cable franchising and other regulatory matters. He served as Executive Assistant to Public Service Commissioner Joe Garcia from 1994 to 1998.

A native of South Florida, Commissioner Baez received his undergraduate degree from Florida International University in 1988, and his juris doctorate from Nova University, Shepard Broad Law Center, in 1993.

Commissioner Baez serves on the National Association of Regulatory Utility Commissioners' Committees on Electricity and International Relations and is a member of the Southeastern Association of Regulatory Utility Commissioners. A current member of the Florida Bar, the American Bar Association, the Federal Communications Bar Association, the International Municipal Lawyers Association and the National Association of Telecommunications Officers and Administrators, he also served as a Director of the Hispanic Bar Association, 2nd Judicial District.



COMMISSIONER

Michael A. Palecki

Commissioner Palecki was appointed to the Commission by Governor Jeb Bush on November 20, 2000, to complete a term ending in January 2003.

From 1995 until his appointment, Commissioner Palecki was Manager of Regulatory Affairs for NUI Corporation, where he practiced before the New York, Pennsylvania, Maryland, North Carolina and Florida Public Service Commissions. He also served as Secretary of the Associated Gas Distributors of Florida, and was on the Board of Directors of the Florida Natural Gas Association.

From 1989 to 1995, Commissioner Palecki was an attorney for the Florida Public Service Commission, and was promoted to Chief of the Electric and Gas Bureau in the Legal Division in 1990.

Prior to that, he was an attorney for the State Fire Marshal's Office, where he prosecuted arsons and fire-related murders statewide. He also worked with a major law firm, where he represented 23 insurance companies in over 100 arson and fraud cases. He became president of the Florida Advisory Committee on Arson Prevention, and was a founding partner of FireDogs, a company that pioneered the training and use of canines to "sniff" for evidence of arson at fire scenes.

Commissioner Palecki also worked for the State Attorney's Office in Polk County, and for the Florida Attorney General's Office, where he argued and won over 300 criminal cases, including the U.S. Supreme Court case of *Tibbs v. State*, preserving Florida's right to retry defendants after appellate reversal of conviction.

Commissioner Palecki is a 1976 graduate of the Stetson University College of Law. He is a member of the Florida Bar and is admitted to practice in several federal courts, including the U.S. Supreme Court.

National Association of Regulatory Utility Commissioners
Committee and Subcommittee Memberships

E. Leon Jacobs, Jr.	Committee on Consumer Affairs Committee on Water
J. Terry Deason	Board of Directors Committee on Finance and Technology Committee on Utility Association Oversight
Lila A. Jaber	Committee on Consumer Affairs Committee on Telecommunications Representative, Federal-State Joint Conference on Advanced Services
Braulio L. Baez	Committee on International Relations Committee on Electricity
Michael A. Palecki	Committee on Water
William D. Talbott	Staff Subcommittee on Executive Management
James A. Ward	Staff Subcommittee on Education
Cheryl Bulecza-Banks	Staff Subcommittee on Gas
Noreen Davis	Staff Subcommittee on International Relations
James W. Dean	Staff Subcommittee on Electricity
Beverlee S. DeMello	CHAIR - Staff Subcommittee on Consumer Affairs Staff Subcommittee on Public Information
Timothy J. Devlin	Staff Subcommittee on Accounting and Finance
Margaret Feaster	Staff Subcommittee on Information Services
Gregory Fogleman	Staff Subcommittee on Telecommunications
Mark Futrell	VICE CHAIR - Staff Subcommittee on Electric Reliability
Lisa Harvey	Staff Subcommittee on Competition and Performance Analysis
Charles H. Hill	Staff Subcommittee on Water
Patricia Lee	CHAIR - Staff Subcommittee on Depreciation and Technology
John Mann	Staff Subcommittee on Telecommunications
Jim Ruehl	Staff Subcommittee on Electric Reliability
John D. Williams	Staff Subcommittee on Water

Florida Public Service Commissioner History

Commissioner	Years Served	Replaced by	Appointed by Gov.
George G. McWhorter	08/17/1887 - 06/13/1891		
E.J. Vann	08/17/1887 - 06/13/1891		
William Himes	08/17/1887 - 06/13/1891		

The Commission was abolished by the Legislature in 1891, and recreated in 1897

R. H. M Davidson	07/01/1897 - 01/03/1899	John L. Morgan	
John M. Bryan	07/01/1897 - 01/06/1903	Jefferson B. Brown	
Henry E. Day	07/01/1897 - 10/01/1902	R. Hudson Burr	
John L. Morgan	01/03/1899 - 01/08/1907	Royal C. Dunn	
R. Hudson Burr	10/01/02 - 01/04/27	R. L. Eaton	
Jefferson B. Brown	01/06/03 - 01/08/07	Newton A. Blitch	
Newton A. Blitch	01/08/07 - 10/30/21	A. D. Campbell	
Royal C. Dunn	01/04/09 - 01/04/21	A. S. Wells	
A. S. Wells	01/04/21 - 12/16/30	L. D. Reagin	
A. D. Campbell	11/12/22 - 02/10/24	E. S. Mathews	
E. S. Mathews	02/25/24 - 01/16/46	Wilbur C. King	
R. L. Eaton	01/04/27 - 02/27/27	Mrs. R. L. Eaton-Greene	
Mrs. R. L. Eaton-Greene	02/27/27 - 01/08/35	Jerry W. Carter	
L. D. Reagin	12/16/30 - 07/06/31	Tucker Savage	
Tucker Savage	07/06/31 - 01/03/33	W. B. Douglass	
W. B. Douglass	01/03/33 - 08/04/47	Richard A. Mack	
Jerry W. Carter	01/08/35 - 01/05/71	William H. Bevis	
Wilbur C. King	01/08/47 - 07/18/64	William T. Mayo	
Richard A. Mack	09/15/47 - 01/05/55	Alan S. Boyd	
Alan S. Boyd	01/05/55 - 12/01/59	Edwin L. Mason	
Edwin L. Mason	12/01/59 - 01/06/69	Jess Yarborough	
William T. Mayo	09/01/64 - 12/31/80	Katie Nichols	Graham*
Jess Yarborough	01/06/69 - 01/02/73	Paula F. Hawkins	
William H. Bevis	01/05/71 - 01/03/78	Robert T. Mann	
Paula F. Hawkins	01/02/73 - 03/21/79	John R. Marks, III	
Robert T. Mann***	01/04/78 - 01/03/81	Susan Leisner	Graham**

The Commission became appointive January 1, 1979

Joseph P. Cresse***	01/02/79 - 12/31/85	John T. Herndon	Askew/Graham
Gerald L. Gunter***	01/02/79 - 06/12/91	Susan F. Clark	Askew/Graham
			PSC Nominating Council
John R. Marks, III***	03/22/79 - 03/02/87	Thomas M. Beard	Graham**
Katie Nichols***	01/02/81 - 01/03/89	Betty Easley	Graham
Susan Leisner	02/16/81 - 04/02/85	Michael McK. Wilson	Graham
Michael McK. Wilson***	07/12/85 - 11/22/91	Luis J. Lauredo	Graham/Martinez
John T. Herndon	01/07/86 - 04/17/90	Frank S. Messersmith	Graham
Thomas M. Beard***	03/03/87 - 08/13/93	Diane K. Kiesling	Martinez
Betty Easley	01/03/89 - 01/05/93	Julia L. Johnson	Martinez
Frank S. Messersmith	06/19/90 - 02/05/91	J. Terry Deason	Martinez
J. Terry Deason***	02/06/91 - 01/06/03		PSC Nominating Council
			Chiles/Bush
Susan F. Clark***	08/15/91 - 07/31/00	Michael A. Palecki	Chiles/Bush
Luis J. Lauredo	01/23/92 - 05/16/94	Jose "Joe" Garcia	Chiles
Julia L. Johnson***	01/05/93 - 11/15/99	Lila A. Jaber	Chiles
Diane K. Kiesling	12/07/93 - 01/05/98	E. Leon Jacobs, Jr.	Chiles
Jose "Joe" Garcia***	08/19/94 - 06/30/00	Braulio L. Baez	Chiles/Bush
E. Leon Jacobs, Jr.***	01/06/98 - 01/07/02		Chiles
Lila A. Jaber	02/29/00 - 01/03/05		Bush
Braulio L. Baez	09/01/00 - 01/07/02		Bush
Michael A. Palecki	12/19/00 - 01/06/03		Bush

* 2-year initial term

** 3-year initial term

*** Served as Chairman

Maintaining the Balance

The work of the Florida Public Service Commission (PSC) is a balancing act. The PSC must balance the needs of each utility and its shareholders with the needs of consumers. Traditionally, the PSC achieved this goal by establishing exclusive utility service territories, regulating the rates and profits of each utility, and placing an affirmative obligation on the utility to provide service to all who requested it. For electric and water customers in the state, many of the PSC's traditional methods for achieving the balance continue today. Legislative action during the 1995 session to open up the local telephone market to increased competition, however, has required the PSC to facilitate entry of new firms into the local telephone market, while at the same time ensuring that neither the new entrant nor the incumbent local exchange company is unfairly advantaged or disadvantaged. Thus, the PSC's role in the increasingly competitive telephone industry remains one of balance.

The Florida Public Service Commission consists of five members selected for their knowledge and experience in one or more fields substantially related to the duties and functions of the Commission. These fields include economics, accounting, engineering, finance, natural resource conservation, energy, public affairs and law.

The Governor appoints Commissioners from nominees selected by the Public Service Commission Nominating Council. Commissioners also must be confirmed by the Florida Senate. Each Commissioner serves a four-year term unless he or she is appointed to replace a departing Commissioner, in which case the new Commissioner will serve out that term. Should the Governor fail to appoint a new Commissioner by the 60th day following receipt of the slate of nominees, the PSC Nominating Council is empowered to appoint, by majority vote, one of the nominees it submitted to the Governor.

The PSC has quasi-legislative and judicial responsibilities, as well as some executive powers and duties. In its legislative capacity, the PSC makes rules governing utility operations. In a judicial manner, the PSC hears and decides complaints, issues written orders similar to court orders, and may have its decisions appealed to the 1st District Court of Appeal and the Florida Supreme Court. As an executive agency, the PSC enforces state laws affecting the utility industries.

During 2000, the PSC regulated five investor-owned electric companies, eight investor-owned natural gas utilities, and 331 investor-owned water/wastewater facilities comprising 1,275 systems. Additionally, the PSC had regulatory authority and competitive market oversight for 10 incumbent local exchange telephone companies, 424 alternative local exchange telephone companies, 621 long distance (interexchange) telephone companies, 691 competitive pay telephone service providers, 27 shared tenant service providers and 36 alternative access vendors.

While the PSC does not regulate publicly owned, municipal or cooperative utilities, it does have jurisdiction, with regard to rate structure, territorial boundaries, bulk power supply operations and planning, over 33 municipally owned electric systems and 18 rural electric cooperatives. The PSC also has jurisdiction, with regard to territorial boundaries and safety, over 27 municipally owned natural gas utilities, and exercises safety authority over all electric and natural gas systems operating in the state.

In 2000, the PSC received and processed 16,632 numbered documents, which was an increase of 577 documents over the 1999 total of 16,055. The PSC opened 1,838 dockets, reopened 20 dockets, and closed 1,962.

The PSC had 399 authorized positions and an annual budget of about \$27.75 million for fiscal year 2000-2001. ♦



EXECUTIVE DIRECTOR

William D. Talbott

The Executive Director is, essentially, the chief of staff of the Commission, with general responsibility over technical and administrative operations. He acts as an interagency liaison and consults with and advises the Commission on economic and governmental matters. The Office of the Executive Director includes two Deputy Executive Directors. This division of executive duties helps to facilitate the flow and efficiency of the Commission's workload, and provides the proper direction and leadership for the staff. The Office coordinates the activities of the divisions, is responsible for the implementation of Commission policies, makes recommendations for the development and implementation of internal management and budget policies, and acts as legislative liaison.



DEPUTY EXECUTIVE DIRECTOR /
TECHNICAL

Mary A. Bane

Mary Bane is Deputy Executive Director over the Divisions of Competitive Services, Economic Regulation, Policy Analysis and Intergovernmental Liaison, Regulatory Oversight, and Safety and Electric Reliability. She also acts as legislative liaison.



DEPUTY EXECUTIVE DIRECTOR /
ADMINISTRATIVE

James A. Ward

James Ward is Deputy Executive Director over the Divisions of Administration, Consumer Affairs, and Records and Reporting.



GENERAL COUNSEL

Harold McLean

The General Counsel is the Florida Public Service Commission's chief legal counsel. He supervises the PSC's legal personnel and is charged with the administration of, and the delegation of responsibilities to, the Division of Legal Services and the Division of Appeals. The General Counsel also is responsible for advising the PSC on its regulatory responsibilities, representing the agency before federal agencies, providing counsel to the Office of the Executive Director, and assisting in interagency liaison activities.

II. Highlights of the PSC's Regulatory Efforts for Calendar Year 2000

A number of regulatory issues presented significant challenges for the Florida Public Service Commission (PSC) in 2000. What follows is a summary of the most significant issues to arise during the year, as well as a description of how the PSC dealt with each.

ELECTRIC INDUSTRY

Electric Reliability

The PSC initiated a rulemaking proceeding in 2000 to reevaluate the current distribution reliability indices. More-accurate and meaningful measures will be adopted, along with new penalty provisions.

Also, to follow up on the 1997 *Review of Electric Distribution Service Quality* at Florida's four largest investor-owned electric utilities, the PSC conducted a review of distribution service quality at Florida Power & Light Company (FPL) and Florida Power Corporation (FPC). (Both companies were found to have deficiencies in the 1997 review.) The November 2000 report, *Review of Electric Service Quality and Reliability at Florida Power & Light Company and Florida Power Corporation*, documents substantial improvement in reliability indicators that resulted from both companies' investments in improvement programs triggered by the PSC's 1997 review.

Electric Utility Mergers

Florida Power Corporation Merger

Florida Progress Corp. (parent of Florida Power Corporation) completed its merger with CP&L Energy, Inc. (parent of Carolina Power and Light Company) in December 2000. The merger creates a company that is one of the ten largest U.S. utilities. The company is called Progress Energy.

The PSC prepared summaries of the filing, conducted discovery, and drafted comments for the Federal Energy Regulatory Commission (FERC). In addition, the PSC is monitoring the effects of the merger on Florida Power's ratepayers.

Florida Power & Light Company Merger

FPL Group, Inc., the parent company of Florida Power & Light Company (FPL), announced a proposed merger with Entergy Corporation on July 31, 2000. Entergy has utility operations in Arkansas, Louisiana, Mississippi, and Texas. This merger, which would have created the largest electric power company in the United States, was pending at the FERC at the end of 2000. However, on April 2, 2001, the companies called off the \$9-billion merger.

During late 2000, however, while the merger was ongoing, the PSC reviewed the filing, intervened for monitoring purposes, and conducted discovery. In addition, the PSC monitored the potential effects of the merger on FPL's ratepayers.

Electric Utility Refunds

During 2000, FPL was required to refund \$22,774,000 based on its revenue sharing plan, which extends to April 2002. Tampa Electric Company (TECO) was required to refund \$13 million for 1998's earnings and \$6,102,126 for 1999's earnings as a result of its revenue sharing plan. Florida Public

Utilities Company (FPUC) was required to place extra revenue of \$213,231 into its Storm Damage Reserve due to excess 1999 earnings. Finally, Gulf Power Company will make refunds of \$7,203,024 in February 2001 as a result of its revenue sharing plan.

Environmental Cost Recovery Clause

The PSC denied Gulf Power's request to recover the costs of environmental requirements incidental to the construction of its new generating facility at Plant Smith through the environmental cost recovery clause (ECRC). The PSC determined that recovery of prudently incurred expenses associated with the construction of new facilities is appropriate through base rates, rather than through the ECRC. Gulf Power protested the PSC's decision, and a hearing is pending.

Florida Energy 2020 Study Commission

In the spring of 2000, Governor Jeb Bush established by Executive Order the Florida Energy 2020 Study Commission to determine what Florida's electric energy needs will be over the next 20 years and how best to supply those needs. PSC staff members are attending the 2020 Commission's meetings, are providing staff assistance, and have made presentations on request. The PSC also has assisted the 2020 Commission in developing an issues list of concerns, a differential matrix of the stakeholder restructuring proposals, and flowcharts of permitting processes.

The PSC will continue to monitor the meetings of the 2020 Commission and provide any requested assistance.

Jurisdictional Issues

In 2000, the PSC considered the extent of its jurisdiction with respect to wholesale transactions made by Florida's electric cooperatives. Lee County Electric Cooperative, Inc., filed a complaint with the PSC, alleging that the wholesale rate structure of Seminole Electric Cooperative, Inc., was unduly discriminatory and inconsistent with the PSC's responsibility to encourage conservation. The PSC concluded that it did not have jurisdiction to consider Lee County's complaint. An appeal to the Florida Supreme Court is pending.

Merchant Plants

Perhaps the most significant utility issue dealt with in Florida courts in 2000 was the ability of electric power companies to build so-called "merchant plants" in Florida. (A merchant power plant is one with no existing rate base and no captive retail customers.)

In January 1999, the PSC had issued an order granting a determination of need for a proposed 530-megawatt generating facility that Duke-New Smyrna Beach sought to build in Volusia County. In doing so, the PSC had found that the proposed merchant plant provided direct and indirect benefit to the electric customers of the City of New Smyrna Beach and would tend to lower wholesale electricity prices in Florida. Florida's incumbent investor-owned electric utilities subsequently appealed the PSC's decision to the Florida Supreme Court.

On April 20, 2000, the court agreed with the challengers and concluded that Florida law did not allow the certification of a power plant whose capacity was not fully committed to serving retail customers (*Tampa Electric Co. v. Garcia*, 2000). Until the Legislature enacts "express statutory criteria" granting authority to determine need for such plants, the court said, the PSC is powerless to act. The court's decision effectively closed the door for merchant plants in Florida, forcing a legislative remedy if wholesale competition is to come to the state.

On September 29, 2000, the Florida Supreme Court denied a request for rehearing. Afterward, the City of New Smyrna Beach requested that the U.S. Supreme Court review the Florida Supreme Court's decision. As a result of these pending legal actions, the PSC held several other merchant plant applications in abeyance.

However, since the Florida Supreme Court rendered its opinion, the PSC has on two occasions interpreted the requirement that a proposed unit be "fully committed" to serve Florida's retail customers. The PSC determined that both FPC's Hines 2 Unit and Calpine Eastern's Osprey Energy Center (under contract to Seminole Electric Cooperative, Inc.) are fully committed.

Need Determination for Florida Power Corporation

During 2000, a significant case in the area of economic regulation for the electric industry was FPC's filing of a petition requesting a determination of need for its Hines Unit 2 plant. PSC staff testified regarding the policy issue of obligating ratepayers on a long-term basis for a plant that could become uneconomical during its useful life. A petition of need for the 530-megawatt plant was ultimately approved in a vote by PSC Commissioners on December 19, 2000.

Regional Transmission Organization

In June 2000, FPL and FPC obligated themselves to form a regional transmission organization (RTO) called GridFlorida. Weekly workshops were held with all electric utilities to craft a proposal. PSC staff attended these meetings and offered suggestions when given the opportunity. The RTO filing was filed with the FERC on December 15, 2000. PSC staff filed comments and concerns with the FERC in early January 2001. FERC granted GridFlorida conditional approval on March 28, 2001.

NATURAL GAS INDUSTRY

Unbundling of Natural Gas Services

In 1996, the PSC opened a docket (Docket No. 960725-GU) to analyze the effect of natural gas utilities providing transportation service to their customers. Since that time, the PSC has conducted multiple workshops, obtained and evaluated comments from the parties and interested persons, and issued a model unbundling tariff.

As a result, a consensus draft rule that would require natural gas utilities to offer transportation service to all non-residential customers was proposed on December 30, 1999, and was subsequently approved by the PSC on February 15, 2000.

The rule required all investor-owned natural gas utilities in Florida to file by July 1, 2000, transportation tariffs that would allow all non-residential customers the option to contract for the transportation of natural gas. The PSC reviewed each transportation tariff filing to ensure the provisions contained in the tariff were fair and reasonable.

TELECOMMUNICATIONS INDUSTRY

Area Code Activity in Florida

Prior to 1995, Florida had four area codes in place. Today, the area code count is 14. The need for additional area codes has been the result of an ever-increasing demand for numbering resources due to the increase in Florida's population, along with new number-utilizing technologies such as fax machines, computers, pagers, cellular phones, and other wireless technology.

During 2000, the PSC addressed proposals for area code relief for the 904 area code, the 561 area code, the 954 area code, and the 305/786 area codes. All of these area codes were deemed to be "in jeopardy." (The North American Numbering Plan Administration [NANPA], the organization that oversees the nation's area code system, considers an area code to be in jeopardy when the demand for new telephone numbers is projected to exceed the known supply of numbers prior to the area code's estimated exhaust date.)

As part of the processing of these area code relief cases, the PSC held customer service hearings in cities located in each of the four area codes. The purpose of the hearings was to solicit input from customers, businesses, governmental entities, and city, state, and county officials. On September 29, 2000, the PSC selected relief proposals for each of the four area codes. The relief measures included several number conservation measures designed to slow the rate at which phone numbers are expended in those parts of the state. Order No. PSC-00-1937-PAA-TL was issued on October 20, 2000, and was appealed to the Florida Supreme Court by several telecommunications companies on November 20, 2000. On January 2, 2001, the court relinquished jurisdiction of the case, allowing the PSC 90 days to reconsider Order No. PSC-00-1937-PAA-TL on its own motion.

Interconnection Agreements

The year 2000 saw the end of many of the original interconnection agreements entered into by various companies after the enactment of the Telecommunications Act of 1996. Therefore, several new dockets were opened by the PSC to process requests for arbitration of new agreements. A number of those dockets progressed through the hearing phase during 2000.

Lifeline Assistance Program/Link-Up Florida

The Lifeline Assistance Program and Link-Up Florida are a pair of programs that are designed to make local, residential telephone service affordable for all consumers, particularly those with low or fixed incomes. To that end, the PSC initiated several efforts in 2000 to increase public awareness and the enrollment levels of these programs.

Most significantly, the PSC established a joint partnership with the Florida Department of Children and Families (DCF). Under this joint partnership, PSC staff created a postcard-sized flier to be sent to eligible Florida consumers using the DCF's mailing lists and mail system. Approximately 35,000 of the fliers, which were written in English on one side and Spanish on the other, were mailed to consumers in 2000.

The PSC also produced a "Consumer Bulletin" about the Lifeline and Link-Up programs in February 2000. The "Consumer Bulletin" is a monthly article on utility issues that is sent to a number of newspapers statewide, especially those with predominantly African-American readerships. The Bulletin pertaining to Lifeline and Link-Up was also placed on the PSC's Web site, and can be viewed at www.psc.state.fl.us/general/publications/jc02-00.pdf.

In addition, the PSC produced a PowerPoint presentation for Commissioners to use when promoting the programs to city, county, and legislative leaders around the state. Finally, a public service announcement was produced, and is currently airing on television and radio stations statewide.

Pricing of Unbundled Network Elements

Under the Telecommunications Act of 1996, incumbent local exchange companies (ILECs) were required to make parts of their networks available to alternative local exchange companies (ALECs) for use in providing local telephone service. The separated components of the existing local phone network were called "unbundled network elements" (UNEs).

Since pricing of UNEs is integral to the economic viability of ALECs and is a recurring issue in arbitration requests, the PSC established a generic proceeding (Docket No. 990649-TP) to set UNE rates for Florida's three major ILECs: BellSouth Telecommunications, Inc., Sprint-Florida, Incorporated, and GTE Florida, Inc. A hearing on BellSouth's rates was held on September 19-21, 2000, and the PSC is expected to set rates for more than 1,400 BellSouth network elements in April 2001.

There is contention over the appropriate assumptions for calculating the long-run incremental costs of providing UNEs. There is general agreement that such cost studies should be based on forward-looking technologies; however, the parties disagree on whether an existing network configuration or a hypothetical, forward-looking one should be used.

Quality-of-Service Rules

The PSC began enforcement proceedings against the three largest ILECs (BellSouth Telecommunications, Inc., Sprint-Florida, Incorporated, and Verizon Florida Inc.) in 1999 for failure to meet the PSC's quality-of-service rules. Sprint-Florida entered into a settlement agreement, which was approved by the PSC in 2000. The settlement provides that Sprint be granted a limited waiver of the service rules as long as it provides automatic credits to customers whose service is affected by delayed installations or delayed repair. Sprint further will contribute money to a Community Service Fund for use to promote Lifeline service if it fails the PSC's answer time requirements when a customer calls Sprint's business or repair offices. Sprint also paid a settlement in the amount of \$75,000 to the State of Florida's General Revenue Fund.

The remaining two enforcement proceedings, against Verizon (which was formed by the merger of GTE and Bell Atlantic) and BellSouth, are pending hearings in 2001.

Reciprocal Compensation

A number of complaints between telecommunications carriers were processed by the PSC in 2000. One of the most common issues in such complaints was reciprocal compensation for traffic delivered to Internet service providers (ISPs).

Reciprocal compensation is basically a payment mechanism mandated by the FCC, by which phone companies are to be compensated for terminating local telephone traffic that originates on the network of another company. For example, when a customer of an incumbent local exchange company (ILEC) dials an ISP that is served by an alternative local exchange company (ALEC), the call begins on the ILEC's network and is handed off for completion on the ALEC's network. Under reciprocal compensation, the ILEC would then compensate the ALEC for the termination of that call. This potentially means a great deal of money flowing from ILECs to those ALECs that have ISPs as customers. ILECs are claiming, however, that calls to an ISP are long distance calls that do not

terminate at the ISP but continue on to distant Web sites. If the call is long distance, reciprocal compensation does not apply. For this reason, many ILECs are refusing to pay ALECs reciprocal compensation for ISP-bound calls. Given that many ALECs are start-ups with a substantial focus on serving ISPs, this could mean a significant hit to already-thin profit margins.

The issue of reciprocal compensation continues to be a hot topic at both the state and federal levels. As a result of this recurring problem, the PSC opened a generic docket in January 2000 to investigate the appropriate methods to compensate telecommunications carriers for exchange of traffic subject to Section 251 of the Telecommunications Act of 1996. A considerable amount of time has been devoted to this docket, which is ongoing.

As part of the generic docket, PSC staff has provided testimony discussing the regulatory treatment of ISP-bound traffic; summarized the PSC's, the Federal Communications Commission's (FCC), and other states' relevant decisions on reciprocal compensation; and recommended that the PSC modify its policy on reciprocal compensation to more accurately reflect how costs are incurred.

Section 706 Joint Conference

The deployment and provision of advanced telecommunications services is a banner issue in the telecommunications arena. Under Section 706 of the Telecommunications Act of 1996, the FCC was given the authority to cut through regulatory red tape in order to encourage widespread deployment of broadband technologies. In its efforts to comply with the requirements of Section 706, the FCC convened a federal-state joint conference and named Florida to host the June 9, 2000, regional hearing in Miami Beach. The conference attracted attendees from throughout the South and drew approximately 14,000 hits to its Internet Webcast. Experts in the field of advanced telecommunications services spoke at the conference. Panels addressed the topics of fixed wireless technology, deployment to rural and urban multicultural communities, and public/private partnerships.

The conference was coordinated by the PSC, which arranged speakers and coordinated a field trip for attending dignitaries. PSC staff also researched and compiled relevant Florida demographic and background material to be presented to the FCC to assist in achieving the goals and objectives of the hearing. In addition, the PSC was responsible for researching, compiling, and assembling a comprehensive fact book on deployment of these services in Florida, and assembled information from the other co-hosting states to be included in the fact book. Finally, the PSC assisted in the coordination of a Webcast of the hearing, making it the first FCC field hearing to do so.

Testing of BellSouth's Operations Support Systems

Section 271 of the Telecommunications Act of 1996 grants the FCC enforcement authority to ensure that the Bell Operating Companies continue to comply with market-opening requirements after the FCC has approved their applications to provide long distance service in their home regions. In accordance with Section 271, the PSC oversaw the third-party testing of BellSouth's operations support systems (OSS) by KPMG Consulting during 2000.

The results of this testing will provide the basis for the PSC's recommendation to the FCC regarding whether BellSouth is providing non-discriminatory access to its OSS functions to alternative local exchange companies (ALECs). The OSS tests, in conjunction with PSC Docket No. 960786-TL, will assess the adequacy of the systems BellSouth provides to ALECs, and will ascertain whether those systems provide the ALECs with a meaningful opportunity to compete. The testing is scheduled for completion in late summer 2001. The PSC has closely monitored interaction between BellSouth, the KPMG test team, and the ALECs to ensure that the tests are vigorous, fair and open.

In a related docket (Docket No. 000121-TP), the PSC proceeded with the development of a performance assessment plan initially for BellSouth, followed by separate proceedings for Verizon and Sprint. The intent of the development of a performance assessment plan is to further competition, ensure quality of service, and effectively drive process improvements to deliver improved telecommunication services throughout Florida. During 2000, the PSC held several workshops and drafted a staff performance assessment plan proposal for BellSouth to be used during further proceedings.

Truth In Billing

In March 2000, the National Association of Regulatory Utility Commissioners' (NARUC) Committee on Consumer Affairs created a working group, headed by Florida Public Service Commissioner E. Leon Jacobs, Jr., to address the growing problem of confusing and misleading telephone billing practices. The work group's goal was to develop a model telecommunications billing rule for presentation and discussion at the 2000 NARUC Summer Meeting. Under Commissioner Jacobs' direction, the PSC coordinated with other state utility commissions in drafting the model rule, which was presented by PSC staff at the NARUC Summer Meeting.

After NARUC adopted the rule, PSC staff developed questions and surveyed other states to find out their reactions to the model rule. Commissioner Jacobs provided an update on state reactions to the model rule at a subsequent NARUC meeting. After considering whether the PSC needed to take any action to implement the model rule, the PSC decided that the billing formats and procedures used by Florida companies essentially follow the model rule and should be given a chance to operate.

WATER AND WASTEWATER INDUSTRIES

'Black' Water

At the June 20, 2000, PSC Agenda Conference, a panel of PSC Commissioners voted on Docket No. 960545-WS (Investigation of Utility Rates of Aloha Utilities, Inc., in Pasco County). The major issue in the case was the water quality provided by the utility. The Commissioners found that although the quality of the water as it enters the customers' homes meets all federal and state health and safety standards, some customers still complained of "black" water.

The black water problem occurs when hydrogen sulfide in the source water reacts with copper pipes to create copper sulfide, a form of copper corrosion. This form of copper corrosion can result in gray to black water in the customers' homes, pinhole leaks in the pipes, and eventually, failure of the copper pipes. In the Aloha Utilities case, the company was ordered to initiate a pilot project using the best available treatment alternative to enhance the company's water quality and diminish the black water problem. PSC staff, through monthly reports and on-site visits, is monitoring the progress of this pilot project.

The PSC also is investigating Aloha's customer relations, management performance, and operating procedures. A report on these issues is expected to be published in March 2001.

Copper Pipe Corrosion Project

The PSC initiated an Interagency Copper Pipe Corrosion Project with the Florida Department of Community Affairs and the Florida Department of Environmental Protection (DEP). These agencies were joined by representatives from the Florida Building Commission, the Florida Department of

Health, the St. Johns River Water Management District, the Southwest Florida Water Management District, the Florida Rural Water Association, and other government agencies, associations, universities and private businesses.

The goal of the interagency project was to find a consolidated solution to copper pipe corrosion. Three work groups were formed. The Sulfide Source Water Issues Work Group's task was to explore possible water treatment options to remove hydrogen sulfide and possible revisions to DEP rules. The Building Codes/County Ordinance/Education Work Group's task was to explore new, or changes to existing, building codes or county ordinances regarding the type of material used for water pipes in affected areas and how best to educate affected parties about the changes. The task of the Existing Corroded Copper Pipe Repair/Replacement and Education Work Group was to explore options to assist homeowners who are currently experiencing copper pipe corrosion in their homes.

The final report of the interagency project is to be published in May 2001.

Interagency Memoranda of Understanding

In an attempt to formulate a statewide water quality and conservation plan, the PSC has signed Memoranda of Understanding with the DEP and the five Water Management Districts. The current Memorandum of Understanding between the PSC and the DEP was signed in 1992. In 2000, Commissioner Lila A. Jaber of the PSC and Secretary David Struhs of the DEP met and agreed that the current Memorandum of Understanding should be updated regarding water, wastewater, reclaimed water, and interactions between the agencies. PSC staff met with DEP staff to begin the process. The DEP provided a first draft of an updated Memorandum of Understanding, which was circulated to PSC staff for comments. The next steps will be to go over the changes with DEP staff, and then submit a revised Memorandum of Understanding for review to senior management at both agencies. It then will be submitted to the agency heads for formal approval and signatures.

The current Memorandum of Understanding between the PSC and the Water Management Districts was signed in 1991. PSC staff discussed updating the Memorandum of Understanding with various staff from the three largest Water Management Districts, and it was agreed that the agreement needed to be updated. PSC staff will begin working with staff at the Water Management Districts when work has been completed on the Memorandum of Understanding with the DEP.

The PSC staff actively work with the DEP and Water Management Districts in advancing statewide water quality and conservation goals. Both agencies are frequently called upon to testify on water quality and conservation issues in rate cases before this PSC. Whenever feasible, the PSC allows utilities to recover expenses related to conservation programs, and establishes conservation rates to reduce water consumption. For example, in a rate case completed in 2000, the PSC worked with one of the Water Management Districts to design an innovative and aggressive conservation program for a utility with extremely high residential usage. The elements of this program included residential irrigation audits; xeriscape consulting and rebates; distribution of low-flow shower kits; installation of moisture sensors for irrigation; and low-flow toilet rebates.

In 2000, PSC staff members also participated in the DEP's Capacity Development Citizens Advisory Group to develop a strategy for improving the viability of existing water systems. This strategy centers on providing technical assistance to water systems that demonstrate potential or actual compliance problems.

Finally, in May 2000, the PSC entered into a new Memorandum of Understanding with the Florida Department of Community Affairs. Under this memorandum, both agencies agreed to establish guidelines for working together in PSC certificate cases in order to facilitate the intent of Chapters 163 and 367, Florida Statutes, with respect to the regulation of investor-owned water and wastewater utilities and local comprehensive planning.

Mediation Efforts

The PSC made a concerted effort to employ mediation efforts to resolve several utility-related disputes in 2000. In perhaps the most notable one, the PSC helped resolve a contentious transfer docket that nearly led to the disconnections of hundreds of wastewater customers in Lee County (Docket No. 981781-SU — Application for Amendment of Certificate No. 247-S to Extend Service Area by the Transfer of Buccaneer Estates in Lee County to North Fort Myers Utility, Inc.). Numerous residents of the Buccaneer Estates community had refused to pay charges of approximately \$50 to \$60 that were being assessed by North Fort Myers Utility, and the company was threatening to disconnect the wastewater service of those customers who didn't pay. The disconnections were ultimately averted through the successful use of mediation.

Reuse

Reuse is the deliberate application of reclaimed water for a beneficial use. (Reclaimed water is treated water that is reused after flowing out of a domestic wastewater treatment facility.) Such uses include landscape and agricultural irrigation, fire protection and industrial uses. As an economic regulator, the PSC sets rates to allow regulated water and wastewater utilities to recover the costs of reuse projects.

Section 367.0817, Florida Statutes, provides that reuse benefits the water, wastewater and reuse customers, and allows the PSC to recover the costs of reuse from any of those groups of customers. In implementing that statute, the PSC must balance the interests of each group of customers. We attempt to set reuse rates such that some of the costs of reuse can be recovered from the end user, while still encouraging its use in place of water from the aquifer.

The encouragement of reuse by the DEP and the Water Management Districts has raised issues related to the provision of reuse service that are becoming more frequent in water and wastewater cases before the PSC. These issues include the identification of reuse territory, the definition of reuse as it relates to the provision of reuse service and its subsequent used-and-useful ratemaking treatment, and revenue requirements and rates for reuse. PSC staff members monitor reuse activities in Florida to determine if there is a need for future legislative changes to address these issues and better encourage reuse.

The PSC also participates in quarterly interagency meetings dealing with reuse and conservation. Staff members from the PSC, the DEP, the Water Management Districts and the Department of Health attend these meetings and discuss reuse issues, including any proposed agency rulemaking and legislation, and reuse projects that are planned or in progress.

ADDITIONAL PROJECTS

Electronic Filings Task Force

The PSC's Executive Director established a task force in April 2000 to develop and implement an electronic filings and document management system at the PSC. This project has three parts:

- 1) to make all filings made with the PSC's Division of Records and Reporting available on the Internet and to staff in electronic form;
- 2) to allow utilities and consumers to submit their filings electronically to the Division of Records and Reporting, rather than in paper form; and
- 3) to identify all of the documents that the PSC produces/receives/uses so that they can be examined for their appropriateness for the Internet, and then make those available electronically on the Internet.

During 2000, progress was made on all three fronts, with actual implementation of Part 1 starting January 1, 2001. All filings now made with the Division of Records and Reporting immediately kick off the following actions:

- (a) The filing is scanned to PDF format;
- (b) the PDF is automatically posted on the PSC's local area network (LAN), and is also immediately made available on the Internet;
- (c) the PDF is automatically entered into the PSC's LAN database, the Case Management System; and
- (d) PSC staff assigned to the docket are sent an automatic e-mail by the Case Management System to let them know the filing is available.

This process was made possible by an unrelated upgrade to the PSC's Docutech copier system, which has a high-speed scanner that produces PDF format files. The PDF images are perfect copies of the originals, including signatures, stamps, and other post-printing markups. They are also enhanced by Optical Character Recognition (OCR), which allows word searches in the documents and allows text from them to be copied and pasted into other documents, significantly enhancing the speed with which PSC staff and the regulated utilities can prepare new docket-related materials based on previously filed materials.

On Part 2, during 2000, the task force also prepared for the first of two pilots allowing utilities and consumers to submit their filings electronically over the Internet rather than in paper form, so that no paper is required at all. Proposed guidelines were prepared, and the first pilot will take place in 2001.

The remaining part of the project (Part 3), making all other appropriate PSC documents (internal and external) available on the Internet, will go forward in 2001. This includes some technological advances being made at the state level, such as the ability to submit forms to the PSC that involve collection of fees over the Internet.

Integrated Financial Management System Prototype

In 1999, the Legislature authorized funding to develop a prototype of an integrated financial management system (IFMS) for the State of Florida. The PSC was selected as the prototype agency to demonstrate how commercial enterprise resource planning (ERP) software can be implemented using the State's rules, business practices, and data requirements. A consulting firm, SAP, Inc., was contracted to work with the PSC's project team in developing and demonstrating the prototype.

From July 1, 1999, through June 30, 2000, PSC staff devoted approximately 4,000 hours in support of the IFMS Project. During January and February 2000, staff demonstrated the prototype to staff of the Governor's Office, Legislative committees, and other State agencies. As a result of the success of the prototype and other initiatives, the 2000 Legislature appropriated approximately \$15 million for fiscal year 2000-2001 to begin the statewide implementation of an IFMS system.

Internet Home Page

The PSC's Web site (<http://www.floridapsc.com>) attracted 335,496 visitors and gained national attention in 2000. In May 2000, *Energy E-com*'s study on state utility commission Web sites ranked the Florida PSC's Web site No.1 in the nation. In an effort to continue that growth, the PSC has added and enhanced a number of pages with a concentration on some of the most popular features, such as online dockets, consumer assistance, regulated industry pages, online audio/video events, and PSC publications.

The online docket pages, which are the most frequently visited, have been configured so that docketed information filed with the PSC is accessible to Web site visitors almost instantaneously after it is logged in to the Case Management System. These pages have received valuable feedback from industry professionals and general consumers, which resulted in ideas for additional enhancements to be implemented in 2001.

On the PSC Web site, the "Consumer Assistance" page has been reorganized and enhanced so that consumers may effortlessly find the information they seek. The PSC Call Center complaint analysts compiled a list of most commonly asked questions by consumers who call the PSC's toll-free telephone number (1-800-342-3552). These questions and answers were converted into a "Frequently Asked Questions" page, with information on issues ranging from area codes to utility rates. The PSC has also expanded its outreach to Spanish-speaking consumers by adding a "Spanish Brochures" page, where a number of informational brochures on utility issues have been translated into Spanish and placed online.

Another popular feature on the Web site is online complaint forms, which consumers can use to electronically register concerns or complaints with the PSC regarding their utility services. This page is being redesigned so that the PSC and its regulated companies may resolve customer complaints even more effectively.

The pages devoted to specific utility industries also generate a great deal of traffic from visitors to the PSC Web site. Evidence suggests that both industry professionals and general consumers use these pages to find important information on individual companies.

In an effort to make even more useful information available via the Internet, the PSC formed a Web team in 2000 that is composed of representatives from each of the PSC's divisions. Industry application packages, pages dedicated to "hot topics" (the Lifeline Assistance Program and Link-up Florida, changes to Florida's area codes, BellSouth's OSS testing, etc.), and a variety of industry reports (*Competition in Telecommunication Markets in Florida*, *Comparative Rate Statistics*, *Tariff Summary Reports*, *Electric Utilities' 10 Year Site Plans*, etc.) are only a few of the items added as a result.

Other additions to the site during 2000 include video Webcasts of PSC Agenda Conferences, the Call Center Web Cam, the Chairman's Real Audio welcome message, 21 new/updated informational brochures, and 21 new video public service announcements.

Mentoring Program

The PSC participated in the Governor's Mentoring Initiative during 2000 by partnering with Tallahassee's Oak Ridge Elementary School, as well as other community volunteering programs. Agency employees are currently involved in a "Reading Buddies" program, in which they spend an hour per week with an assigned third-grade pupil to assist the pupil with selected reading assignments. These mentors volunteer and donate their time to be role models, encourage students to set goals, and stress the importance of education. Participating mentors have acknowledged that this program is beneficial to them as well as to the children.

Seventy-Two-Hour Rule

In 2000, the PSC implemented a "Seventy-Two-Hour Rule" in which regulated utilities subscribing to the Transfer Connect telephone system may resolve customer complaints within three days in the following manner:

- (a) The PSC staff member handling the complaint will forward a description of the complaint to the company for response and resolution. The three-day period will begin at 5 p.m. Eastern time on the day the information is sent to the company and end at 5 p.m. on the third day, excluding weekends and holidays. If the company satisfactorily resolves the complaint, the company shall notify the staff member of the resolution.
- (b) The PSC will contact the customer to confirm that the complaint has been resolved. If the customer confirms that the complaint has been resolved, the complaint will not be reported in the total number of complaints shown for that company in the *Commission Consumer Complaint Activity Report*. However, the PSC will retain the information for use in enforcement proceedings, or for any other purpose necessary to perform its regulatory obligations.
- (c) If the customer informs the PSC staff member that the complaint has not been resolved, the PSC will notify the company and require a full report.
- (d) A complaint is considered "resolved" if the company and the customer indicate that the problem has been corrected, or the company and the customer indicate that they have agreed to a plan to correct the problem.

There are 16 utilities participating in the Transfer Connect option. The 72-hour rule took effect on June 22, 2000. From that date until December 31, 2000, there were 794 cases resolved using the new 72-hour process.

Transfer Connect

The PSC utilizes the AT&T "Transfer Connect" option in working to resolve many consumer complaints as quickly and efficiently as possible. When a Florida resident calls the PSC's toll-free telephone number (1-800-342-3552) with a question or complaint regarding utility services, PSC staff can transfer the call directly to the utility for handling if that company has an AT&T 800 number. The utility then pays for the call from the point of transfer until completion.

Consumers benefit when they can have all of their needs met with a single toll-free call. The Transfer Connect option also enables PSC staff to consult with a utility representative and pass on information about the caller without the caller needing to repeat the information.

Each company subject to regulation by the PSC may provide a Transfer Connect, or "warm transfer," telephone number by which the PSC can directly transfer a customer to that company's customer service personnel. Each company that subscribes to the Transfer Connect system must provide customer service personnel to handle transferred calls during the company's normal business hours, and at a minimum from Monday through Friday, 9 a.m. to 4 p.m. Eastern time, excluding all holidays observed by the company. ♦

III. Defining the PSC's Role

The Florida Public Service Commission (PSC) is committed to making sure that Florida's consumers receive some of their most essential services — electric, natural gas, telephone, water, and wastewater — in a safe, affordable, and reliable manner. In doing so, the PSC exercises regulatory authority over utilities in three key areas: competitive market oversight; rate base/economic regulation; and monitoring of safety, reliability, and service issues. Those areas are briefly described as follows:

- ◆ **Competitive market oversight** entails monitoring the development of competitive markets and all issues associated with them.
- ◆ **Rate base/economic regulation** involves analyzing requested rate changes and conducting earnings surveillance to ensure that regulated utilities are not exceeding their authorized rates of return.
- ◆ Monitoring of **safety, reliability, and service issues** involves ensuring the uninterrupted provision of utility services in a manner that presents minimal risks to the general public, and confirming that such services are provided in a reasonable and timely manner.

A more detailed description of the PSC's role in these three key areas follows.

COMPETITIVE MARKET OVERSIGHT

The PSC is addressing competitive market structure and ratemaking issues in industries that have traditionally been considered monopolies, yet are now transitioning into a competitive market. New technologies and large customers are two of the catalysts for the change to competition. The advent of new technologies allows new market entrants and new opportunities for established utilities. In addition, large customers may benefit with increased competition by having more options as to whose services they use. Each of these changes shifts the dynamics of the market and requires the PSC to reevaluate the current pricing, regulations, and constraints currently in place. This reevaluation activity does not just occur when major industry changes occur. Instead, competitive issues frequently arise in conjunction with the other two major regulatory roles of the PSC: establishing rates and monitoring service issues.

Electric

The electric industry in Florida is on the verge of major changes. The creation of GridFlorida will require changes in the way existing utilities do business. In addition, the Governor's Energy 2020 Study Commission is looking at expanding wholesale competition and considering retail competition. Either of these changes will effect the competitive nature of the electric market and the customers they serve.

The PSC has been monitoring the development of the GridFlorida proposal to form a regional transmission organization (RTO) in the state. The Federal Energy Regulatory Commission (FERC) believes that having electric transmission operated by independent entities will facilitate competition

in the wholesale electric market. The FERC hopes that this will lead to lower retail prices in the long term. While the PSC does not have jurisdiction to establish wholesale transmission rates, the potential effect on retail consumers of this effort to develop a competitive wholesale market is considerable. Thus, the PSC has faithfully attended the formation meetings and provided comments to the FERC.

During the year 2000, Florida experienced increasing pressure to expand its wholesale power market. This occurred due to Duke Energy's attempts to gain permission to build a merchant plant in the state, and Florida's general concern as to whether there are sufficient power resources in light of California's power outages. The PSC is exploring the potential effects on wholesale competition of having a greater amount of Florida's power generated by producers other than the traditional utilities. In addition, the traditional utilities are considering "spinning off" their existing generation facilities into separate affiliates and then purchasing power back from those affiliates. That action would break up the traditional, vertically integrated electric industry. While competition for retail electric customers currently is not part of the regulatory framework in Florida, competitive implications and considerations are very much a part of the PSC's work.

The PSC also monitors electric utility mergers to ensure that ratepayers will not be unduly burdened. In 2000, the PSC monitored two major mergers. The first, between Florida Progress Corp. (parent of Florida Power Corporation) and CP&L Energy, Inc. (parent of Carolina Power & Light), promises significant changes for the electric industry. PSC staff prepared summaries of the filing and drafted comments for the FERC. The second merger, between Florida Power & Light Company (FPL) and Entergy, would have created the largest electric utility in the United States. At the end of 2000, this merger was pending at the FERC. (However, on April 2, 2001, the companies called off plans for the \$9-billion merger.) During 2000, however, the PSC reviewed that filing as well, and intervened for monitoring purposes.

The PSC also has had to consider competitive issues regarding the utilities' customers. In order to give the utilities the flexibility to preserve their customer base, the PSC approved economic development and/or load retention tariffs for the state's four largest investor-owned electric utilities. One pending case concerns a challenge to the propriety of offering different rates to two manufacturers served by the same utility, and whether such an offering constitutes "undue discrimination."

Natural Gas

In overseeing the natural gas industry, the PSC has processed tariffs for "unbundling" services provided by natural gas utilities. A recently adopted PSC rule allows all non-residential natural gas customers in Florida to purchase their gas from the competitive market, and to have the associated transportation/distribution provided by the monopoly investor-owned utility.

The PSC also reviews special contracts and proposed tariff changes of natural gas utilities to ensure that the provisions are reasonable and non-discriminatory.

Telecommunications

In the telecommunications industry, a key focus of the PSC has been facilitating the development of competition in the local telephone market by arbitrating agreements between incumbent local exchange companies (ILECs) and alternative local exchange companies (ALECs) when negotiations fail. The PSC also is active in monitoring and assessing the status of local competition, processing negotiated agreements, interpreting agreements and tariffs, providing input on legislative and Federal Communications Commission (FCC) initiatives, and conducting generic proceedings to implement approved initiatives.

The PSC has numerous other responsibilities related to competitive market oversight in the telecommunications industry. Reviews of industry practices are regularly conducted to determine whether entities are engaging in anti-competitive practices that could dampen the development of competition. Another major area involves the processing of area code relief cases and providing oversight of numbering resources.

Also in the area of telecommunications, the PSC has been reviewing both existing and emerging Internet access technology and backbone infrastructure. In doing so, the PSC recognizes the blurring of distribution between the traditional telephone network and the data transmission networks. The PSC has worked to identify the different technologies involved, assess the direction of those technologies, analyze pricing differences between voice and data networks, and determine what, if any, policy actions the PSC should consider.

Another significant telecommunications issue being monitored by the PSC is "truth in billing" (as previously discussed on page 20). In March 2000, the National Association of Regulatory Utility Commissioners' (NARUC) Committee on Consumer Affairs created a working group, headed by PSC Commissioner E. Leon Jacobs, Jr., to address the growing problem of confusing and misleading telephone practices. The group's goal was to develop a model telecommunications billing rule for presentation and discussion at the 2000 NARUC Summer Meeting. Under Commissioner Jacobs' direction, the PSC coordinated its efforts with those of other state utility commissions in drafting a model truth-in-billing rule, which was presented at the NARUC Summer Meeting. After NARUC adopted the rule, the PSC surveyed other states to find out their reactions to it. Commissioner Jacobs provided an update on state reactions to the model rule at a subsequent NARUC meeting. After considering whether the PSC needed to take any action to implement the model rule in Florida, the PSC decided that the billing formats and procedures used by Florida companies essentially follow the model rule and should be given a chance to operate.

The pricing of unbundled network elements (UNEs), previously discussed on page 18, has emerged as another significant competitive issue in the telecommunications industry. In May 1999, in response to a petition from a group of competitive carriers, the PSC granted a request to open a generic UNE pricing docket (docket No. 990649-TP) for the three major incumbent local exchange providers, BellSouth Telecommunications, Inc., Sprint-Florida, Incorporated, and GTE Florida, Inc. Accordingly, the UNE pricing docket was opened to address the deaveraged pricing of UNEs, as well as the pricing of UNE combinations and nonrecurring charges. Due to the critical impact of these issues on competition in the telecommunications industry, PSC staff spend extensive time analyzing the data and preparing for the hearings in July and September 2000.

In addition, the issue of reciprocal compensation is one that has grown in prominence in recent years. On January 21, 2000, the PSC established a docket to investigate the appropriate methods to compensate telecommunications carriers for exchange of traffic subject to Section 271 of the Telecommunications Act of 1996. PSC staff provided testimony analyzing the regulatory treatment of traffic bound for Internet service providers (ISPs); summarizing the PSC's, the FCC's, and other relevant state decisions relating to reciprocal compensation; and recommending that the PSC modify its policy of how reciprocal compensation is structured to more accurately reflect how costs are incurred.

Another critical aspect of competitive market oversight in the telecommunications industry is the certification process. All telecommunications companies doing business in Florida must be certificated by the PSC. The PSC staff creates and reviews the telecommunications companies' certification requests prior to the requests being voted on by the commissioners. Traditionally there

is a high volume of certification requests. Particularly, during the year 2000 the investment market swung widely from generously investing in new telecommunications providers in the beginning of the year to completely drying up at the end of the year. As a result there was a significant fluctuation in companies entering the market at the beginning of the year and existing the market at the end of the year.

Water and Wastewater

Within the water and wastewater industries, the issue of wastewater reuse is becoming a significant competitive market policy area for the PSC. The State of Florida's policy is to encourage the use of treated wastewater for irrigation and in manufacturing processes instead of using potable water that could otherwise be used for drinking, cooking, and bathing. Establishing the rates for the use of treated wastewater requires consideration of several factors. The reuse of treated wastewater is a relatively new concept and one that requires public education in order to encourage a demand for reuse wastewater. Rates have to be designed in such a way that they give consideration both to cost and to competing customer options. If the rates are set too high, customers may choose to use private wells or to simply not use reuse water and instead use drinking water, thereby diminishing the water supply.

Also in the water and wastewater industries, the PSC creates and reviews certification requests for all utilities that fall under the economic jurisdiction of the PSC. Those certification requests are voted on by the Commissioners. Staff then prepares the orders resulting from those votes and regularly monitors the utilities for compliance with their certificates.

RATE BASE/ECONOMIC REGULATION

The PSC establishes and monitors earnings levels for regulated electric, natural gas, water, and wastewater companies. In addition, there is one remaining telephone company under rate-of-return regulation. Whenever a company believes that its earnings are below a reasonable level, it can petition the PSC for a change in rates. The PSC conducts an extensive review of the company's earnings and determines what fair levels of rates and earnings are for the company. The review consist of an analysis of the company's books and records, as well as a determination of what a reasonable return is for the company. The review also includes an analysis of the actual rates charged by the company, allocates revenue requirements between classes of customers, and develops appropriate rate structures within rate classes.

In addition to reviewing a company's request for a rate increase, the PSC also monitors each company's earnings levels to reduce the likelihood that any company receives excessive earnings. Each company files an annual report, which is reviewed to determine its level of earnings for the prior year. If, based on prior year earnings, it appears that a company's earnings will be excessive in the following year, the PSC will fully analyze that company's books and records and, when appropriate, reduce its rates. During that overearnings review, the PSC may place earnings subject to refund if the review indicates the company is overearning.

Electric

In addition to annual reviews, the larger electric and natural gas companies also file earnings information on a more frequent basis, with some companies filing quarterly, semi-annually or monthly, depending upon their size. These more frequent filings allow the PSC to take quicker action if it appears that a company may be overearning, and allow consumers' rates to be reset to reflect that review.

While three of Florida's four largest investor-owned electric utilities have agreements in place that freeze base rates, the PSC devotes considerable resources to various tariff, rate, and other economic issues. Reviews of fuel, capacity, conservation, environmental costs considered in cost-recovery-clause dockets, special contracts, new tariff offerings, conservation program approvals, and revision, depreciation, amortization, and decommissioning studies are just some of the many aspects of economic regulation involving electric and natural gas utilities that are regularly pending before the PSC.

During 2000, a significant case in the area of economic regulation for the electric industry was Florida Power Corporation's filing of a petition requesting a determination of need for its Hines Unit 2 plant. PSC staff testified regarding the policy issue of obligating rate payer on a long-term basis for a plant that could become uneconomical during its useful life. A petition of need for the 530-megawatt plant ultimately was approved in a vote by PSC Commissioners on December 19, 2000.

Natural Gas

In the natural gas industry, the PSC is responsible for the economic regulation of utilities with regard to the purchased gas cost recovery clause and the conservation cost recovery clause. These clauses allow each natural gas company to recover the costs incurred by that company from ratepayers, on a dollar-per dollar basis. Analyses are conducted by PSC staff to ensure that only reasonable and prudent costs are recovered.

Water and Wastewater

In the water and wastewater industries, there were approximately 40 significant cases processed by the PSC during 2000. The majority of these cases involved rate increases or limited-proceeding increases arising from increased costs of providing service. A smaller number of cases involved overearnings investigations in which the PSC determined whether it was necessary to reduce rates. The PSC's duties included participating in customer meetings, staff-assisted rate cases, limited proceedings, prehearings and hearings, as scheduled; writing recommendations based on information gathered by staff; answering Commissioners' legal and technical questions at PSC Agenda Conferences; voting on the issues raised in the recommendations; and drafting orders memorializing the Commissioners' decisions in each case.

As stated earlier, the issue of reuse — using effluent water for a beneficial purpose, such as irrigation — is a growing one for the PSC in terms of competitive market oversight. However, reuse also has significant implications in the area of rate base/economic regulation. The Legislature has recognized the benefit of reuse to Florida, and has enacted provisions in the governing statutes for the Florida Department of Environmental Protection (DEP), the five Water Management Districts and wastewater utilities to employ reuse as the chosen means of effluent disposal and as a method of water conservation. The PSC has clearly been given direction from the Legislature that reuse should be considered a public good and should be implemented by utilities wherever feasible. The PSC's charge is to identify reuse issues related to its jurisdiction and to establish policies that are consistent with these statewide goals, while mitigating the effect on water and wastewater rates. In meeting this charge, PSC staff participates on a Reuse Coordinating Committee along with staff from the DEP, the Water Management Districts, and the Florida Department of Health. The Reuse Coordinating Committee meets quarterly and discusses reuse issues, including any relevant proposed agency rulemaking and legislation. PSC staff also participates in three different quarterly meeting with the St. Johns River Water Management District to discuss reuse, conservation, and water allocation issues within the District.

Water conservation is another area with major economic implication. As an economic regulator, the PSC is actively involved in demand-side water conservation through rate level and rate structure. Rates and rate structure have a direct bearing on water usage and, therefore, water resource allocation. Through participation in quarterly meeting of the Reuse Coordinating Committee, PSC staff has developed a good working relationship with the agencies having primacy over water supply issues and has stayed abreast of emerging issues that may affect utilities under the PSC's jurisdiction. The PSC has entered into a Memorandum of Understanding (MOU) with the five WMDs in order to coordinate efforts to meet statewide conservation goals. PSC staff is in the process of reviewing this MOU.

Consumer Assistance

A final aspect of economic regulation relates to customer issues such as billing. The PSC often assists consumers with understanding their utility bills and verifying the accuracy of charges.

SAFETY, RELIABILITY, AND SERVICE ISSUES

Through performance and operations investigation, the PSC provides information on reliability, service quality, and service availability issues for review and enforcement.

Electric

In the electric industry, the PSC reviews regulated utilities' ten-year site plans to assess the utilities' abilities to meet Florida's energy needs over a ten-year planning horizon. The PSC also considers petitions for determination of need for electric power plants and transmission lines as a way of ensuring that the state's power needs are being met. The level of activity in this area has increased significantly over the past two years.

Also in the electric industry, the PSC has received numerous inquiries from local governments about "undergrounding" electric utility facilities. One of the primary concerns raised by local governments is how they can pay contributions in aid of construction (CIAC) to utilities for placing facilities underground. One option is the use of local community surcharges on electric bills to pay for undergrounding of new or existing electric facilities where undergrounding is required by local governments. Such an approach would help local communities recoup the cost of undergrounding facilities from all of the electric customers in the community. PSC staff has been meeting with representatives of various communities to discuss possible options for the recovery of undergrounding costs.

The PSC also participated in formal and informal proceedings relating to long-range electric-utility bulk power supply operations and planning; power plant and transmission line siting, including the siting of power plants owned by non-traditional generating entities; electric and natural gas safety and service quality, including complaints; electric utility conservation goals and programs; and emergencies due to operational events or weather.

Natural Gas

In the natural gas industry, the PSC evaluates projections of natural gas needs of the state to determine whether sufficient pipeline capacity will be available to fuel future electric generating needs, as well as end user requirements.

Telecommunications

In the telecommunications industry, the PSC monitors telephone safety through inspection of the local telephone companies' central offices and outside facilities for compliance with the Nation Electric Safety Code and the National Electric Code. This is done to ensure the safety of the companies' workers as well as customers. Network reliability is monitored through service outage reports from the local telephone companies and call completion tests. Service quality is monitored through inspections of the local telephone companies' installation and repair records, billing accuracy tests, and pay telephone inspections. During pay telephone evaluations, access to 911 and the accuracy of the pay telephone address are verified.

Water and Wastewater

In the water and wastewater industries, the PSC oversees quality-of-service issues such as water pressure and capacity. Sometimes these issues are addressed in response to consumer complaints. The PSC will assign an engineer to investigate the complaint. The engineer works with the consumer and utility personnel to determine the cause of the consumer's problem.

There were approximately 70 water and wastewater cases processed within the area of certification in 2000. The majority of these cases involved the transfer or amendment of certificates of authorization. A smaller number of cases involved the original certification of a new utility. Two cases involved whether portions of a utility's certificated territory should be deleted for failure to provide adequate service. The PSC's role included preparing recommendations as they arose, including the following: processing numerous show-cause issues for failure to file annual reports and/or pay regulatory assessment fees; answering Commissioner' questions at Agenda Conferences; drafting orders resolving motions in dockets scheduled for hearing; representing the PSC at prehearings and hearing; voting on safety, reliability, and service issues; and drafting orders memorializing the decisions made by Commissioner in each case.

Finally, service quality issues often arise when a utility files an application for a rate change. The PSC frequently conducts customer hearings as a part of the rate case process. While hearing consumer comments at the rate case hearing, service quality issues often are brought up. Again, a staff member is assigned to review complaints and work with the utility to resolve the issue. In some cases, a complaint may result from possible violations of public health rules of the DEP; in those cases, PSC staff will work with the DEP to resolve the issue.

Consumer Assistance

In addition, the PSC handles complaints and inquiries related to such issues as service reliability, slamming, cramming, tariffed telephone services, and water and wastewater certification. In 2000, the PSC received more than 215 complaints from consumers against regulated electric utilities for momentary electricity outages. The PSC also received more than 335 complaints regarding telephone service outages. Each of these complaints was investigated by PSC staff, who weighed the evidence to determine whether it appeared there were violations of applicable rules, orders or statutes.

ADDITIONAL REGULATORY ACTIVITIES

All orders of the PSC, whether they pertain to competitive market oversight, rate base/economic regulation, or monitoring of safety, reliability, and service functions, are subject to judicial review. Orders affecting the rates and service of electric, natural gas, and telecommunications companies are reviewable by direct appeal to the Florida Supreme Court. The PSC is unique in that respect, since orders of all other state agencies may be appealed only to the District Courts of Appeal. If those orders reach the Florida Supreme Court, it is by way of discretionary review on writ of certiorari. Orders of the PSC affecting water and wastewater utilities may be appealed to the 1st District Court of Appeal. Finally, under the unique provisions of the Telecommunications Act of 1996, PSC orders approving interconnection agreements between competitive telecommunications companies, and orders relating to enforcement of these agreements, are reviewable in the U.S. district courts.

In addition to defending its orders on direct review, the PSC may initiate or intervene in court proceedings that impinge upon its jurisdiction. The PSC also participates as *amicus curiae*, or "friends of the court," in court proceedings at the local and national levels in which matters of regulatory interest are at issue.

At the end of the year 2000, PSC actions were being challenged in 16 pending state court proceedings and 10 federal court proceedings. The PSC was participating in five other cases as *amicus curiae*. ♦

IV. Agency Organization



DIVISION OF

Administration

The Division of Administration has responsibility for all areas of internal administrative services, including budgeting, planning, internal accounting, information processing, personnel, and general support services.

DIRECTOR

Steve Tribble

The responsibilities of the Division of Administration are further detailed under its component bureaus:

- ◆ The ***Bureau of General Support Services*** is responsible for purchasing all commodities and services required for the Florida Public Service Commission's (PSC) operations; managing the Print Shop, mail services, and the office supply room; selecting and maintaining convenience copiers that are placed throughout the PSC for walk-up use by employees; managing telephone systems, the PSC's fleet of motor vehicles, and the disposal of surplus property; and coordinating facility maintenance, safety, and security issues.
- ◆ The ***Bureau of Personnel*** is responsible for the administration of all human resources programs, which include recruitment, selection, classification and pay, attendance and leave, performance evaluations, training and staff development, variable workweek schedules, employee relations, payroll, insurance, and other employee benefit programs. The Bureau maintains files/records required by the PSC's Administrative Procedures and by State Personnel Rules and Regulations.

Additional responsibilities entail monitoring Equal Employment Opportunity/Affirmative Action compliance; coordinating the agency's Sick Leave Pool and Sick Leave Transfer Plan, Employee Assistance Program, Telecommuting Program, and Financial Disclosure; managing the Student Trainee Program; and developing/revising internal personnel policies and procedures.

- ◆ The ***Bureau of Fiscal Services*** is responsible for providing support to the PSC in the areas of preparation of the Legislative Budget Request, depositing of all revenues, payment of all bills, and maintenance of centralized accounting and financial records. The Bureau's staff also inputs and maintains the Purchase Order Tracking System (POTS), the regulatory assessment fee (RAF) system, and the FLAIR/LASPBS budget system. One of its newest responsibilities is the coordination and maintaining of the performance measures and outputs for the PSC's Long-Range Program Plan. Other duties include review, approval, and payment of all travel vouchers for in-state and out-of-state travel; maintenance of the petty cash fund; distribution of payroll warrants; and the mailing of RAF notices.
- ◆ The ***Bureau of Information Processing*** is responsible for monitoring and evaluating the information processing needs of the PSC, proposing enhancements to information processing resources to management, and providing technical support services for the PSC. The Bureau is divided into two sections: Systems Programming and Hardware Maintenance and Support. The

services provided by both sections fall into several categories: Local Area Network (LAN) system, hardware, software, programming, and user support; microcomputer hardware, software, and programming support; outside mainframe services access and programming support; training; security; and hardware/software evaluation, purchase, and implementation support.

The Bureau is also responsible for preparing the *Annual Technology Report* and the data processing portion of the annual *Legislative Budget Request*.

DIVISION OF

Appeals



DIRECTOR

David Smith

The Division of Appeals represents and defends the PSC's actions in all state and federal courts and at the Division of Administrative Hearings as cases arise. The Division has primary responsibility for declaratory statements and all rulemaking activities, from conducting workshops and informal rule hearings to defending rule challenges.

The Division also provides legal advice to the Commissioners and staff as requested, and represents the PSC in personnel and contract matters, as well as a variety of peripheral legal matters affecting the agency.

DIVISION OF

Competitive Services



DIRECTOR

*Walter
D'Haeseleer*

The Division of Competitive Services monitors the development of competitive markets and has responsibility for the issues associated with emerging competitive markets. The Division participates in informal and formal proceedings involving appropriate area code relief and number conservation plans and establishes policies and procedures governing intercompany contracts, arbitration of terms of intercompany contracts, and resolution of issues of contractual interpretation. The Division also resolves conflicts arising from changes in service providers. In addition, it evaluates the quality of service provided by telecommunications companies and conducts periodic on-site inspections of telecommunications facilities.

Issues involving conservation, tariff filings and territorial disputes in the natural gas industry are also the responsibility of this Division. Investigations are conducted to ensure compliance with applicable rules, tariffs, procedures, and laws and to provide competitive safeguards.

The responsibilities of the Division of Competitive Services are further detailed under its component bureaus:

- ◆ The **Competitive Safeguards Bureau** consists of the Competitive Review Section and the Competitive Industry Practices Section.

The Competitive Review Section is responsible for conducting reviews related to telephone numbering practices, business operating practices, regulatory assessment fee (RAF) filings, purchased gas filings, and consumer complaints. Staff members perform on-site reviews, as well as desk reviews, to determine if submitted filings are mathematically and factually accurate, and whether allegations of inappropriate business practices can be substantiated.

The Competitive Industry Practices Section is responsible for processing area code cases; reclaiming numbering resources from carriers that have failed to activate central office codes; processing tariff filings of natural gas utilities; determining natural gas capacity requirements for electric need determination cases and ten-year planning reviews; reviewing natural gas conservation programs and cost recovery filings; developing policies to discourage anti-competitive business practices; and processing cases involving anti-competitive business practices.

- ◆ The **Market Development Bureau** consists of the Market Assessment Section and the Carrier Services Section.

The Market Assessment Section is primarily responsible for setting prices for wholesale offerings (i.e., unbundled network elements and resale agreements), whether in the context of an arbitration or a generic proceeding. In addition, this Section prepares an annual *Competition in Telecommunications Markets in Florida* report for the Legislature, provides input on legislative and Federal Communications Commission (FCC) initiatives in such areas as universal service support and access charge reform, and coordinates PSC activities necessary to implement approved initiatives. Finally, this Section resolves tariff issues that may arise in the context of a tariff filing or a complaint, particularly in situations where the tariff may be anti-competitive or subject to interpretation.

The Carrier Services Section resolves operational issues that surface in negotiations between incumbent local exchange companies (ILECs) and alternative local exchange companies (ALECs) that cannot be resolved by the parties and must be arbitrated. In addition, this Section processes all negotiated agreements, and resolves complaints of an operational nature that pertain to existing agreements.


To the extent that there are recurring themes in the operational issues that are presented in arbitration cases, the Carrier Services Section establishes generic proceedings. While the Market Assessment Section is the group primarily responsible for setting prices, the Carrier Services Section determines the *applicability* of prices.

- ◆ The **Service Quality Bureau** consists of the Service Quality Section and the Compliance Section.

The Service Quality Section is responsible for completing field evaluations of the local telephone companies regarding service quality. During the field evaluations, call completion tests are done to ensure network reliability and to evaluate the billing accuracy of long distance companies. This Section also inspects pay telephones for compliance with PSC rules.

The Compliance Section is responsible for recommending enforcement action to the PSC against all types of telecommunications companies for violations of PSC rules and orders or Florida statutes. This Section also sends apparent violation notices to pay telephone providers as the result of the inspections completed by the Service Quality Section. Call aggregator locations (hotel and motels) receive another type of apparent-violation notice, which is sent as the result of inspections completed by the Florida Department of Business and Professional Regulation.

DIVISION OF
Consumer Affairs



The Division of Consumer Affairs has the PSC's primary responsibility for handling utility complaints and preparing statistical summaries on consumer complaint activity. The Division compiles and relays information about the PSC's regulatory decisions to utility customers, consumer groups, media representatives, and local, state, and federal governmental agencies. The Division also is responsible for handling consumer information, media relations, and consumer education.

DIRECTOR
Bev DeMello

The responsibilities of the Division of Consumer Affairs are further detailed under its component bureaus:

- ◆ The ***Bureau of Complaint Resolution*** is responsible for handling consumer complaints, preparing statistical summaries on consumer complaint activity, preparing testimony for rate cases on complaint activity, and participating in or initiating dockets on utility matters related to consumers. This Bureau is the PSC's main in-bound conduit for communication with the public and is often where consumers form their first impressions of the agency.

Within the Bureau are three sections: Complaint Intake, Complaint Resolution, and Quality Assurance.

The Complaint Intake Section is responsible for handling consumer inquiries/complaints via the PSC's toll-free number (1-800-342-3552). This Section receives, reviews, handles, and processes consumer inquiries/complaints filed by utility customers via telephone, e-mail, fax, mail, and the PSC's Internet Web site. The Complaint Intake Section also receives opinions and inquiries from the public and provides explanations and information about the PSC and its activities. Analysts have a thorough knowledge of PSC rules and procedures.

The Complaint Resolution Section serves as an intermediary in seeking to resolve consumer problems. This Section makes decisions on complaints based on findings, applicable laws, and PSC rules, regulations, and tariffs. This Section also proposes resolutions of complaints to consumers, and schedules and conducts informal conferences.

The Quality Assurance Section handles customer contacts directed to the Division of Consumer Affairs by public officials, including PSC Commissioners. This Section attempts to resolve disputes between customers and utilities in order to preclude a need for an informal conference.

The Quality Assurance Section also assesses the timeliness and quality of company responses to PSC complaints, and reviews cases to pinpoint new complaint trends. Finally, this Section compiles statistical data and prepares PSC reports documenting its findings.

- ◆ The ***Bureau of Consumer Information and Conservation Education*** is responsible for helping Florida's consumers understand how to make wise decisions in an increasingly complex utility marketplace. The Bureau has several operational goals, including, but not limited to, the following:

- 1) disseminating consumer information about regulatory matters to the news media;
- 2) establishing the PSC's presence and increasing its visibility as a consumer education agent; and
- 3) maintaining an outreach plan for PSC hearings and workshops held across the state.

A significant portion of the Bureau's recent consumer education efforts have involved the production of public service announcements for television and radio. These have been very effective at conveying utility- and conservation-related information to the widest possible audience.

Another focus of the Bureau's efforts has been the PSC's Web site. The site, located at <http://www.floridapsc.com>, has been expanded and redesigned by the Bureau to supply consumers with greater amounts of information about the industries regulated by the PSC, and about specific issues before the PSC. Press releases, videos of public service announcements, and electronic versions of most PSC brochures and publications are among the items that can be accessed there. Consumers are also able to file online complaints regarding their utility services via the PSC home page.

In addition, Bureau staff members attend customer hearings and meetings held throughout the state in conjunction with utility cases before the PSC. They are also the primary contact for media representatives seeking information on regulatory matters.

The Bureau has produced a number of brochures and fliers designed to help consumers become more knowledgeable about their rights and options as users of utility services. (Many of these brochures also have been translated into Spanish to assist Florida's Hispanic consumers.) All of the brochures are made available to consumers who contact the PSC and request a copy. Many are also distributed at those PSC hearings and meetings that are open to the public.

Finally, the Bureau is responsible for providing all artistic services, including design, layout and printing coordination for the entire agency; for maintaining the audio/video equipment used to conduct public meetings such as PSC Agenda Conferences and customer meetings; and for broadcasting many meetings live on the PSC Web site and/or via satellite, when available.

The two bureaus of the Division of Consumer Affairs work collaboratively. For instance, the Bureau of Consumer Information and Conservation Education closely monitors and builds educational campaigns around trends in consumer inquiries received by the Bureau of Complaint Resolution. The Bureau of Complaint Resolution, meanwhile, often utilizes informational brochures, press releases and other materials prepared by the Bureau of Consumer Information and Conservation Education to provide utility information to consumers.

DIVISION OF
Economic Regulation



DIRECTOR
Tim Derlin

The Division of Economic Regulation participates in informal and formal proceedings relating to the rates and earnings of rate-base-regulated companies in the electric, natural gas, water, wastewater, and telecommunications industries. The Division has primary responsibility for processing rate changes and for conducting earnings surveillance to ensure that regulated utilities are not exceeding their authorized rates of return. The Division receives and maintains copies of annual financial reports and periodic surveillance reports for rate-base regulated companies.

The Division also participates in proceedings concerning economics/forecasting, cost of capital, taxes, and capital recovery. In addition, the Division works to resolve consumer complaints concerning billing issues in the electric, natural gas, water and wastewater industry and consumer complaints concerning water quality issues such as pressure and capacity.

The responsibilities of the Division of Economic Regulation are further detailed under its component bureaus:

- ◆ The **Bureau of Rate Cases** has the responsibility to process rate filings and complex consumer complaints, and to investigate overearnings of water and wastewater utilities. This work is accomplished through the Bureau's File and Suspend Cases Section, Staff Assisted Cases Section, and Engineering Section.

The File and Suspend Cases Section has the responsibility of processing filings by Classes "A" and "B" water and wastewater utilities. The types of filings handled are file and suspend, limited proceedings, overearnings investigations, applications of allowance for funds used during construction (AFUDC), applications of allowance for funds prudently invested (AFPI), service availability applications, rule proceedings, and complex complaints that cannot be handled by the PSC's Division of Consumer Affairs. The processing of the Section's workload involves holding customer meetings; participating in formal and informal proceedings before

the PSC; analyzing filings, expert testimony and exhibits; developing cross-examination questions; presenting direct testimony; coordinating with staff outside of the Bureau; and preparing and presenting recommendations concerning the disposition of these types of cases before the PSC.

The Staff Assisted Cases Section has the responsibility of processing filings by Class "C" water and wastewater utilities. The types of filings handled are staff-assisted rate cases, staff-assisted requests for alternative rate setting, limited proceedings, overearnings investigations, AFUDC applications, AFPI applications, service availability applications, rule proceedings, and complex complaints that cannot be handled by the PSC's Division of Consumer Affairs. The processing of the Section's workload involves holding customer meetings; participating in formal and informal proceedings before the PSC; analyzing filings, expert testimony and exhibits; developing cross-examination questions; presenting direct testimony; coordinating with PSC staff outside of the Bureau; and preparing and presenting recommendations concerning the disposition of these types of cases before the PSC.

The Engineering Section has the responsibility of supplying the necessary technical assistance to the File and Suspend Cases Section and the Staff Assisted Cases Section in the specialized area of engineering, related to the issues of quality of service, used and useful, construction programs and budgets, plant maintenance, service availability charges, complex customer complaints, and rule proceedings. The processing of the Section's workload involves holding customer meetings, participating in formal and informal proceedings before the PSC; analyzing filings, expert testimony and exhibits; developing cross-examination questions; presenting direct testimony; coordinating with PSC staff outside of the Bureau; and preparing and presenting recommendations concerning the disposition of these types of cases before the PSC.

- ◆ The ***Bureau of Surveillance/Accounting*** consists of three sections: the Accounting Section, the Monitoring, Compliance and Enforcement Section, and the Depreciation Section. The functions and responsibilities of each section are described below.

The Accounting Section is responsible for the revenue requirements of the electric, natural gas and rate-base-regulated telecommunications companies. It processes rate cases and monitors the earnings for these industries. It carries out the PSC's surveillance program for electric, natural gas and telecommunications companies, and regularly reviews the actual earnings of the larger electric and gas utilities. The Section is responsible for the electric, natural gas, and telecommunications annual report process, including all mailings, extensions, filings, follow-up letters, delinquency notices, penalty letters, and show causes. The Section also reviews the regulatory assessment fee (RAF) returns of electric and natural gas utilities and reconciles them to the revenues reported in the utilities' annual reports. In addition, the Section regularly produces PSC reports such as the *Annual Comparative Rate Statistics* for electric, natural gas, and telecommunications.

The Monitoring, Compliance and Enforcement Section is responsible for the water and wastewater annual report process, including all mailing, extensions, filings, follow-up letters, delinquency notices, penalty letters, and show causes. More than 200 annual reports are reviewed for completeness. Additionally, the earnings of each company and system (more than 400) are calculated to determine if the company is overearning. This is the PSC's surveillance program for water and wastewater companies. The Section also is responsible for reviewing all RAF returns (more than 400) and reconciling them to the revenues reported

in the annual reports. All index and pass-through applications (more than 100 annually) are reviewed and processed through this Section. The Section ensures that four-year rate reductions are implemented. It also monitors individual companies for compliance with PSC orders which direct the utility to do something specific. The Section also produces reports such as the *Quarterly Rate Increase and Decrease Report* and the *Annual Comparative Rate Statistics* for water and wastewater companies.

The Depreciation Section is responsible for reviewing and assessing the economic effects of depreciation and related capital recovery and technology implementation practices of jurisdictional, regulated companies. Those responsibilities include acting as technical advisers to the PSC, participating in generic docket issues and rules, and acting as consultants to assist other PSC staff in carrying out assigned responsibilities, specialty research, and staff technical training. The Section supports the PSC with professional and unbiased advice based on an analysis of depreciation practices, industry records, Florida Statutes, the Florida Administrative Code, PSC policy, and other relevant information and technical knowledge.

- ◆ The ***Bureau of Economics, Finance and Rates*** consists of three sections: Forecasting and Economics, Finance and Tax, and Rates. The Bureau's responsibilities cross industry lines, and affect nearly every facet of economic regulation.

The Forecasting and Economics Section participates in proceedings in support of all the industries under PSC jurisdiction. These proceedings include electric-plant need determination cases, in which the Section conducts analyses of load forecasts supporting the need for additional power. The Section also analyzes the customer, energy, and demand forecasts included in the ten-year site plans submitted by ten Florida utilities.

Additional responsibilities include analyzing therm and customer forecasts in rate cases for natural gas companies; providing economic information in dockets that analyze the competitive performance of local providers in the telecommunications industry; forecasting demand and repression adjustments for water and wastewater rate cases; and conducting research and writing statements of estimated regulatory costs for rulemaking and other issues. The Section also assists the Fiscal Bureau in the PSC's Division of Administration by independently forecasting all the regulated utilities' gross revenues, which is used to determine regulatory assessment fees (RAFs).

The Finance and Tax Section provides capital structure and cost-of-capital support in earnings investigations in the water, wastewater, telephone, electric and natural gas industries. Other cases may involve water reuse projects, merger impacts, effects of diversification on mergers, and the cost of telecommunications services. In addition, the Section evaluates the applications for certificates to provide competitive services in the telecommunications industry, reviews the financial assumptions underlying need determination proceedings for new power plants, and participates in various rulemaking proceedings.

On an ongoing basis, the Section also processes the security applications for all investor-owned natural gas and electric utilities; evaluates requests for corporate undertakings from all water and wastewater utilities; monitors all Federal Accounting Standards Board (FASB) and SEC pronouncements that affect financial and reporting requirements of utilities, calculates the interest on refunds, and maintains the database and cost-of-equity models used by staff to estimate the required rate of return on common equity capital. Staff also monitors notices issued by the FASB, the Internal Revenue Service (IRS), the FERC, and the Nuclear Regulatory Commission (NRC) for relevant tax developments.

The Rate Section develops rates for earnings-regulated utilities based upon revenue requirements computed by the Bureau of Rate Cases. The Section determines the split of responsibility to produce needed revenues among classes of customers and determines rate structure. Outside of rate case activity, the Section also analyzes rate structure for non-earnings-regulated municipal utilities and rural electric cooperatives.

Other dockets in which the Section is involved address potentially volatile customer issues such as billing practices, master metering, and reconnection policies, as well as merger and deregulation effects on rates.

DIVISION OF
Legal Services



DIRECTOR
Noreen Davis

The Division of Legal Services supervises the procedural and legal aspects of rate cases and other formal proceedings before the PSC, the Division of Administrative Hearings and, on behalf of the PSC, in civil court proceedings. The Division also represents PSC staff before the PSC, prepares recommendations, and prepares PSC orders memorializing decisions. During 2000, the Division wrote 2,564 such orders.

The Division of Legal Services has three bureaus: Telecommunications, Electric and Gas, and Water and Wastewater. Each bureau is responsible for processing docketed and undocketed matters pursuant to Chapters 364, 366, and 367, Florida Statutes, respectively. Attorneys are cross-trained and also process cases across industry lines. The attorneys are part of the technical team that processes all cases under Sections 120.569 and 120.57, Florida Statutes.

The responsibilities of the Division of Legal Services are further detailed under its component bureaus:

- ◆ The **Bureau of Water and Wastewater** processes the legal aspects of all dockets involving water and/or wastewater companies, in conjunction primarily with the PSC's Divisions of Economic Regulation and Regulatory Oversight. The Bureau's role includes providing legal advice to PSC technical staff throughout the processing of each docket; identifying legal issues; writing legal issues for recommendations as they arise; including show cause and other legal issues; participating in customer meetings conducted prior to filing recommendations in proposed agency action (PAA) rate cases, staff-assisted rate cases, limited proceedings, and reuse cases; conducting formal discovery and depositions; participating in meetings with the parties to crystallize issues and/or to discuss settlement or stipulations on certain issues; answering legal questions as necessary at PSC Agenda Conferences; drafting orders resolving motions in dockets scheduled for hearing; representing the PSC's technical staff at prehearings and hearings; and drafting orders memorializing the Commissioners' decisions made in each case.

In 2000, the Bureau also represented the PSC in a federal bankruptcy court proceeding and tracked certain civil court proceedings of interest to the PSC.

- ◆ The role of the **Bureau of Electric and Gas** is similar to that of the Bureau of Water and Wastewater in the areas of competitive market oversight, rate base/economic regulation, and monitoring of safety, reliability and service issues. The Bureau provides counsel to the Commissioners and PSC staff in all assigned matters. The Bureau assists the technical staff in all phases of docketed matters, including discovery (both formal and informal), preparation for and representation at hearing/Agenda Conference and in the post-hearing phase. A significant amount of the Bureau's resources is devoted to achieving negotiated and/or stipulated resolutions in pending cases.

In addition, the Bureau of Electric and Gas is responsible for assuring that all requirements of the Public Records Law, the Sunshine Law, and the Administrative Procedures Act are met in all assigned cases. The Bureau also is responsible for the preparation of all written orders and notices in assigned cases. Finally, the Bureau often represents the PSC in civil courts and in matters pending before other agencies.

- ◆ The **Bureau of Communications** provides legal advice to the PSC's technical staff by processing each telecommunications docket. For cases going to hearing, the Bureau assists in organizing the case, setting up the schedule for filings, preparing procedural orders for the prehearing officer, and handling any motions or confidentiality requests that are filed. The attorneys also review and send out discovery requests from staff, and serve as the point of contact between the parties and PSC staff. In addition, the attorneys conduct depositions and cross-examination at hearings. Post-hearing, the Bureau assists staff in the preparation of the recommendation. Upon the Commission's decision, the attorneys prepare the Commission's Order. Thereafter, attorneys prepare the recommendation on any motions for reconsideration that may be filed, as well as the order resulting from that recommendation.

For non-hearing cases, the Bureau assists staff by reviewing recommendations and preparing the orders resulting from those recommendations. In enforcement cases, the bureau prepares the order initiating the action by the Commission and assists in any negotiation efforts between staff and the company.

DIVISION OF

Policy Analysis and Intergovernmental Liaison



DIRECTOR
Charles Hill

The Division of Policy Analysis and Intergovernmental Liaison is responsible for identifying emerging issues and areas of inquiry in the energy, telecommunications, water, and wastewater industries. It is also responsible for conducting studies on topics of regulatory interest, and providing the findings to the Commissioners and other PSC divisions for use in making decisions regarding regulatory policy matters. Further, the Division provides the primary technical interface with both state and federal agencies on regulatory matters in coordination with other PSC divisions, the Office of General Counsel, the PSC's Deputy Executive Director/Technical, and the Commissioners.

The responsibilities of the Division of Policy Analysis and Intergovernmental Liaison are further detailed under its component bureaus below:

- ◆ The primary function of the **Bureau of Policy Analysis** is to assist and facilitate in the identification and analysis of policy issues. Responsibility for the Bureau falls into two broad areas: first, to identify, analyze and alert the PSC about emerging issues, and second, to assist PSC technical divisions and the Commissioners in analyzing policy-related matters. The sections responsible for carrying out these responsibilities are the Special Studies Section and the Policy Analysis Section.

Emerging competition in the regulated telecommunications and electric industries and its effect on regulatory policy will have far-reaching effects on ratepayers. The Policy Analysis Section identifies emerging policy issues that are critical in this rapidly changing regulatory environment. Timely analyses of these technical issues enable the PSC to assess the effects of policy changes on Florida ratepayers, and to respond to these changes.

In conjunction with the Policy Analysis Section, the Special Studies Section analyzes issues and trends and produces reports, white papers, and position papers on matters identified through the above activities. These reports/studies are the primary means of informing and educating Commissioners and PSC staff on emerging issues and their effects on ratepayers. The regulatory issues that have resulted from the changing telecommunications and electric industries are highly complex. The PSC needs timely, concise and pertinent information in order to properly anticipate the changes and formulate forward-looking policies that will benefit Florida's ratepayers. The above activities are critical to this end.

- ◆ The **Bureau of Intergovernmental Liaison** has responsibilities at both the federal and state levels:

Federal

The Bureau's purpose is to ensure proper monitoring of and timely responses to documents issued by federal agencies, the National Association of Regulatory Utility Commissioners (NARUC), and Congress related to issues involving the electric, telecommunications, and water industries.

Bureau of Intergovernmental Liaison staff is responsible for monitoring action taken by these organizations, keeping the Commissioners and appropriate agency staff informed, and leading and coordinating the proper response. This may also include meetings with key staff in federal agencies and Congress.

State

The PSC is working to improve coordination with other State and local agencies. As a result of the reorganization in 2000, the PSC now has a State Liaison Section within the Division of Policy Analysis and Intergovernmental Liaison that is charged with facilitating effective coordination between the PSC and other state agencies and local governments.

The conflicting objectives of the agencies sometimes create difficulty in our coordination efforts and prevent the most reasonable, least-cost solution to the problem at hand. The difficulty is not a result of a lack of effort to cooperate with other agencies. As shown in the example below, the PSC has often addressed these matters through mechanisms such as Memoranda of Understanding. Due to the willingness of both parties to work together, communication lines between the agencies are continually improving, and the challenges of coordination with other agencies are becoming increasingly rare.

The PSC and the Florida Department of Environmental Protection (DEP) entered into a Memorandum of Understanding that formally establishes policies and procedures to be followed by the agencies to promote and encourage water conservation, reuse of reclaimed water, and safe and efficient water supply and wastewater management services. Also, the PSC and the five Florida Water Management Districts entered into a Memorandum of Understanding that formally establishes policies and procedures to be followed by the agencies to encourage the exchange of information, participation in cases before the agencies, and other efforts to implement an effective, statewide water conservation policy.

DIVISION OF
Records and Reporting



The mission of the Division of Records and Reporting is to accurately handle, maintain, and preserve official documents filed in proceedings before the PSC and to provide reasonable access to these documents; to provide accurate and timely records of PSC proceedings; and to schedule all official appearances and hearings for the Commissioners.

DIRECTOR

Blanca Bayó

To accomplish this mission, the following Division goals have been identified:

- ◆ Provide excellent customer service by responding promptly, accurately, and courteously to requests for information and assistance.
- ◆ Accept, acknowledge, and distribute documents filed in dockets and in matters pending before the PSC in a timely and accurate manner.
- ◆ Provide accurate and timely records, in paper and/or electronic form, of PSC proceedings.
- ◆ Make accurate and timely entries in the PSC's Case Management System (CMS) and Master Commission Directory of Utility Data (MCD).
- ◆ Comply with Florida's Public Records Act and provide assistance to PSC staff concerning the proper handling, retention, and disposal of documents.
- ◆ Continue to evaluate Division processes to ensure the effective and efficient delivery of service.
- ◆ Provide employees with the necessary skills, knowledge, abilities, and work environment to accomplish these goals.

Customers of the Division of Records and Reporting include the general public, practitioners who come before the PSC, legislative staff, media representatives, Commissioners, and other PSC staff.

The Division is composed of the Bureau of Records, the Bureau of Reporting, and the Administrative Support Unit.

The Division's responsibilities are further detailed under its component bureaus:

- ◆ The **Bureau of Records** receives, records, distributes, and maintains the official files of all documents filed in proceedings before the PSC. In coordination with the Administrative Support Bureau, the Bureau also maintains a computerized document and case management information system. In addition, the Bureau maintains docket mailing lists of parties and persons interested in PSC proceedings. Finally, it issues all orders and notices of the PSC, coordinates the PSC's records management program and, upon request, processes the payment of appropriate fees and provides copies of public records.
- ◆ Court reporters in the **Bureau of Reporting** attend all PSC hearings, both in Tallahassee and throughout the state, transcribe the proceedings, and prepare transcripts for placement in the official record and for dissemination to participants.

The **Administrative Support Unit** issues reports and assists in the coordination of case management activities; prepares agendas for the PSC's regular conferences; prepares and maintains the official minutes of all PSC meetings; and makes arrangements for out-of-town hearings. The Unit also maintains the Master Commission Directory of Utility Data.

DIVISION OF
Regulatory Oversight



The Division of Regulatory Oversight is responsible for financial, performance, and operational audits. In addition, the Division processes certification of jurisdictional telecommunications companies and water and wastewater utilities. The Division also resolves customer complaints associated with telecommunications services and water and wastewater certification.

DIRECTOR
Dan Hoppe

The responsibilities of the Division of Regulatory Oversight are further detailed under its component bureaus:

- ◆ The **Bureau of Regulatory Review** is responsible for reviewing utility performance and operations, investigating and documenting current processes and results, and identifying areas for improvement. The Bureau reviews utility performance and processes to determine if appropriate internal controls are in place and if the utility is in compliance with company, state, and federal guidelines. Areas for investigation include competitive performance analyses, electric reliability, service quality, service availability, systems analyses, and consumer protection. These reviews may be of a focused or a comparative nature.

The Bureau also performs special investigations of allegations relating to systemic utility fraud such as slamming and cramming. Additionally, the Bureau responds to requests for focused or comparative reviews, audits and investigations from other PSC divisions, the PSC's Executive Suite, and the Commissioners.

- ◆ The **Bureau of Certification** consists of two sections, the Certification and Tariff Administration Section and the Industry Structure Section.

The Certification and Tariff Administration Section is responsible for processing all telecommunication filings related to certification for incumbent local exchange companies (ILECs), alternative local exchange companies (ALECs), interexchange companies (IXCs), pay telephone service (PATs) providers, alternative access vendors (AAVs), and shared tenant service (STS) providers, including new certificates, name changes, transfers, and cancellations. The Section is also responsible for ILEC, ALEC, and IXC tariff and price list filings. Certificate, tariff, and price list filings are reviewed for compliance with applicable PSC rules, statutes, and orders. The staff provides information on tariffed services to customers and companies and resolves customer complaints associated with tariffed services.

As of December 2000, the number of certificated telecommunications companies in Florida was as follows:

- 10 incumbent local exchange companies (ILECs)
- 441 alternative local exchange companies (ALECs)
- 685 interexchange companies (IXCs)
- 711 pay telephone service companies (PATs)
- 37 alternative access vendors (AAVs)
- 32 shared tenant service (STS) providers

By comparison, as of December 31, 1999, there were 10 ILECs, 346 ALECs, 653 IXCs, 981 PATs, 36 AAVs, and 31 STS providers in Florida.

The Industry Structure Section is responsible for all water and wastewater certification filings, including original and grandfather certificates, amendments of territory, transfers of facilities or stock, transfers to governmental entities, name changes, cancellation of certificates, abandonments, territorial disputes, and exemption activity. The Section is also responsible for tariff filings associated with certification cases and handles complaints and inquiries relating to any of these areas. Certificate and tariff filings are reviewed for compliance with applicable PSC rules, statutes, and orders.

As of December 2000, there were 206 PSC-certificated water and wastewater utilities in Florida, compared with 213 as of December 1999. The PSC currently has jurisdiction in 36 of the 67 counties in Florida.

- ◆ The **Bureau of Auditing Services** consists of four field offices in Orlando, Miami, Tallahassee, and Tampa. The auditors conduct physical examinations of utility-related financial and operating records and provide the PSC with an independent verification of the supporting documentation for any statements or filings made by the regulated companies. A staff of 25 accountants completed 80 financial and special investigative audits to support the staff analyses of utility petitions and PSC initiatives during 2000. These investigations included such topics as rate cases, earnings surveillance, access charges, and cost recovery clauses.

DIVISION OF

Safety and Electric Reliability

DIRECTOR

Joe Jenkins

The Division of Safety and Electric Reliability participates in formal and informal proceedings relating to long-range electric-utility bulk power supply operations and planning; power plant and transmission line siting, including the siting of power plants owned by non-traditional generating entities; electric and natural gas safety and service quality, including complaints; electric utility conservation goals and programs; emergencies due to operational events or weather; and fuel, conservation, and environmental cost recovery. The Division consists of two bureaus: the Bureau of Electric Reliability and Cost Recovery, and the Bureau of Safety.

The responsibilities of the Division of Safety and Electric Reliability are further detailed under its component bureaus:

- ◆ The ***Bureau of Electric Reliability and Cost Recovery*** is composed of two Sections, Electric Reliability and Cost Recovery.

The Electric Reliability Section processes and makes recommendations to the PSC on proposed power plants with a steam cycle greater than 75 megawatts, including non-utility-owned power plants (also called merchant plants) and 230-kilovolt or higher electric transmission lines. The recommendations to approve or reject a proposed power plant or transmission line are based on either continued reliability of Florida's bulk electric system or, if not needed for reliability, on the proposed addition reducing electricity costs to customers from what these costs may otherwise be. If approved by the PSC, a proposed power plant or transmission line is subject to environmental review by the Florida Department of Environmental Protection and ultimately by the Governor and Cabinet, sitting as the siting board. Included in bulk power supply reliability and costs are the dispositions of wholesale power purchases and contract buyouts. The Electric Reliability Section analyzes and prepares a report on the reliability likely to result from implementation of annual electric utility ten-year site plans required by Florida Statutes.

The Electric Reliability Section also makes recommendations to the PSC on utility conservation programs focusing on whether a net benefit is conveyed to those customers not participating in a particular program. Conservation program benefits include the avoidance of power plants or transmission lines but does not include non-quantifiable costs, such as the benefits of cleaner air or less reliance on imported oil. The Section is also responsible for administering the conservation cost recovery clause.

The Cost Recovery Section makes recommendations to the PSC on fuel, purchased power, capacity, and environmental cost recovery petitions for Florida's investor-owned electric utilities. For 2001, the projected amount of associated cost recovery by the utilities is

\$5.06 billion. Fuel purchases are analyzed by the Section for prudence, as are major power plant outages that can adversely affect the fuel costs charged to customers. The Section administers a power plant efficiency incentive factor as part of the fuel clause.

The environmental cost recovery clause (ECRC) provides for cost recovery of both capital and operating expenses incurred by investor-owned electric utilities to comply with new environmental regulations. The choice of which environment cost recovery method (either base rates or the clause) is appropriate for certain environmental costs, especially those costs associated with new power plants, seems to be a continuing issue. The continued implementation of the 1992 Clean Air Act is expected to result in new environmental costs for Florida utilities during 2001.

The Cost Recovery Section also makes recommendations on territorial agreements and disputes. The Section reviews the reasonableness of the purchase price of the facilities being transferred, impacts to reliability, and the likelihood that the agreement will eliminate existing or potential duplication of facilities.

The Section also resolves the more complex electric distribution outage complaints, and is in the process of proposing electric distribution reliability standards.

◆ The ***Bureau of Safety*** is composed of two sections, Electric Safety and Gas Safety.

The Electric Safety Section verifies that the electric utilities are constructing transmission and distribution systems in accordance with the National Electric Safety Code. Random samples of completed work orders are inspected by the PSC's electric safety field engineers. Variances from the code are reported to the utilities. The utilities correct the variances and report back to the Electric Safety Section when completed. The work order is then reinspected to verify that everything was corrected.

The Electric Safety Section also provides technical support to the PSC's Division of Consumer Affairs regarding consumer complaints that either require direct contact with customers or require additional expert advice. The Electric Safety Section provides support during emergencies for the State Emergency Operations Center. The Section is the contact for energy issues during emergencies for electric, natural gas, and fuel-related problems.

The Gas Safety Section is responsible for natural gas safety. The PSC's pipeline safety jurisdiction begins at the tap on interstate pipelines and ends at the outlet of the last customer's gas meter before consumption.

The PSC's natural gas safety engineers evaluate natural gas pipelines operated by Florida's investor-owned natural gas utilities, municipal natural gas systems, special natural gas districts, intrastate transmission systems, housing authorities, and private master meter operators. General areas covered by these evaluations are new pipeline construction, maintenance, and operations. Evaluations are made of corrosion control programs, qualifications of personnel, operating pressures, odorant concentrations in gas, emergency plans, testing of personnel for alcohol and drug use, completion of gas leak surveys, and repairs of leaks. Finally, staff investigates natural gas accidents to obtain information that can be used to prevent a recurrence. ◆