



FLORIDA PUBLIC SERVICE COMMISSION

2002  
Annual Report

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TELECOMMUNICATIONS

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ELECTRIC

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NATURAL GAS

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WATER & WASTEWATER

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F L O R I D A P U B L I C S E R V I C E C O M M I S S I O N

**2002 ANNUAL REPORT**

Reflects Calendar Year 2002

*Edited by*

Division of Consumer Affairs

2540 Shumard Oak Boulevard

Tallahassee, Florida 32399-0850



## CHAIRMAN'S MESSAGE

The annual review of any calendar year is always a time to reflect. How was the past year? What can we do differently? What can we do the same? 2002 was a good year for the Public Service Commission. Moreover, we accomplished a lot of what we set out to do at the beginning of the year.

We established permanent performance metrics and enforcement mechanisms for BellSouth, Florida's largest telecommunications provider, and reduced the rates for key unbundled network elements that the company can charge its local telecommunications competitors for leasing portions of the BellSouth network. In addition to ensuring fair market practices through arbitration proceedings, we also continued facilitating a collaborative forum in which alternative and incumbent local exchange companies were able to address ongoing operational and logistical issues.

In addressing BellSouth's application for 271 authority, we recommended to the Federal Communications Commission (FCC) that BellSouth was in compliance with requirements set out in Section 271 of the federal Telecommunications Act of 1996. Our decision, subsequently approved by the FCC, allows BellSouth to offer long distance service, thus furthering the competition that will ultimately serve to provide more choices and benefits to consumers.

In the area of electric and gas, we approved refunds and rate reductions -- exceeding \$400 million -- for Florida Power & Light Company and Florida Power Corporation. We also revised the Commission's bidding rules for investor-owned utilities engaging in power plant construction. These rule revisions were aimed at creating a more transparent process accessible to a greater number of bidders. The benefit to the consumer is a broader opportunity for a utility to select the most cost-effective means of meeting increased demand for power.

During 2002, we also continued to work with federal and state agencies in an effort to advance the Governor's Water Conservation Initiative and to encourage reuse projects.

The *PSC's Annual Report* is filled with useful information about Florida's telecommunications, electric, natural gas, and water and wastewater industries. As you will see, we ended 2002 with a strong foundation. I hope you'll also see that we're building further on that foundation, and, that even though our activities may change annually, one thing that doesn't is our continuing commitment to provide safe, reliable service to Florida's consumers.

Sincerely,

A handwritten signature in black ink, appearing to read "Lila A. Jaber", followed by a horizontal line extending to the right.

Lila A. Jaber  
PSC Chairman

# Table of Contents

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<b>I. Introduction</b>	1
Information Directory	1
2003 PSC Organizational Chart	2
The Commissioners	3
Florida Public Service Commissioner History	6
Executive Director	7
Deputy Executive Director	7
General Counsel	7
<b>II. Highlights of the PSC's Regulatory Efforts for Calendar Year 2002</b>	8
Natural Gas	8
Electric Reliability	8
Electric Utility Fuel Procurement Risk Management Resolution	8
Electric Utility Refunds	9
Power Plant Need Determination	9
Renewable Generating Technologies in Florida	9
Regional Transmission Organization	10
<b>Telecommunications</b>	10
Area Code Activity in Florida	10
Pricing of Unbundled Network Elements	11
Quality of Service	11
Reciprocal Compensation	11
BellSouth Petition for InterLATA Authority	12
Testing of BellSouth's Operations Support Systems	12
ILEC Wholesale Performance Measures	12
Section 706 Joint Conference	13
Lifeline Assistance and Link-Up Florida	13
<b>Water and Wastewater Industries</b>	14
Copper Pipe Corrosion Project	14
Governor's Drought Action Plan/Water Conservation Initiative	15
<b>III. Defining the PSC's Role</b>	16
Competitive Market Oversight	17
Rate Base/Economic Regulation	19
Safety, Reliability, and Service Issues	22
Additional Regulatory Activities and Support	23
<b>IV. Agency Organization During 2002</b>	25
Division of Auditing and Safety	25
Division of the Commission Clerk and Administrative Services	27
Division of Competitive Markets and Enforcement	30
Division of Consumer Affairs	33
Division of Economic Regulation	36
Division of External Affairs	40
Office of the General Counsel	43
Office of Market Monitoring and Strategic Analysis	44
Office of Public Information	45

# 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 with 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 Boulevard ♦ Tallahassee, Florida 32399-0850

Lila A. Jaber, Chairman	(850) 413-6044
J. Terry Deason, Commissioner	413-6038
Braulio L. Baez, Commissioner	413-6042
Rudolph "Rudy" Bradley, Commissioner	413-6046
Charles Davidson, Commissioner	413-6040
Executive Director	413-6068
Deputy Executive Director	413-6197
General Counsel	413-6199
Division of Auditing and Safety	413-6480
Division of the Commission Clerk and Administrative Services	413-6330
Commission Clerk's Office	413-6770
Division of Competitive Markets and Enforcement	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 External Affairs	413-6800
Office of Market Monitoring and Strategic Analysis	413-6854
Office of Public Information	413-6482
Inspector General	413-6338

E-mail address: [contact@psc.state.fl.us](mailto:contact@psc.state.fl.us)

Internet home page: [www.floridapsc.com](http://www.floridapsc.com)

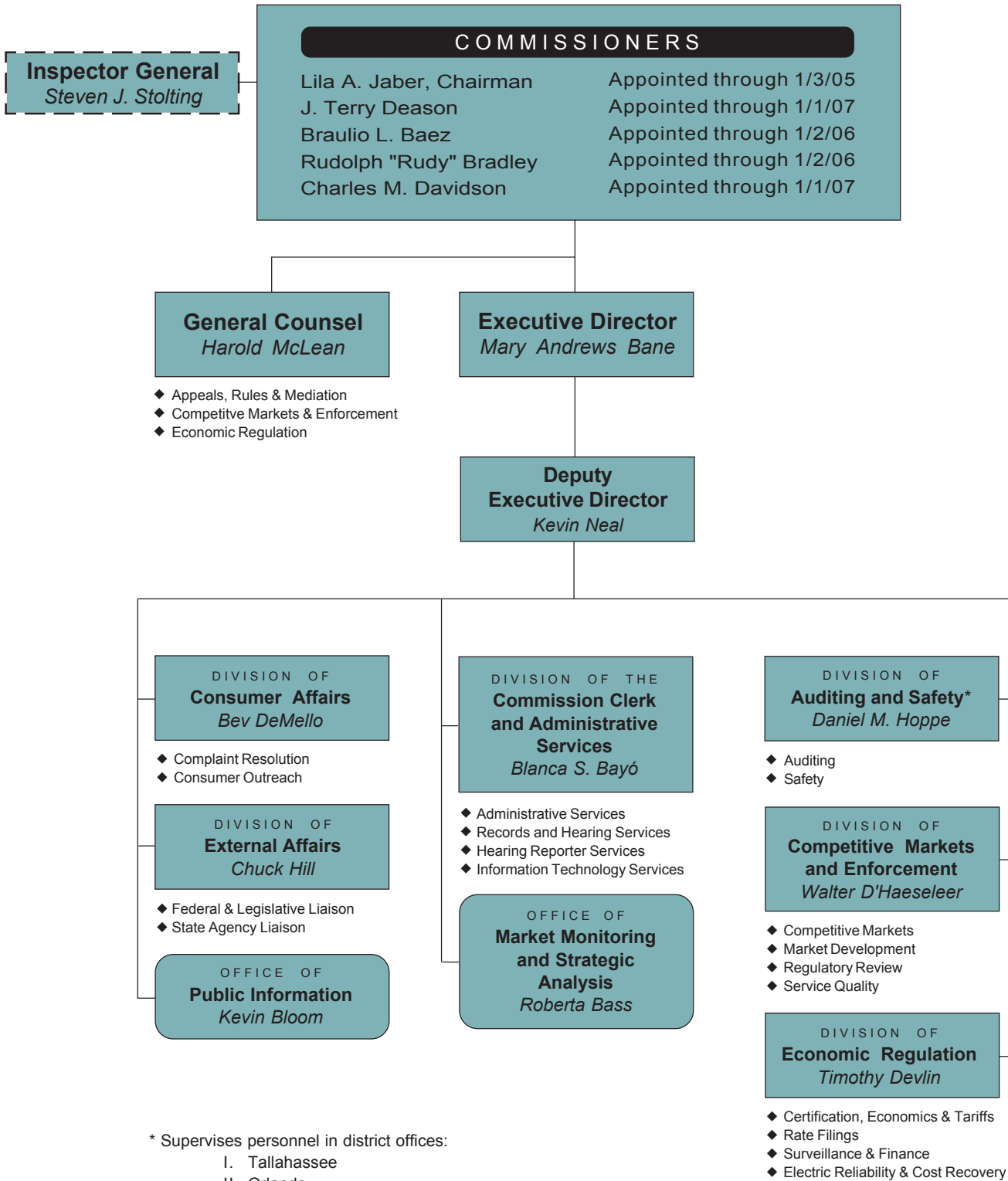
### *District Offices*

**Miami**  
3625 N.W. 82nd Ave.  
Suite 400  
Miami, Florida 33166-7602  
(305) 470-5600

**Orlando**  
Hurston North Tower  
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

# 2003 PSC Organizational Chart



## The Commissioners



Commissioner *Rudolph Bradley*      Commissioner *J. Terry Deason*      Chairman *Lila A. Jaber*      Commissioner *Braulio Baez*      Commissioner *Charles Davidson*

**Chairman Jaber** was appointed to the Florida Public Service Commission (PSC) by Governor Jeb Bush in February 2000 to complete a term ending in January 2001. She was reappointed by Governor Jeb Bush for a term ending in January 2005. Chairman Jaber serves on the National Association of Regulatory Utility Commissioners' Committee on Telecommunications and the Committee on Consumer Affairs. Chairman Jaber chairs the Federal-State Joint Conference on Advanced Services created by the Federal Communications Commission (FCC) to promote the rapid deployment of advanced services to all Americans. In July 2001, she was appointed to the Federal-State Joint Board on Universal Service created to promote the availability and access to quality telecommunications services at just, reasonable and affordable rates throughout the Nation. Chairman Jaber has served as co-chair of the e-Infrastructure Subcommittee for the Information Service Technology Development Task Force (ITFlorida.com) and is a current member of the Florida Research Consortium, the affiliate of ITFlorida.com created as a partnership between Florida's universities and technology sectors to focus on high-tech research and development and collaboration between researchers and Florida's high-tech entrepreneurs. Chairman Jaber is a court-certified mediator and a member of the Florida Bar. Chairman Jaber received a bachelor of arts degree in political science and business from Stetson University in DeLand, Florida, and received a juris doctorate from the Stetson University College of Law in St. Petersburg, Florida.

**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 a term ending in January 2003, and to his current term which ends in January 2007. 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

*Continued*

## The Commissioners

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Regulatory Utility Commissioners (NARUC). He currently serves on NARUC's Board of Directors, its Finance and Technology Committee, and the Federal/State Joint Conference on Accounting. Commissioner Deason also serves on the executive committee for the Nuclear Waste Strategy Coalition. 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 Baez** was appointed to the Florida Public Service Commission by Governor Jeb Bush on August 23, 2000, to complete a term ending January 2002. He was then reappointed by the Governor to a four year term ending January 2006. Prior to his appointment, Commissioner Baez was an attorney in Miami, Florida, with a statewide practice representing municipal and county governments in telecommunications, cable franchising and other regulatory matters. He was Executive Assistant to 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 degree 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 Past-President of the Southeastern Association of Regulatory Utility Commissioners. He was appointed to the North American Electric Reliability Council, and is a member of the Florida Bar and American Bar Association. He is a past Director of the Hispanic Bar Association, 2nd Judicial District.

**Commissioner Bradley** was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four year term beginning January 8, 2002. Commissioner Bradley serves on the National Association of Regulatory Utility Commissioners' Committees on Consumer Affairs, Water, and International Relations. He is also a member of the Energy Market Access Partnership Board which is a joint project between the Department of Energy and the National Association of Regulatory Utility Commissioners. Prior to his appointment to the Commission, Commissioner Bradley served as a member of the Florida Legislature for seven years representing District 55 which includes Pinellas, Manatee, and Hillsborough Counties. As a member of the Legislature, he served as the Vice Chairman of the Utilities and Telecommunications Committee and as the Chairman of the Select Committee on Energy Restructuring. Commissioner Bradley also served as the Chairman of the Business Development and International Trade Committee and Chairman of the Economic Development Council. As a legislator, Commissioner Bradley maintained a special interest in improving Florida's educational system and expanding business opportunities for all citizens. Commissioner Bradley earned his Bachelor of Science Degree from the University of Tampa and his Masters Degree from the University of Michigan. He served as an educator in Pinellas County for several years, and he developed several private enterprises involving real estate and livestock.

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## The Commissioners

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Governor Jeb Bush appointed **Commissioner Davidson** to the Florida Public Service Commission for a four-year term ending January 2007. Prior to his appointment, Commissioner Davidson served as the Executive Director of Florida's Information Technology Taskforce and, subsequently, as the Staff Director to the State's first-ever Committee on Information Technology. In those roles, he was responsible for developing public policies to help ensure that Florida maintains progressive economic development processes and rational regulatory regimes. Prior to relocating to Florida, Commissioner Davidson was an attorney resident in the New York office of Baker & McKenzie and, subsequently, the New York office of Duane Morris. In his practice, he was responsible for an array of regulatory, commercial, international, and technology matters. His work included multi-jurisdiction antitrust disputes, compliance proceedings before the DOJ and the SEC, complex commercial disputes, and international technology matters. Commissioner Davidson has handled an array of domestic and international arbitrations and mediations. In New York, he served as Special Professor of Law at Hofstra University School of Law, teaching international arbitration. A Phi Beta Kappa graduate, Davidson received his baccalaureate and juris doctorate degrees from the University of Florida. Commissioner Davidson holds a Masters Degree in International Business from Columbia University and a Masters of Law in Trade Regulation from New York University.

# Florida Public Service Commissioner History

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Commissioner	Years Served	Replaced by
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	
<b>The Commission was abolished by the Legislature in 1891, and recreated in 1897</b>		
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
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

### The Commission became appointive January 1, 1979

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

\* Served as Chairman

## Executive Management



EXECUTIVE DIRECTOR  
**Mary Andrews Bane**

The Executive Director is, essentially, the chief of staff of the Commission, with responsibility for directing planning and administering the overall activities of the Commission staff, except the office of the General Counsel. She acts as an interagency liaison and consults with and advises the Commissioners on economic, regulatory, and budgetary matters.



DEPUTY EXECUTIVE DIRECTOR  
**Kevin Neal**

The Deputy Executive Director assists the Executive Director in providing direction and leadership for the staff and is delegated full authority in her absence. As the key liaison for external affairs, the Deputy Executive Director coordinates contact with the Office of the Governor, the Florida Legislature, federal agencies, and state/local governments.



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 and delegation of responsibilities to the lead attorneys in his office. The General Counsel also is responsible for advising the PSC on the legal aspects of its regulatory responsibilities, providing legal representation in the court and before federal agencies, providing legal 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 2002**

A number of regulatory issues presented significant challenges for the Florida Public Service Commission (PSC) in 2002. What follows is a summary of the most significant issues to arise during the calendar year, as well as a description of how the PSC dealt with each.

### **ENERGY**

#### **Natural Gas**

In the fall of 2002, the Commission approved gas unbundling pilot programs for Chesapeake Utilities Corporation and Indiantown Gas Company. Under the pilot program, customers who previously purchased gas from the utility would receive gas supply through a single qualified pool manager. This pool manager would be selected by the utility through a Request for Proposal (RFP) process. The selected pool manager would offer two pricing options: a monthly indexed price, similar to the current Purchased Gas Adjustment pricing mechanism, and a fixed price option enabling customers to mitigate the potential price volatility of the indexed price. Phase I would continue for a minimum of two years. At the end of the two-year period, the utilities would evaluate the program and determine whether to continue under the Phase I program, move to Phase II, which would allow additional pool managers to participate, or end the pilot program. PSC approval would be required before action could be taken.

#### **Electric Reliability**

The Commission approved revisions to Rules 25-6.044 and 25-6.0455, F.A.C., which codify new and expanded electric utility reporting requirements to the Commission on the subject of distribution reliability. The changes to the rules include a requirement that the utilities report specified distribution reliability indices as defined by the Institute of Electrical and Electronics Engineers, Inc. (IEEE) widely used throughout the country. The new rules also allow utilities to exclude outage events for extreme weather or fire events causing activation of the county emergency operation center and provides a method for the utilities to submit requests to exclude other outage events not specifically identified within the rule. An exclusion of the reporting requirement for certain indices was allowed for utilities furnishing electric service to fewer than 50,000 retail customers.

#### **Electric Utility Fuel Procurement Risk Management Resolution**

In recent years, the level of volatility of fuel prices incurred by electric utilities has increased substantially, resulting in significant fluctuations in fuel prices for electric utility customers via fuel adjustment charges. In order to address this issue, the Commission approved a proposed resolution of the matter in Docket No. 011605. The resolution provides for the filing of information in the form of risk management plans and transaction results in order to allow

the Commission and parties to monitor utility practices and transactions. The resolution also removes disincentives utilities may have for participating in risk hedging transactions. Such disincentives include a general uncertainty among utilities regarding the recoverability, through the fuel adjustment charge, of prudently incurred hedging transaction costs, gains and losses, and incremental operating and maintenance expenses associated with new and expanded hedging programs. The resolution clarifies that these costs are recoverable.

### **Electric Utility Refunds**

During 2002, Florida Power & Light Company (FP&L) was required to refund more than \$86 million based on its revenue sharing plan which ended in April 2002. The PSC required FP&L to file the necessary information for a complete review of its rates and earnings. As a result of the review, rates were reduced by \$250 million annually, and the revenue sharing plan was extended to December 31, 2005.

In 2001, the PSC required Florida Power Corporation (FPC) to file the necessary information for a complete review of its rates and earnings. The review was finalized in 2002 and resulted in a refund of \$35 million, a rate reduction of \$125 million annually, and a revenue sharing plan through December 31, 2005.

### **Power Plant Need Determination**

Throughout most of 2002, PSC staff solicited comments, held workshops, and conducted a formal hearing to propose revisions to Rule 25-22.082, Selection of Generating Capacity. This rule requires utilities to issue a Request For Proposals (RFP) before filing for a determination of need for a major generating facility. The Commission approved revisions to the rule on January 3, 2003.

FP&L filed a need determination for the Martin and Manatee generating facilities. The Martin facility would add approximately 780 MWs, and the Manatee facility would add approximately 1,100 MWs to FP&L's system. The units are projected to have a June 2005 in-service date. Several interveners challenged the results of FP&L's RFP process, mainly citing that the process was unfair and biased towards a FP&L self-build option. The Commission ultimately approved the need petition in November 2002. The need order is currently on appeal at the Supreme Court.

Progress Energy Florida, Inc. (PEF), formally known as Florida Power Corporation, filed a need determination petition for the Hines Unit 3. The facility would be built at the existing Hines energy complex and would add approximately 570 MWs to PEF's system with an in-service date of December 2005. Only one party intervened (Florida PACE) and challenged the RFP process as unfair and biased towards a PEF self-build option. The Commission ultimately approved the need petition in January 2003.

### **Renewable Generating Technologies in Florida**

In response to a legislative directive, the PSC prepared a technical assessment of the potential for renewable electric generating technologies. The report was produced in January 2003. It concludes that while renewable generation is generally more expensive than traditional generation, Florida does have opportunities to expand the use of such fuels. Biomass and municipal solid waste offer likely candidates for increased deployment.

## **Regional Transmission Organization**

In June 2001, FP&L, FPC (now known as Progress Energy Florida, Inc.), and Tampa Electric Company (TECO) filed petitions asking the Florida Public Service Commission to determine the prudence of the formation of, and their participation in, GridFlorida. Hearings were held in October 2001, and the Commission issued its Order in December 2001. The Commission found that the GridFlorida Companies were prudent in probatively forming GridFlorida. However, the Commission stated its belief that certain aspects of GridFlorida were not in the best interests of Florida's retail ratepayers at this time, most particularly the transfer of ownership of transmission assets. In addition, it was found that GridFlorida should be structured as an independent system operator (ISO). The GridFlorida Companies were ordered to modify the GridFlorida proposal consistent with the terms of the Order and file the modified proposal with the Commission within 90 days. The GridFlorida Companies filed a modified proposal in March 2002.

In September 2002, the Commission specifically approved the structure and governance aspects, the planning and operations aspects, and certain aspects of the rate design and pricing protocols of the GridFlorida ISO. The Commission was scheduled to conduct an evidentiary hearing in late-October, 2002, to evaluate the merits of a market design proposal. However, the Office of Public Counsel (OPC) filed a notice of administrative appeal of the Commission's September 2002 Order to the Florida Supreme Court. As a result of this appeal, the Commission has abated further proceedings regarding GridFlorida pending the Supreme Court's decision on OPC's appeal.

## TELECOMMUNICATIONS

### **Area Code Activity in Florida**

Prior to 1995, there were only four area codes in Florida (305, 813, 904, and 407). Since then, 13 new area codes have been added within seven years for a total of 17 active area codes now in Florida. 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.

Area code relief for Orlando 407/321 area codes was completed during 2002. By Order No. PSC-02-0405-FOF-TL, issued March 25, 2002, the Commission approved a new overlay area code over the existing 407/321 area. On April 1, 2002, the North American Numbering Plan Administration (NANPA) announced that 689 will be the new area code for relief of the 407/321 area codes. NANPA, the organization overseeing 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. The implementation date for the new 689 area code, which will be Florida's 18<sup>th</sup> area code, has not yet been determined. The PSC directed NANPA to notify it within one year of the exhaust of available numbers in the 407 and 321 area codes, so an implementation date can be set.

### **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 separate 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, Inc., and Verizon (formerly GTE Florida, Inc.). A hearing on BellSouth’s rates was held in late 2000, and at the April 18, 2001 Special Agenda, the PSC set rates for more than 1,400 BellSouth network elements. A number of issues, however, were evaluated further, including (1) hybrid copper/ fiber xDSL-capable loops; (2) network reliability and security concerns; (3) revisions in the cost study for network interface devices (NIDs); and (4) cable placements and associated structures. On September 6, 2002, the Commission rendered its follow-up decision which included lower rates for loops and usage files used by ALECs.

Hearings on Verizon’s and Sprint’s rates were held April 29-30, 2002. The Commission rendered its initial generic decisions for these two companies on October 14, 2002 and December 2, 2002.

### **Quality of Service**

In 2002, BellSouth credited \$524,379 to customers not receiving primary basic telecommunications service within three days of applying for the service. Furthermore, BellSouth credited \$875,008 to customers who experienced out-of-service conditions that were not repaired within 24 hours.

Also in 2002, Sprint credited \$1,156,580 to the accounts of customers not receiving primary basic telecommunications service within 3 days of applying for the service. Sprint also credited \$737,973 to customers experiencing out-of-service conditions in excess of 24 hours. In addition, Sprint contributed \$25,000 to the Community Service Fund for failing to meet the 35 second average speed of answer time.

### **Reciprocal Compensation**

Reciprocal compensation refers to the payment mechanism, mandated by the Federal Communications Commission (FCC), by which phone companies are to be compensated for terminating local telephone traffic that originates on the network of another company. The issue of the appropriate application of reciprocal compensation continues to be a hot topic at both the state and federal levels. As a result, 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.

On August 20, 2002, after hearing, the Commission rendered its decision wherein it declined to establish a default compensation mechanism, but elected to establish a default local calling area (the originating carrier’s retail local calling scope) for reciprocal compensation purposes, if carriers to a negotiation cannot reach a mutually agreeable definition.

### **BellSouth Petition for InterLATA Authority**

The Telecommunications Act of 1996 conditioned Bell Operating Companies' (BOCs') provision of in-region, interLATA service in compliance with certain market opening requirements contained in Section 271 of the Act. On May 31, 2001, BellSouth filed its second petition with the PSC to provide interLATA services in Florida. The Commission conducted a hearing in October 2001 regarding BellSouth's compliance with the 14-point checklist outlined in the Act. Subsequently, the Commission deferred decision-making on the portion of BellSouth's 271 application which was addressed at the hearing, until the completion of its Operations Support Systems (OSS) testing. On September 9, 2002, the Commission rendered its recommendation that BellSouth satisfied the 14-point checklist in Section 271 of the Act. The PSC's recommendation was filed with the Federal Communications Commission (FCC) for consideration in BellSouth's application for interLATA authority.

### **Testing of BellSouth's Operations Support Systems**

Section 271 of the Telecommunications Act of 1996 requires the FCC and state commissions to ensure that the Bell Operating Companies open their local markets to competition. It requires the PSC to assess for the FCC whether BellSouth has made its operations support systems available to competitors and to verify that this is still the case after the FCC has approved their applications to provide long distance service in their home regions.

In accordance with Section 271, the PSC completed its oversight of third-party testing of preordering, ordering, provisioning, maintenance/repair, and billing operations support systems (OSS). The tests were performed by BearingPoint Consulting, formerly known as KPMG Consulting, Inc. Performance measures testing remains in progress and is scheduled for completion in late spring 2003.

The results of the testing, completed during 2002, formed the basis for the PSC's recommendation to the FCC that BellSouth was providing nondiscriminatory access to its OSS functions to alternative local exchange companies (ALECs). On December 19, 2002, the FCC approved BellSouth's application to provide inter-LATA long distance service under Section 271.

The Florida OSS tests, in conjunction with PSC Docket No. 960786-TL, assessed the adequacy of the systems that BellSouth provides to ALECs. The testing, which began in January 2000, sought to ascertain whether BellSouth's operations support systems provide ALECs with a meaningful opportunity to compete for service on a level at parity with that provided by BellSouth to its analogous retail operations. The PSC staff encouraged ALEC participation and closely monitored interaction among BellSouth, the BearingPoint Consulting test team, and the ALECs to ensure that the tests were vigorous, fair, and open.

### **ILEC Wholesale Performance Measures**

The Commission opened Docket No. 000121-TP to develop performance measures for the ongoing evaluation of operation support systems (OSS) provided for alternative local exchange companies' (ALEC) use by incumbent local exchange companies (ILEC). The purpose of monitoring performance measures is to ensure that ALECs receive nondiscriminatory access to the ILECs' OSS. The Commission approved BellSouth's Performance Assessment Plan in early 2002 and ordered BellSouth to implement the plan by May 31,



2002. Since then, self-effectuating payments have been made by BellSouth to ALECs and to the PSC whenever BellSouth has failed to meet the prescribed service levels. BellSouth has paid penalties to ALECs in excess of \$15 million from May 2002 to December 2002, and has paid the state of Florida more than \$1 million for repeated failures during that same period. Development of Performance Measurement Plans for Verizon and for Sprint progressed during 2002 in Subdocket Nos. 000121B-TP and 000121C-TP. The intent of these OSS performance assessment plans is to further competition, ensure quality of OSS service to ALECs, and drive process enhancements to deliver improved telecommunication services throughout Florida.

### **Section 706 Joint Conference**

The deployment and provision of advanced telecommunications services continues to be an important issue in the telecommunications arena. Under Section 706 of the Telecommunications Act of 1996, the FCC and the States were given authority 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. The PSC has committed resources toward this effort, and Chairman Lila A. Jaber served as the Chairman of the Conference through 2002. The PSC hosted a regional Joint Conference hearing in Miami Beach during 2000. In addition, PSC staff, in conjunction with such groups as the National Regulatory Research Institute (NRRI) and the National Telecommunications and Information Administration (NTIA), researched the status of “killer applications” that will drive greater acceptance of broadband technology. In 2002, the PSC worked in conjunction with the Joint Conference to develop a report that sought to explain the reasons for variance in “take rates” among the States. For 2003, the PSC will work in conjunction with the National Association of Regulatory Utility Commissioners (NARUC) and the National Exchange Carrier Association (NECA) when they convene at the Second National Summit on Broadband Deployment scheduled to be held in Washington, D.C. The topics that will be addressed include: Wi-Fi Networks, Rural Issues, Rights of Way, Demand Side Issues, Wall Street View, Digital Rights, Fiber Security, and Spectrum Issues.

### **Lifeline Assistance and Link-Up Florida**

The Low Income Program is a telecommunications discount program authorized by Congress under the Telecommunications Act of 1996. Telephone service is considered a necessity for modern life, yet the cost of activating and maintaining such service may be prohibitively expensive for low income subscribers. The Low Income Support Mechanism enables these customers to establish and maintain telephone service through discounts on services from local telephone companies through the Lifeline Assistance (Lifeline) and Link-Up Florida (Link-Up) Programs.

During the first quarter of 2002, the PSC assisted the AARP with its outreach campaign to inform Florida AARP members about the Lifeline and Link-Up Programs. The outreach campaign was announced on April 4, 2002, at a media launch held at the Florida Capitol. A number of distinguished individuals participated in the media launch, including Chairman Lila Jaber. The PSC was also joined by representatives from the Federal Communications Commission (FCC), the Department of Elder Affairs and the Department of Children and Families (DCF). The AARP plans to use the Florida campaign as a model for similar outreach campaigns in other states.

In August 2002, the PSC began working with the DCF on a Lifeline Outreach Project. The DCF currently conducts a public assistance interview with each individual who requests to receive or continue receiving Medicaid, Food Stamps, or Temporary Assistance to Needy Families through the DCF. Under the DCF Lifeline Program, eligible individuals will be informed about the Lifeline and Link-Up Programs during their public assistance interview. The eligibility notification that individuals receive from the DCF regarding their other benefits will also include information that can be provided to the telephone companies as proof of eligibility for Lifeline and Link-Up. The proposed project plan was approved by the Legislative Budget Commission on January 15, 2003. During 2003, the PSC will continue to work with DCF and each of the participating local exchange companies to implement the DCF Lifeline Program. The new Lifeline Program is scheduled to be implemented by late May 2003. It is anticipated that the DCF Lifeline Program will make the enrollment process easier for many eligible individuals and ultimately increase participation in the Lifeline and Link-Up Programs.

## WATER & WASTEWATER INDUSTRIES

### **Copper Pipe Corrosion Project**

In August of 2000, the PSC initiated an Interagency Copper Pipe Corrosion Project with the Florida Department of Community Affairs (DCA) and the Florida Department of Environmental Protection (DEP). These agencies were joined by representatives from the Florida Association of Counties, the Florida Building Commission, the Florida Department of Health, the St. Johns River Water Management District, the Southwest Florida Water Management District, Pinellas County Utilities, 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.

The final report of the interagency project, published in May 2001, contains recommendations covering such topics as DEP permitting rules for new wells, and building code education and amendments. A printed copy of the report may be requested from the PSC or accessed on the PSC's Web site at [http://www.psc.state.fl.us/industry/water\\_waste\\_water/pipecorrproj.cfm](http://www.psc.state.fl.us/industry/water_waste_water/pipecorrproj.cfm).

On June 19, 2001, Governor Bush approved Senate Bill 1030 which gives the DEP statutory authority to require additional testing of raw water for new drinking water wells. The DEP included corresponding rules in its proposed rule revisions for Chapter 62-555, Florida Administrative Code. During 2002, the DEP held workshops and hearings on the proposed rule revisions and is now in the final stages of rulemaking. It is anticipated that the new rules will be implemented later in 2003.

Also, on March 1, 2002, the DCA and Florida Building Commission issued the new statewide Florida Building Code. The new code contains a provision that "water service pipe and water distribution pipe shall be resistant to corrosive action and degrading action from the potable water supplied by the water purveyor or individual water supply system." During 2003, the PSC, DCA, and DEP will continue to monitor the progress of the project recommendations, and seek additional solutions to this significant problem.

### **Governor's Drought Action Plan/Water Conservation Initiative**

In May 2001, a statewide Water Conservation Initiative (WCI) was launched by the Department of Environmental Protection and the Water Management Districts in response to the Governor's Drought Action Plan. The DEP requested that the PSC participate in the project. The PSC co-chaired the Water Pricing Work Group with DEP and participated on the Reuse Work Group.

The overall goal of the Water Conservation Initiative is to provide specific recommendations for improving water use efficiency that are significant, permanent, and cost effective. Through a series of individual work group and comprehensive statewide meetings, the project's participants developed more than 50 priority recommendations designed to achieve the project's goal. The final report was issued in April 2002, and was developed with the input of over 300 participants from government, private sector, interested citizens, and many private associations.

On August 21, 2002, the DEP held a statewide meeting in Orlando to present the final report and discuss the next phase of the project. Chairman Jaber was one of the featured speakers at the meeting. New work groups were formed to develop strategies for implementing the recommendations during Phase II of the project. During 2003, PSC will continue to work with the DEP and other participants to implement the Water Pricing and Reuse recommendations, as well as monitor any proposed water conservation legislation during the 2003 and 2004 legislative sessions.



### III. Defining the PSC's Role

The work of the Florida Public Service Commission is a balancing act. The Commission must balance the needs of a utility and its shareholders with the needs of consumers. Traditionally, the Commission achieved this goal by establishing exclusive utility service territories, regulating the rates and profits of a 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 Commission'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 Commission 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 Commission's role in the increasingly competitive telephone industry remains one of balance.

The 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 a Commissioner from nominees selected by the Public Service Commission Nominating Council. Commissioners must also be confirmed by the Florida Senate. Prior to 1978, three Commissioners were elected in a statewide election. The 1978 Legislature adopted a bill changing the Commission to a five-member appointed board.

The PSC, created by the Florida Legislature in 1887, was originally called the Florida Railroad Commission. The primary purpose of the board was the regulation of railroad passenger and freight rates and operations. As Florida progressed, it was necessary for the Commission to expand. In 1911, the Legislature conferred on the Commission the responsibility of regulating telephone and telegraph companies, and in 1929, jurisdiction was given to motor carrier transportation. The Commission began regulating investor-owned electric companies in 1951, and then in 1952, jurisdiction was extended to the regulation of gas utilities. In 1959, the Commission began regulating privately owned water and wastewater systems.

The Commission 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 1<sup>st</sup> District Court of Appeal and the Florida Supreme Court. As an executive agency, the PSC enforces state laws affecting the utility industries.

The Florida Public Service Commission 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 one or more of 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 regulatory issues in industries that have traditionally been considered monopolies, but are now transitioning into competitive markets. New technologies and customer choice are two of the catalysts for the change to competition. The advent of new technologies allows new market entrants and new opportunities for established regulated companies. In addition, 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 re-evaluate the pricing, regulations, and barriers that currently exist. Competitive issues frequently arise in conjunction with the other two major regulatory roles of the PSC: establishing rates and monitoring service issues.

### **Electric - Wholesale Competition**

The electric industry in Florida may be on the verge of major changes. The creation of GridFlorida will require changes in the way existing utilities do business. The Federal Energy Regulatory Commission (FERC) believes that having electric transmission operated by independent entities will facilitate competition in the wholesale electric market and 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 monitors FERC proceedings and provides comments to FERC on issues which may affect Florida ratepayers.

The PSC also monitors proposed electric utility mergers to ensure that Florida ratepayers will not be unduly burdened. PSC staff prepares summaries of merger filings and drafts comments for the FERC or other related federal agencies.

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 approves economic development and/or load retention tariffs for the state's four largest investor-owned electric utilities when such tariffs are found to have net benefits for all ratepayers.

### **Natural Gas**

All non-residential natural gas customers that take service from an investor-owned natural gas utility regulated by the PSC have the option to purchase their gas from the competitive market. Transportation and distribution of the gas would be 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 and to address recurring issues.

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 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.

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 distinction 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.

Also, the PSC is responsible for reviewing and maintaining the retail tariffs or price lists filed by the telecommunications companies. The PSC is responsible for setting certain wholesale prices such as for unbundled network elements in order to compensate the ILECs for use of parts of their networks by the ALECs. The PSC also establishes reciprocal compensation policies to guide the compensation to companies which terminate local traffic from other companies.

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 reviews the telecommunications companies' certification requests prior to the requests being voted on by the commissioners. Traditionally, there are a large number of certification requests.

## **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.

### **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 consists 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.

## **Energy**

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.

In addition to processing utility requests for rate changes, 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.

### **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. PSC staff conducts analyses on expenses to ensure that only reasonable and prudent costs are recovered.

### **Water and Wastewater**

In the water and wastewater industries, the PSC processes a significant number of cases. The majority of these cases involve rate increases or limited-proceeding increases arising from increased costs of providing service. A smaller number of cases involve overearnings investigations in which the PSC determines whether it is necessary to reduce rates. The staff's role in these cases include 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.

The Commission also processes requests related to certification. The majority of these cases involve the transfer or amendment of certificates of authorization. A smaller number of cases involve the original certification of a new utility. The staff's role in certification cases includes preparing recommendations regarding issuing certificates and setting initial rates and charges for new utilities; transferring or amending existing certificates; acknowledging abandonments and appointment of receivers; and cancelling certificates for systems transferred to exempt entities. In addition, staff also answers questions at Agenda Conferences, responds to customer inquiries, and assists in representing the PSC at prehearings and hearings.

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 (WMD) 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, the Florida Department of Health, and the Florida Department of Transportation. The Reuse Coordinat-



ing Committee meets quarterly and discusses reuse issues, including any relevant proposed agency rulemaking and legislation. PSC staff also participates in two different quarterly meetings with the St. Johns River Water Management District and DEP District Offices to discuss reuse, conservation, and water allocation issues within the District. Through participation in these meetings, 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.

Water conservation is another area with major economic implications. 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. The PSC has entered into a Memorandum of Understanding with the DEP and the five WMDs in order to coordinate efforts to meet statewide conservation goals. The PSC actively works 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 previous rate case, 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. Additionally, the PSC participated in the Governor's Drought Action Plan/Water Conservation Initiative to develop recommendations for improving water use efficiency on a statewide basis. The PSC will continue to participate in the Water Pricing and Reuse Work Groups to develop implementation strategies for the Initiative's recommendations.

### **Consumer Assistance**

A final aspect of economic regulation relates to customer issues such as billing. The PSC assists consumers with analyzing their utility bills and verifying the accuracy of charges. It is the PSC's intent that disputes between regulated companies and their consumers be resolved in a quick, effective, and efficient manner. The PSC accomplishes this objective by utilizing the AT&T "Transfer Connect" system to resolve a portion of the consumer complaints it receives. When a consumer calls the PSC's toll-free telephone number (1-800-342-3552) with a question or complaint regarding utility services, the PSC staff (with the consumer's approval) will transfer the call directly to the utility for its handling if that company has an AT&T toll-free number. Once the consumer's call is transferred, the utility pays for the call until completion. Each company that subscribes to the Transfer Connect system must provide "live" customer service personnel to handle transferred calls.

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. The twenty companies subscribing to the Transfer Connect system received 12,584 calls via this method during 2002.

## SAFETY, RELIABILITY, AND SERVICE ISSUES

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

### **Energy**

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.

The PSC also 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; and emergencies due to operational events or weather.

In the area of electric safety, the PSC verifies that electric utilities are constructing transmission and distribution systems in accordance with the National Electric Safety Code. This is accomplished through a sampling process and quarterly utility compliance reports.

The PSC annually evaluates natural gas systems for safety compliance in the areas of corrosion control, leak surveys, leak repairs, emergency response, drug testing, employee training and qualifications, maintenance and operations, and new construction.

### **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 National Electrical 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 utility-related problem.

Finally, service quality issues often arise when a utility files an application for a rate change because the PSC conducts customer hearings as a part of the rate case process. Consumers' comments at rate case hearings typically include service quality issues. Again, staff is assigned to review consumer concerns and work with the utility to resolve service

issues. In some cases, a complaint may result from possible violations of public health rules of the Department of Environmental Protection (DEP); in those cases, PSC staff will work with the DEP to resolve the issue.

### **Consumer Assistance**

The PSC also handles complaints and inquiries related to such issues as service reliability, slamming, cramming, tariffed telephone services, and water and wastewater certification.

## **ADDITIONAL REGULATORY ACTIVITIES AND SUPPORT**

### **Appellate Review of PSC Decisions**

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 Court 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, state, and national levels in which matters of regulatory interest are at issue.

### **Internet Home Page**

The PSC’s Web site (<http://www.floridapsc.com>) logged nearly 737,240 visits in 2002. Compared to 389,322 visits logged in 2001, PSC Web site visits increased more than 89%. A complete redesign of the site’s virtual infrastructure, improved navigation, and improved user interface provided users with faster and easier access to the most popular sections of the Web site. These redesign efforts were implemented in compliance with the State Technology Office’s “E-Government” Web development initiatives and Web design standards.

The new home page design features a consumer corner that provides consumers with links to our most popular, up-to-date, and relevant consumer information. The PSC home page also provides a link to an online customer support knowledge database created by RightNow Technologies, and released on the [www.MyFlorida.com](http://www.MyFlorida.com) portal. Area code information has been redesigned to include numerous new features including an interactive map of Florida and pages dedicated to providing information on each of Florida’s area codes.

On-line Company Listings (MCD) were improved to allow users to search for company information by company code or company name. Company detail pages for all currently and previously regulated companies now list the certificates of each company and the corresponding services the company offers.

The PSC's home page also features a calendar of events allowing quick access to the Commission's schedule of Agenda Conferences and Internal Affairs meetings, as well as corresponding live audio and visual coverage. In addition, visitors accessing the PSC's Web site can search for information on regulated utilities and view press releases regarding recent Commission decisions.



## IV. Agency Organization During 2002



DIRECTOR

*Dan Hoppe*

### DIVISION OF **Auditing and Safety**

The Division of Auditing and Safety operates out of four district offices: Tallahassee, Orlando, Miami, and Tampa. The Division is responsible for conducting audits and reviews in all industries. The types of audits and reviews the division performs include financial, compliance, billing, and verification. The Division is responsible for safety evaluation of natural gas pipeline operations and new electric construction in the State of Florida. The Division is the lead contact for the Commission's participation in the State's Emergency Operations Center activities. The Division is also responsible for investigating electric complaints associated with actual field investigations.

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

The **Bureau of Auditing** 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.

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

The *Electric Safety Section* engineers verify that the electric utilities comprised of investor-owned, municipal and cooperatives are constructing transmission and distribution electrical systems in accordance with the National Electrical Safety Code. Samples of completed work orders are inspected by the PSC's electric safety engineers. Variances from the safety code are reported to the utilities. The utilities then correct the variances and report back to the Electric Safety Section when completed. The work order is then reevaluated to verify that everything is in compliance.

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, site visits or expert advice.

The Natural Gas Pipeline Safety Section is responsible for natural gas safety. The PSC's natural gas pipeline safety jurisdiction begins at the tap on interstate pipelines and ends at the outlet of the last gas meter prior to the point of 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. Specific 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. Additionally, staff investigates natural gas accidents to obtain information that can be used to prevent a recurrence.

The Florida Emergency Operations Center is provided technical support and staffing from both the Electric Safety Section and Natural Gas Safety Section during natural or manmade emergencies. The Bureau is the twenty-four hour contact point for assistance and advice for all energy related emergencies for electric utilities, natural gas pipelines, and fuel related problems.



DIRECTOR  
*Blanca Bayo*

DIVISION OF  
**The Commission Clerk and  
Administrative Services**

The Division of the Commission Clerk and Administrative Services is responsible for overseeing all financial transactions and maintaining the Commission's accounting records. The division, which is designated as the agency clerk, accepts official filings, maintains official case files, coordinates the Commission's records management program, and issues all Commission Orders and notices. Other responsibilities include administrative support services such as human resource programs, budget management, mail processing, computer hardware and applications support, staff training, and purchasing.

The responsibilities of the Division of the Commission Clerk and Administrative Services are further detailed under its component bureaus:

The **Bureau of Administrative Services** consists of Administrative Services, Fiscal Services, and General Services.

The bureau oversees all financial transactions, including the approval and processing of all expenditures, the collection and deposit of all revenues, and the maintenance of accounting records. The bureau coordinates and prepares the Commission's legislative budget requests and long range program plans, monitors the operating budget, and prepares budget amendments as necessary. In addition, the bureau provides administrative support services in the areas of purchasing, leasing, duplicating, mail handling, fleet management, staff training programs, employee personnel records, insurance benefits, and other staff support needs.

The Administrative Services Section 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 work week schedules, employee relations, payroll, insurance, and other employee benefit programs. This section is also responsible for the coordination and maintaining of the performance measures and outputs for the *Long-Range Program Plan*, as well as finalization of the *Legislative Budget Request*.

The section maintains files/records required by the Commission's Administrative Procedures and State Personnel Rules and Regulations. Other responsibilities include monitoring Equal Employment Opportunity/Affirmative Action compliance, coordinating the agency's Sick Leave Pool and Sick Leave Transfer Plan, ensuring that agency employees comply with financial disclosure requirements, and developing/revising internal personnel policies and procedures. The Employee Assistance and Telecommuting Programs are also coordinated

through this section. The HR staff work with the Department of Management Services (DMS) and the Governor's Office of Policy and Budget to implement the Governor's Service First Initiative.

The Fiscal Services Section is responsible for providing support in the preparation of the annual budget allotments, depositing of all revenues, payment of all bills, and maintenance of centralized accounting and financial records. The section's staff inputs and maintains relevant data in the Purchase Order Tracking System (POTS), the Regulatory Assessment Fee (RAF) system, and the FLAIR/LASPBS budget system. Other duties include review, approval, and payment of all travel vouchers for in and out-of-state travel; maintenance of the petty cash fund; the performance of property inventories; and the mailing of RAF notices.

The General Services Section is responsible for purchasing all of the commodities and services required for the Commission's operations. Responsibilities for this section include managing the Imaging, Distribution and Publication Center; coordinating internal and external mail services; maintaining an inventory of the agency's general office supplies; procuring and maintaining the Commission's fleet of motor vehicles; selecting and maintaining copiers; disposing of surplus property; and coordinating facility maintenance, safety, and security concerns.

The **Bureau of Records and Hearing Services** maintains a computerized document and case management information system; issues reports and assists in the coordination of case management activities; prepares agendas for the Commission's regular conferences; prepares and maintains the official minutes of all Commission meetings; makes arrangements for hearings, and assigns hearing reporters. The bureau maintains the master directory of utilities, as well as mailing lists of parties to and persons interested in proceedings before the Commission; issues all orders and notices of the Commission; coordinates the Commission's records management program; and, upon request and the payment of appropriate fees, provides copies of public records.

The Records Section maintains the PSC's official files. The section receives, records, distributes, and maintains the official files of all documents filed in proceedings before the PSC. In coordination with the Hearing Services Section, the section also maintains a computerized document and case management information system. In addition, the section 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.

The Hearing Services Section 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 section also maintains the Master Commission Directory of utility data.

The **Office of Information Technology Services** 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 office 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 **Office of Hearing Reporters** 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.



DIRECTOR  
*Walter D'Haeseleer*

DIVISION OF  
**Competitive Markets and Enforcement**

The Division of Competitive Markets and Enforcement 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 Markets and Enforcement are further detailed under its component bureaus:

The **Bureau of Competitive Markets** consists of the Competitive Industry Practices Section and Direct Support Staff.

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 numbering codes denials; recommending and implementing various number conservation measures; reviewing regulatory assessment fee (RAF) filings; reviewing natural gas conservation programs and cost recovery filings; reviewing purchased gas filings for mathematical accuracy and policy adherence; developing policies to discourage business practices that may be barriers to entry; and processing cases involving practices that are alleged to be barriers to entry.

The Direct Support Staff is responsible for 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 procurement practices; developing policies to promote competition in the natural gas industry; and analyzing electric industry initiatives to determine the financial impact on the utility and its customers.

The **Market Development Bureau** consists of the Market Assessment Section, the Carrier Services Section, and the Certification and Tariff Administration 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 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 discriminatory 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 resolves complaints of an operational and interpretive 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 responsible for setting prices, the Carrier Services Section often determines the applicability of prices.

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 Vendor (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 Commission rules, statutes, and orders. The staff provides information on tariffed services to customers and companies and resolves customer complaints associated with tariffed services. Finally, this section processes all negotiated agreements, a function previously performed by the Carrier Services Section.

As of December 2002, the number of certificated telecommunications companies in the State of Florida were as follows:

- ◆ 10 incumbent local exchange companies (ILECs)
- ◆ 379 alternative local exchange companies (ALECs)
- ◆ 629 interexchange companies (IXCs)
- ◆ 579 pay telephone service companies (PATs)
- ◆ 40 alternative access vendors (AAVs)
- ◆ 31 shared tenant service (STS) providers

By comparison, as of December 31, 2001, there were 10 ILECs, 439 ALECs, 627 IXCs, 586 PATs, 38 AAVs, and 28 STS providers in Florida.

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 and call aggregators (hotels/motels) 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 and call aggregators as the result of the inspections completed by the Service Quality Section.

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. In addition, the bureau monitors and analyzes wholesale service quality performance measures that quantify the adequacy of operating systems support provided by BellSouth, Verizon and Sprint to competing local service providers.

Areas for investigation by the Bureau of Regulatory Review include competitive performance analysis, electric reliability, service quality, service availability, systems analysis, 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 divisions, the Executive Suite, and the Commissioners.



DIRECTOR

*Bev DeMello*

## DIVISION OF Consumer Affairs

The Division of Consumer Affairs receives, processes, and resolves complaints and facilitates resolution of informal disputes between consumers and utilities. It operates and maintains the Commission's consumer education programs. Specifically, the Division has the primary responsibility of handling and resolving consumer complaints, preparing statistical summaries on consumer complaint activity, preparing testimony for rate cases on complaint activity, and participating in or initiating other dockets on consumer matters.

Consumer Affairs is also responsible for consumer information and consumer education. The Division compiles and relays information about the Commission's regulatory decisions to utility customers and consumer groups. The Division's consumer outreach duties include informing utility customers of their rights and of how they can participate in customer service hearings and other forums to have their views heard by Commissioners. The Division of Consumer Affairs has two bureaus: the Bureau of Complaint Resolution and the Bureau of Consumer Outreach.

The two bureaus of the Division of Consumer Affairs work collaboratively. For instance, the Bureau of Consumer Outreach 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, and other materials prepared by the Bureau of Consumer Outreach to provide utility information to consumers.

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 main inbound conduit for communication with the public and is often where consumers form their first impressions of the agency. Within the bureau are two sections: Complaint Intake and Complaint Resolution.

The *Complaint Intake Section* is responsible for handling consumer inquiries/complaints via the Commission toll-free number. This section also receives, reviews, handles and processes consumer inquiries/complaints filed against regulated utilities, received by Internet, fax and mail. Also, this section receives opinions and inquiries from the public and provides explanations and information about the Commission and its activities. Analysts

have a thorough knowledge of PSC rules and procedures, and must possess strong communication skills required to effectively communicate with customers and utility representatives.

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, Commission Rules, regulations and tariffs. This section proposes resolutions on complaints to consumers and handles customer contacts directed to CAF 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. This 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 various Commission reports including the monthly *Consumer Activity Report*, located on the Commission's Web site.

The **Bureau of Consumer Outreach** is responsible for helping Florida's consumers understand how to make wise decisions in an increasingly complex utility marketplace. Bureau staff members attend customer hearings and meetings held throughout the state in conjunction with utility cases before the PSC. The bureau has several operational goals, including, but not limited to, the following:

- ◆ disseminating consumer information about regulatory matters to various consumer groups;
- ◆ establishing the PSC's presence and increasing its visibility as a consumer education agent; and
- ◆ maintaining an outreach plan for PSC hearings and workshops held across the state.

Another focus of the bureau's efforts has been the PSC's Web site. The site, located at [www.floridapsc.com](http://www.floridapsc.com), has been expanded and redesigned by the Bureau to supply consumers with more 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 can be accessed via the Web site. Consumers are also able to file online complaints regarding their utility services via the PSC home page.

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 have also 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 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.

Within this bureau is the Information Requests Section. This section is responsible for responding to consumer requests for information. In addition, the Information Requests Section conducts informal conferences for consumers who are not satisfied with the resolution of their complaints. The staff in this section facilitates communication between the consumer and the service provider during an informal conference as they attempt to reach a settlement. A recommendation is prepared for the Commissioners' consideration for those informal conferences that fail to end with a settlement agreement.



DIRECTOR  
*Tim Devlin*

DIVISION OF  
**Economic Regulation**

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 Surveillance/Finance** consists of two sections: the Surveillance Accounting Section and the Finance and Tax Section. The functions and responsibilities of each section are described below.

The Surveillance Section is responsible for reviewing 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.

This 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 190 annual reports are reviewed for thoroughness. Additionally, the earnings of each company and system (more than 300) are calculated to determine if the company is overearning. This is the PSC's surveillance program for water and wastewater



companies. The section is also responsible for reviewing all RAF returns (more than 400) and reconciling them to the revenues reported in the annual reports. 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.

Also, the Surveillance 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 *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 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 Securities and Exchange Commission (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 **Bureau of Rate Filings** has the responsibility to process rate filings and complex consumer complaints and to investigate overearnings of utilities. This work is accomplished through the Bureau's File and Suspend Cases Section and the Regulatory Analysis Section.

The *File and Suspend Cases Section* has the responsibility of processing rate increase filings by Electric, Gas and 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, technical complaints that are transferred from 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 Regulatory Analysis Section has the responsibility of processing rate case filings by Class "C" water and wastewater utilities and reuse applications. 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, reuse applications by all water and wastewater utilities, and complex/technical complaints transferred from 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 **Bureau of Certification, Economics, and Tariffs** consists of two sections: Economics and Tariffs, and Certification.

The Economics and Tariffs Section participates in proceedings in support of all the industries under PSC jurisdiction. These proceedings include electric and gas utility rate cases, electric plant need determination cases, and water and wastewater rate cases. In these dockets, the section's primary responsibilities focus on analyzing any economic and demographic forecast issues, development of rates and rate structure by customer class, and estimation of any repression effects on customer demand resulting from higher rates. Outside of rate case activity, the section analyzes rate structure for non-earnings-regulated municipal electric utilities and rural electric cooperatives, and participates in the electric utility fuel, conservation, capacity and environmental cost recovery clause dockets. The section is also involved in potentially volatile customer issues such as billing practices, master metering, and reconnect policies, as well as merger and deregulation effects on rates.

Other activities performed by the section include analyses of the Ten Year Site Plan load forecast submitted by Florida's electric utilities, conducting research and writing Statements of Estimated Regulatory Costs for rulemaking, assisting the Division of Competitive Markets and Enforcement in the quantitative analysis of competitive performance of local providers in the telecommunications industry, and assisting the Division of the Commission Clerk and Administrative Services by independently forecasting jurisdictional utility gross revenues to estimate regulatory assessment fees (RAFs).

The Certification 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 Commission rules, statutes, and orders.

During 2002, there were 199 PSC-certificated water and/or wastewater utilities in Florida. The PSC currently has jurisdiction in 36 of the 67 counties in Florida.

The **Bureau of Electric Reliability and Cost Recovery** is composed of two Sections: Electric Reliability and Cost Recovery.

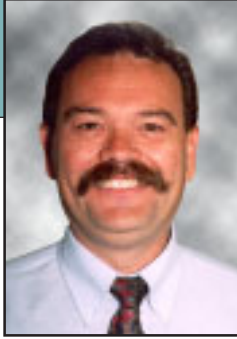
The *Electric Reliability Section* processes and makes recommendations to the PSC on proposed power plants with a steam cycle greater than 75 megawatts, including non-utility-owned power plants (also called merchant plants) and 230-kilovolt or higher electric transmission lines. The recommendations to 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 2002, the projected amount of associated cost recovery by the utilities is \$5.35 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 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 complaints related to electric distribution outages and reports annually to the Commission on electric distribution reliability. The report is based on the section's review of the utilities' recently-expanded annual distribution reliability reports and service-related complaint activity.



DIRECTOR  
*Charles Hill*

DIVISION OF  
**External Affairs**

The Division of External Affairs serves as the Commission's liaison to the Legislature, the Office of the Governor and to other state and federal agencies. The Division is composed of two offices: an Office of Federal and Legislative Liaison and an Office of State Agency Liaison. The Division provides the primary technical interface with state and federal agencies on regulatory matters, in coordination and with assistance from the technical divisions, the Office of the General Counsel, and the Office of the Chairman. The Office of Federal and Legislative Liaison has primary responsibility for working with the Florida Legislature and the Office of the Governor. This office is also responsible for facilitating collaborative working relationships with the federal agencies whose regulatory actions can affect Florida citizens and for facilitating a transition to competitive markets which benefit Florida citizens. The Office of State Agency Liaison has responsibility for maintaining working relationships with other state agencies, and with county and local governments, to ensure that state regulatory functions are performed efficiently and effectively without unnecessary or duplicative costs being imposed on Florida's citizens.

The responsibilities of the Division of External Affairs are further detailed under its component offices.

The **Office of Federal and Legislative Liaison** has responsibilities at both the federal and state levels. At the federal level, the Office'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, water, and wastewater industries.

The office actively filed comments, after PSC approval, in Federal Energy Regulatory Commission dockets. These dockets have major impacts on ratepayers and the regulated companies. The office also participated in Federal Communications Commission dockets which impact consumers in Florida. Key dockets related to universal service, local competition, and advanced services. The Office of Federal and Legislative 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.

The PSC is working to improve communication and coordination with other state and local agencies. As a result of a reorganization in 2002, the PSC now has an Office of State Agency Liaison within the Division of External Affairs that is charged with facilitating effective coordination between the PSC and other state agencies and local governments.

The **Office of State Agency Liaison** helps coordinate various activities between the PSC and other agencies in accordance with the guidelines established in the Memoranda of Understanding. During 2002, the Office helped coordinate activities between the PSC and other participants on the Interagency Copper Pipe Corrosion Project, Water Conservation Initiative, Universal Service Rural Health Care Program, and Universal Service Schools and Libraries Program. In early 2002, the Office assisted with the AARP Lifeline Assistance and Link-Up Florida Outreach Campaign, which included participation by the Department of Elder Affairs and Department of Children and Families. Also, the Office helped coordinate PSC and local exchange company participation in the Department of Children and Families' Lifeline Project. Examples of the Office's liaison activities related to the electric industry include coordination of electric merchant plant training sessions, meetings regarding consumer and local government concerns on undergrounding of electric facilities, and monitoring of federal dockets that will have significant state level impact. Liaison efforts on these various projects extended beyond our sister state agencies to include cities, counties, associations, universities, and private businesses. In 2003, the Office of State Agency Liaison will continue to coordinate the PSC's involvement in these and similar new projects.

The conflicting objectives of the agencies sometimes create difficulty in the Commission's 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.

Since 1991, the PSC has entered into a Memoranda of Understanding with several other agencies to facilitate the agencies' working relationship on issues of mutual interest. For example, the PSC and the Florida Department of Environmental Protection (DEP) entered into a Memoranda 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. Additionally, the PSC, DEP, and nine other agencies entered into a separate Statement of Support for Water Reuse which represents the participating agencies' resolution to continue to encourage and promote water reuse, to work together to overcome institutional and regulatory disincentives and funding constraints, to ensure protection of public health and environmental quality, and to promote public acceptance of water reuse in Florida.

Also, the PSC and the five Florida Water Management Districts entered into a Memoranda 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 conservation policy. The PSC and the Florida Department of Community Affairs entered into a Memoranda of Understanding that formally establishes 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. Finally, the PSC, the Florida Department of Elder Affairs, the Florida Department of Children and Families, and the former Florida Department of Labor and Employment

Security entered into an Interagency Agreement to establish procedures by which the agencies would work together to increase consumer awareness of the Lifeline Assistance and Link-Up Florida Programs which reduce costs for telephone connection and service for eligible low-income citizens.



GENERAL COUNSEL  
*Harold McLean*

## OFFICE OF THE General Counsel

The Office of the General Counsel provides legal counsel to the Commission on all matters under the Commission's jurisdiction and, in coordination with the Office of the Executive Director, serves as the Commission's liaison with federal and state agencies as well as the Florida Legislature and political subdivisions of the state. In the course of evidentiary proceedings before the Commission, the Office of the General Counsel and its sections are responsible for presentations of staff positions in the proceedings including cross examination of adverse witnesses and presentation of staff testimony where offered.

In providing legal counsel to the Commission, the General Counsel's Office employs three sections: an Appeals, Rules and Mediation Section, an Economic Regulation Section, and a Competitive Markets and Enforcement Section.

The *Appeals, Rules and Mediation Section* is responsible for rulemaking, mediation, and defending Commission orders on appeal or otherwise challenged before state and federal courts. The Section also provides legal counsel to the Commission and to the Commissioners including notices, recommendations and orders; attends and conducts public hearings at the Commission's request; represents the Commission before state and federal courts; and advises in the promulgation of rules. In addition, the Section's staff reviews procurement contracts and provides counsel to the Commission on personnel, contractual and other administrative, legal matters.

The *Economic Regulation Section* supervises the procedural and legal aspects of rate cases and other formal proceedings before the Commission, the Division of Administrative Hearings, and on behalf of the Commission, in civil court proceedings. This Section, in conjunction with appropriate technical staff, prepares recommendations to the Commission, as requested, and prepares, with assistance of technical staff, Commission orders memorializing decisions.

The *Competitive Markets and Enforcement Section* supervises the procedural and legal aspects of cases related to the development of competitive markets and other formal proceedings before the Commission, the Division of Administrative Hearings and, on behalf of the Commission, in civil court proceedings. This Section, in conjunction with appropriate technical staff, prepares recommendations to the Commission as requested, and prepares, with assistance of technical staff, Commission orders memorializing decisions.



CHIEF  
*Roberta Bass*

OFFICE OF  
**Market Monitoring and Strategic Analysis**

The Office of Market Monitoring and Strategic Analysis is responsible for monitoring and evaluating the impact of Commission decisions on market development in the energy, telecommunications, and water and wastewater industries. The office is also responsible for identifying and analyzing issues and strategies to assist and enhance market development. Annual reports on the status of development of competition in the industries, including preparation of any legislatively mandated reports, are prepared by this office.

Commission decisions are monitored to identify those that impact the development of energy and telecommunication competitive markets. Having identified those decisions, this office assesses whether the Commission decisions have achieved the intended results. These assessments include competitive market data gathering through conducting independent research using surveys and questionnaires, analyzing market research contained in studies and reports and hosting meetings and workshops to promote presentations and dialogues on competitive market conditions. These activities also contribute to identifying and analyzing issues and strategies that may assist and enhance the development of competitive markets.

The results of monitoring activities and strategy analyses are included in recommendations and testimony to advise other Divisions and the Commissioners regarding further actions that may be needed. On an on-going basis, this office routinely reviews and assesses market activity in the telecommunications and electric industries, at both the state and national level. These reviews include monitoring the activities of the FCC and the FERC that could potentially impact market activity in Florida. The findings of these reviews are periodically reported to the Commissioners. This office works closely with the other Divisions to provide timely and relevant information and analyses that will assist in the development and further enhancement of competitive markets.





DIRECTOR  
*Kevin Bloom*

OFFICE OF  
**Public Information**

The Office of Public Information functions as the Commission's liaison with the media and the public. The office monitors the daily reporting activities of dozens of state, regional, and national media outlets to ensure that timely, accurate information regarding Commission decisions is disseminated to consumers. In this capacity, the office sustains a familiarity of a broad array of dockets and related activities affecting ratepayers, or issues which have currency with the media.

The Office compiles and relays information about the Commission's regulatory decisions to media representatives and to local and state officials in advance of customer meetings, which are held for the purpose of offering ratepayers an opportunity to comment on pending Commission decisions. Information may be disseminated through news releases, bulletins, and guest editorials. Information dissemination may be supplemented by visits by commissioners to media outlets when necessary, which are arranged by the Office of Public Information.

The Office assembles and maintains databases comprising hundreds of media outlets to facilitate direct communication and reviews public information materials to insure compliance with Florida Statutes, Commission rules, policies, and regulatory philosophies.