BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company.	DOCKET NO. 070300-EI
In re: Petition for rate increase by Florida Public Utilities Company.	DOCKET NO. 070304-EI ORDER NO. PSC-08-0118-PHO-EI ISSUED: February 25, 2008

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code (F.A.C.), a Prehearing Conference was held on February 11, 2008, in Tallahassee, Florida, before Commissioner Nancy Argenziano, as Prehearing Officer.

APPEARANCES:

NORMAN H. HORTON, Jr., ESQUIRE, Messer, Caparello and Self, P. O. Box 15579, Tallahassee, Florida 32317
On behalf of FLORIDA PUBLIC UTILITIES COMPANY (FPUC).

PATTY CHRISTENSEN, ESQUIRE, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Room 812, Tallahassee Florida 32399-1400
On behalf of OFFICE OF PUBLIC COUNSEL (OPC).

TRACY HATCH, ESQUIRE, AT&T Florida, 150 South Monroe Street, Suite 400, Tallahassee, Florida 32301-1561
On behalf of AT&T FLORIDA (ATT).

SUSAN S. MASTERTON, ESQUIRE, Embarq Florida, Inc., 1313 Blair Stone Road, Tallahassee, Florida 32301
On behalf of EMBARQ FLORIDA, INC. (Embarq)

BETH KEATING, ESQUIRE, Akerman Law Firm, 106 East College Avenue, Suite 1200, Tallahassee, Florida 32301, MARIA T. BROWNE, ESQUIRE, Davis Law Firm, 1919 Pennsylvania Avenue, NW, Suite 200, Washington, D.C. 20006, and DAVE KONUCH, ESQUIRE, 246 East Sixth Avenue, Suite 100, Tallahassee, Florida 32303
On behalf of Florida Cable Telecommunications Association, Inc. (FCTA).

MARTHA CARTER BROWN, ESQUIRE, KATHERINE E. FLEMING, ESQUIRE, and KEINO YOUNG, ESQUIRE, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (Staff).

PREHEARING ORDER

I. CASE BACKGROUND

Rule 25-6.0342, Florida Administrative Code, requires each investor-owned electric utility (IOU) to file a comprehensive storm hardening plan for review and approval by the Commission. On July 3, 2007, Florida Public Utilities Company (FPUC) submitted its 2007 Storm Hardening Plan to the Commission. Docket No. 070300-EI was opened to address FPUC's filing (Storm Plan Docket).

By letter dated April 27, 2007, FPUC requested test year approval in order to file an application for an increase in its rates and charges for its Marianna and Fernandina Beach Divisions. FPUC filed its petition and minimum filing requirements (MFRs) on August 30, 2007, and per FPUC's request, the rate case was scheduled directly for hearing. Docket No. 070304-EI was opened to address FPUC's forthcoming general rate increase proceeding (Rate Case Docket).

By Order No. PSC-07-0647-PCO-EI, issued August 9, 2007, the Storm Plan Docket and the Rate Case Docket were consolidated. The evidentiary hearing in this matter has been scheduled for February 27-29, 2008.

This Order is issued pursuant to the authority granted by Rule 28-106.211, Florida Administrative Code (F.A.C.), which provides that the presiding officer before whom a case is pending may issue any orders necessary to effectuate discovery, prevent delay, and promote the just, speedy, and inexpensive determination of all aspects of the case.

II. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, F.A.C., this Prehearing Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, Florida Statutes (F.S.). This hearing will be governed by said Chapter and Chapters 25-6, 25-22, and 28-106, F.A.C., as well as any other applicable provisions of law.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

Information for which proprietary confidential business information status is requested pursuant to Section 366.093, F.S., and Rule 25-22.006, F.A.C., shall be treated by the Commission as confidential. The information shall be exempt from Section 119.07(1), F.S., pending a formal ruling on such request by the Commission or pending return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in this proceeding, it shall be returned to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of this proceeding, it shall be returned to the person providing the information within the time period set forth in Section 366.093, F.S. The Commission may determine that continued possession of the information is necessary for the Commission to conduct its business.

It is the policy of this Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, F.S., to protect proprietary confidential business information from disclosure outside the proceeding. Therefore, any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, F.S., at the hearing shall adhere to the following:

(1) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the court reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.

(2) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise confidentiality. Therefore, confidential information should be presented by written exhibit when reasonably possible.

At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the court reporter shall be retained in the Office of Commission Clerk's confidential files. If such material is admitted into the evidentiary record at hearing and is not otherwise subject to a request for confidential classification filed with the Commission, the source of the information must file a request for confidential classification of the information within 21 days of the conclusion of the hearing, as set forth in Rule 25-22.006(8)(b), F.A.C., if continued confidentiality of the information is to be maintained.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties (and Staff) has been prefiled and will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to timely and appropriate objections. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to five minutes.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer. After all parties and Staff have had the opportunity to cross-examine the witness, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

VI. ORDER OF WITNESSES

Each witness whose name is preceded by an asterisk (*) has been excused from this hearing if no Commissioner assigned to this case seeks to cross-examine the particular witness. Parties shall be notified by Friday, February 22, as to whether any such witness shall be required to be present at the hearing. The testimony of excused witnesses will be inserted into the record as though read, and all exhibits submitted with those witnesses' testimony shall be identified as shown in Section X of this Prehearing Order and be admitted into the record.

Witness	Proffered By	Issues #
Direct		
P. Mark Cutshaw	FPUC	1-13
George M. Bachman	FPUC	46, 50-52, 59, 103, 110, 113 115, 120, 121, 128
Cheryl Martin, Mehrdad Khojasteh (the Direct and Rebuttal Testimony of Mr. Khojasteh and his exhibits will be adopted and sponsored by Ms. Martin), and Jim Mesite, Jr. (Panel-Direct)	FPUC	17, 28-29, 32-61, 66-67, 72-73, 76-80, 82-85, 88-103, 105-110, 113-120, 133-136
Robert Camfield and *Doreen Cox (Panel-Direct)	FPUC	28, 62-65, 67-69, 71-75, 119-120, 127, 132
P. Mark Cutshaw and Don Myers (Panel-Direct)	FPUC	14-28, 30-31, 33-34, 37, 47, 54, 59, 70-71, 74-75, 76, 81, 86-87, 92, 94, 96, 101-102, 104, 111-112, 120, 121-131

Witness	Proffered By	Issues #
Hugh Larkin, Jr.	OPC	21, 25-26, 28, 36-38, 43, 46-61, 63, 69-71, 74-76, 79, 81-84, 89-93, 95, 97, 100-111, 113, 116-120 Working Capital, Other Operating Revenues, Operating and Maintenance Expense, Storm Hardening Expenses, Taxes
Dr. J. Randall Woolridge	OPC	62-65, 69 Cost of Capital, Capital Costs in Today's Markets, Comparison Group Selection, Capital Structure Ratios and Debt Cost Rates, Cost of Common Equity Capital, Critique of FPU's Rate of Return Testimony
Patricia W. Merchant	OPC	16-20, 22-24, 27-28, 33-35, 38, 42-45, 61, 77-78, 80, 85-86, 88, 98-99, 112-113 Capital Additions for Storm, Hardening Plan, Other Plant Adjustments, Accumulated Depreciation, Construction Work in Progress, Salaries/Payroll Operations, New Positions Operations, Storm Handling Contracts, New Positions Customer Relations, Corporate Accounting & Information Technology, Expenses for Executive Salaries and Salary Survey Adjustments
*Kirk Smith	ATT	1 - 13
*Sandra A. Khazraee	Embarq	1 - 13
*Kathy L. Welch – Direct and Supplemental Direct	Staff	Audit Report

Witness	Proffered By	Issues #
Rebuttal		
Mehrdad Khojasteh (the Direct and Rebuttal Testimony of Mr. Khojasteh and his exhibits will be adopted and sponsored by Ms. Martin.)	FPUC	Revenue Requirements
Cheryl Martin – Rebuttal and Supplemental Rebuttal	FPUC	Audit Findings, Storm Hardening, Compliance Accountant, Executive Salaries, Salary Survey, Unamortized Rate Case Expense, Rate Case Expense, and O & M 2007
Jim Mesite - Rebuttal and Supplemental Rebuttal	FPUC	Rate Base, Working Capital, Plant, and Balance Sheet
Robert J. Camfield	FPUC	Cost of Capital
Doreen Cox*	FPUC	Cost of Equity
P. Mark Cutshaw - Rebuttal and Supplemental Rebuttal	FPUC	Special Deposits, Temporary Services, Storm Reserve, Advertising, Economic Development, and Rental Expense

VII. BASIC POSITIONS

FPUC: Despite ongoing efforts to control expenses and enhance revenues, FPUC has continued to experience declining rates of return since its last base rate proceeding. The decision to seek additional revenues was not an easy decision to make but was one that was required for FPUC to be able to continue to provide reasonable, sufficient, adequate and efficient service to its customers and to maintain the financial integrity of the Company which makes the provision of quality service at reasonable rates possible.

Since the conclusion of the last proceeding, the Company has continued to experience increases associated with insurance, pensions, regulatory compliance, plant and material costs and other costs. The Company projects a need to increase the storm reserve to mitigate the impact of future storm damages, and it is also experiencing continuing increases with uncollectibles. Included in the request are salary adjustments intended to bring or keep Company compensation in line with similar industries. If the Company is unable to attract and maintain a skilled, capable work force the customers will experience a reduction in the overall quality of service. In a similar area, the Company has identified additional positions and training arrangements which will enhance efficiencies in the workforce and in services provided.

The Company has also included projected expenses associated with implementation of storm hardening plans and initiatives directed by the Commission. Although the Company has agreed to implement the initiatives, the additional construction, maintenance and documentation requirements are beyond the scope of what the Company has incurred in the past and requires additional revenues to support these efforts. These efforts are intended to increase overall system reliability and the ability of the system to withstand any future storm.

Using 2008 as the projected test year the Company has determined a need for a permanent increase of $5,249,895 in order to have an opportunity to earn a fair rate of return and provide sufficient service to customers.

Testimony and information which has been provided in this case demonstrates the basis for the increases and the appropriateness of the projections used. The request presented by FPUC provides the Company with the ability to provide sufficiently adequate and efficient service and an opportunity to earn a fair rate of return.

OPC: FPUC has overstated its need for a base rate increase by at least $3.3 million dollars. While FPU claims that it requires $5.2 million increase in rates to earn a fair rate of return and cover expenses, close scrutiny of FPUC's MFRs shows that only approximately $1.9 million is needed for FPUC to earn a fair rate of return on rate base, cover storm hardening, and to meet operation and maintenance expenses.

FPUC's requested return on equity of 11.5% is extremely inflated and unsupported by current market conditions. Under today's market conditions a 9.15% return on equity is reasonable and supported for this size and type of company. Utilizing the 9.15% ROE, the reasonable and supported overall fair rate of return is 7.09%.

In addition to the cost of capital, numerous adjustments to the Company's request for increases for storm hardening, projected test year rate base and operating expense are warranted. FPUC has taken the kitchen sink approach where it asks for recovery for items that it has not even implemented. Moreover, FPUC has significantly overstated certain amounts which if left uncorrected would result in customers paying rates in excess of rates that would be reasonable and necessary to provide safe and reliable service. FPUC has also failed to provide documentation sufficient to support the amounts of its requests or the need for the requested items, or both.

Due to these failings and other problems explained under the various issues, Citizens has identified numerous adjustments to FPUC's proposed test year. For storm hardening, Citizens have at least nine adjustments to FPUC's proposed requests. Citizens also have identified 18 adjustments to FPUC's proposed test year rate base. For net operating expenses, Citizens have no less than 21 adjustments to FPUC's requested test year expenses and two adjustments to FPUC's proposed tax treatment. Overall Citizens have identified at least 50 adjustments which are necessary and which reduces FPUC's proposed rate increase.

One of the most egregious examples which require adjustment is FPUC's creative approach to cost recovery for its 69kv wood pole replacement program. FPUC has proposed an atypical recovery methodology to allow it to pre-collect through amortization expense $352,600 annually for the wood pole replacement. Normally, plant costs are recovered through base rates once the company has expended the money and plant is placed in service for the uses ratepayers. FPUC proposed methodology would allow it to collect the money to replace nine poles a year irrespective of whether the company ultimately replaces only one or nine poles in a year. If the nine poles are not replaced each year, the Commission could be stopped by the prohibition against retroactive ratemaking from returning the monies not used for pole replacement to customers without a specific refund provision. Any refund provision would place the Commission in the position of micromanaging the Company for the next twenty years to ensure the moneys are spent on pole replacement. At most, FPUC's proposed amortization methodology would result in extreme intergenerational inequities requiring current ratepayers to fund in advance the nine poles requested to be replaced each year over the next twenty years. Each new concrete pole has an expected life of forty years and would normally be recovered over this same period by the next generation of ratepayers. Given these inherent problems with FPUC's proposed methodology, FPUC has offered no reason why it should be allowed to deviate from the normal plant recovery methodology.

Based on the adjustments to rate base, cost of capital, and operation and maintenance expense discussed below an overall reduction to FPUC's request of $3.3 million is warranted. Citizen's adjustments are discussed in detail below.

ATT: As a result of cooperative, good faith negotiations, AT&T Florida, FPUC, Embarq Florida, Inc., and Florida Cable Telecommunications Association have reached an agreement wherein these parties have committed that they will support the jointly developed terms and conditions contained in the Process to Engage Third-Party Attachers, a copy of which is attached to Kirk Smith's Direct

Testimony as Exhibit KS-1. OPC has indicated that it has no objection to the stipulation.

In addition, based on AT&T Florida's review of the project details that FPUC has included in its Storm Hardening Plan filed with the Commission on July 3, 2007 (the "Plan"), and with the agreement between the above-referenced parties to support the Process to Engage Third-Party Attachers, AT&T Florida has no objections to FPUC's Plan at this time. AT&T Florida has filed testimony to explain the Process to Engage Third-Party Attachers and its value. AT&T Florida respectfully requests that the Commission approve the Process to Engage Third-Party Attachers in its Order in this docket.

Embarq: Embarq supports the stipulation of the Process to Engage Third-Party Attachers, which was filed jointly by the parties on January 29, 2008. Based on the information provided to Embarq by FPUC to date, and subject to the approval and implementation of the Process to Engage Third-Party Attachers, Embarq has no objection to FPUC's Plan as it is currently filed and as it is understood to affect Embarq.

Embarq intervened in this proceeding to address the issues relating to FPUC's Storm Hardening Plan and, therefore, takes no position at this time on Issues 14-144, relating to FPUC's request for a rate increase.

FCTA: Based upon FCTA's review of the project details that FPUC has included in its Storm Hardening Plan ("Plan") filed with the Commission on July 3, 2007 and based upon the Proposed Stipulation: Process to Engage Third Parties entered into and filed by the parties in the above referenced proceeding on January 29, 2008 and the Stipulation and Agreement entered into by the Company and FCTA and filed in the referenced docket on January 31, 2008 (jointly referred to herein as "Stipulations"), FCTA has no objections to FPUC's Plan at this time. With the exception of issues stipulated by the parties, FCTA's positions are preliminary and based on materials filed by the parties and on discovery. Neither the Plan nor the rate case should undermine these Stipulations or the federal pole attachment rate setting process. FCTA's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein if it appears from the evidence that Stipulations or federal pole attachment rate setting process will be undermined. Thus, FCTA reserves the right to modify its positions on specific issues should it find it necessary to do so in order to protect its members' rights under current pole attachment agreements and federal law.

STAFF: Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VIII. ISSUES AND POSITIONS

STORM HARDENING AND RULE 25-6.0342, F.A.C.

Note: Stipulated issues marked with an asterisk (*) indicate that OPC, FCTA, AT&T and Embarq have taken no position on the issue. Stipulated issues marked with two asterisks (**) indicate that OPC joins in the stipulation on the issue, while FCTA, AT&T and Embarq have taken no position.

STIPULATED*

ISSUE 1: Does the Company's Plan address the extent to which, at a minimum, the Plan complies with the National Electric Safety Code (ANSI C-2) [NESC] that is applicable pursuant to subsection 25-6.0345, F.A.C.? [Rule 25-6.0342(3)(a)]

POSITION: Yes, the plan complies with NESC requirements, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and 10 point initiatives issues.

STIPULATED*

ISSUE 2: Does the Company's Plan address the extent to which the extreme wind loading standards specified by Figure 250-2(d) of the 2007 edition of the NESC are adopted for new distribution facility construction? [Rule 25-6.0342(3)(b)l]

POSITION: Yes, the plan complies with NESC requirements, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and 10 point initiatives issues. (Cutshaw, Myers)

STIPULATED*

ISSUE 3: Does the Company's Plan address the extent to which the extreme wind loading standards specified by Figure 250-2(d) of the 2007 edition of the NESC are adopted for major planned work on the distribution system, including expansion, rebuild, or relocation of existing facilities, assigned on or after the effective date of this rule distribution facility construction? [Rule 25-6.0342(3)(b)2]

POSITION: Yes, the plan addresses extreme wind loading standards, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and 10 point initiatives issues. (Cutshaw, Myers)

STIPULATED*

ISSUE 4: Does the Company's Plan reasonably address the extent to which the extreme wind loading standards specified by Figure 250-2(d) of the 2007 edition of the NESC are adopted for distribution facilities serving critical infrastructure facilities and along major thoroughfares taking into account political and geographical boundaries and other applicable operational considerations? [Rule 256.0342(3)(b)3]

POSITION: Yes, the plan includes projects for upgrading distribution facilities to critical infrastructure and major thoroughfares, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and 10 point initiatives issues.

STIPULATED*
ISSUE 5: Does the Company's Plan address the extent to which its distribution facilities are designed to mitigate damage to underground and supporting overhead transmission and distribution facilities due to flooding and storm surges? [Rule 25-6.0342(3)(c)]

POSITION: Yes, the plan addresses mitigation of damage to underground and supporting overhead facilities due to flooding and storm surge, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and 10 point initiatives issues. (Cutshaw, Myers)

STIPULATED*
ISSUE 6: Does the Company's Plan address the extent to which the placement of new and replacement distribution facilities facilitate safe and efficient access for installation and maintenance pursuant to Rule 25- 6.0341, F.A.C? [Rule 25-6.0342(3)(d)]

POSITION: Yes, the plan addresses the placement or replacement of distribution facilities, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and 10 point initiatives issues. (Cutshaw, Myers)

STIPULATED*
ISSUE 7: Does the Company's Plan provide a detailed description of its deployment strategy including a description of the facilities affected; including technical design specifications, construction standards, and construction methodologies employed? [Rule 25-6.0342(4)(a)]

POSITION: Yes, the plan addresses the deployment strategy, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and 10 point initiatives issues and subject to the approval and implementation of the Process to Engage Third Party Attachers. There are some additional more detailed design specifications, construction standards and construction methodologies that will be completed when the approval of Dockets are completed. These will be shared with third party attachers in accordance with the Process to Engage Third Party Attachers.

STIPULATED*

ISSUE 8: Does the Company's Plan provide a detailed description of the communities and areas within the utility's service area where the electric infrastructure improvements, including facilities identified by the utility as critical infrastructure and along major thoroughfares pursuant to subparagraph (3)(b)3. are to be made? [Rule 25-6.0342(4)(b)]

POSITION: Yes, the plan addresses the areas affected by infrastructure improvements, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and 10 point initiatives issues and subject to the approval and implementation of the Process to Engage Third Party Attachers.

STIPULATED*

ISSUE 9: Does the Company's Plan provide a detailed description of the extent to which the electric infrastructure improvements involve joint use facilities on which third-party attachments exist? [Rule 25-6.0342(4)(c)]

POSITION: Yes, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and 10 point initiatives issues and subject to the approval and implementation of the Process to Engage Third Party Attachers. Additional details have been provided to third parties that were not included in the filed Storm Hardening Plan. (Cutshaw, Myers)

ISSUE 10: Does the Company's Plan provide a reasonable estimate of the costs and benefits to the utility of making the electric infrastructure improvements, including the effect on reducing storm restoration costs and customer outages? [Rule 25-6.0342(4)(d)]

FPUC: Yes, the reasonable estimate of cost has been provided in the Storm Hardening Plan, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and 10 point initiatives issues. Estimates of the benefits have not been provided and will be dependent upon final approval and plan implementation. (Cutshaw, Myers)

OPC: No. FPUC's Storm Hardening Plan has not complied with the cost benefit requirement of Order No. PSC-06-0781-PAA as set forth in OPC's positions on costs for storm hardening and 10 point initiatives.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Yes, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and 10 point initiatives issues.

ISSUE 11: Does the Company's Plan provide an estimate of the costs and benefits, obtained pursuant to subsection (6) below, to third-party attachers affected by the electric infrastructure improvements, including the effect on reducing storm restoration costs and customer outages realized by the third-party attachers? [Rule 25-6.0342(4)(e)]

FPUC: No information has been obtained from third party attachers. (Cutshaw, Myers)

OPC: The plan should be subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and 10 point initiatives issues. See Issue 19

ATT: No position.

Embarq: Based on the information provided to Embarq by FPUC to date, and subject to the approval and implementation of the Process to Engage Third-Party Attachers, Embarq has no objection to FPUC's Plan as it is currently filed and as it is understood to affect Embarq.

FCTA: No position.

STAFF: Staff has no position at this time.

STIPULATED*
ISSUE 12: Does the Company's Plan include written Attachment Standards and Procedures addressing safety, reliability, pole loading capacity, and engineering standards and procedures for attachments by others to the utility's electric transmission and distribution poles that meet or exceed the edition of the National Electrical Safety Code (ANSI C-2) that is applicable pursuant to Rule 25-6.034, F.A.C.? [Rule 25-6.0342(5)]

POSITION: FPUC agrees, and hereby clarifies its position that FPUC is not seeking the approval of the Florida Public Service Commission of its attachment standards and procedures for third party attachments beyond a finding that FPUC has attachment standards and procedures for third party attachment that meet or exceed the NESC. (Cutshaw, Myers)

ISSUE 13: Based on the resolution of the preceding issues, should the Commission find that the Company's Plan meets the desired objectives of enhancing reliability and reducing restoration costs and outage times in a prudent, practical, and cost-effective manner to the affected parties? [Rule 25-6.0342(1) and (2)]

FPUC: Yes, the plan should be approved pending agreed upon changes and the impact of stipulation agreements with third party attachers. (Cutshaw, Myers)

OPC: No. FPUC's Storm Hardening Plan has not complied with the cost benefit requirement of Order No. PSC-06-0781-PAA as set forth in OPC's positions on costs for storm hardening and 10 point initiatives.

ATT: No position..

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

10 POINT STORM PREPAREDNESS INITIATIVES

Note: Stipulated issues marked with an asterisk (*) indicate that OPC, FCTA, AT&T and Embarq have taken no position on the issue. Stipulated issues marked with two asterisks (**) indicate that OPC joins in the stipulation on the issue, while FCTA, AT&T and Embarq have taken no position.

STIPULATED**
ISSUE 14: Should the Commission approve FPUC's request to implement a 3/6 tree trimming cycle instead of a 3/3 cycle?

POSITION: Yes, the Commission should approve FPUC's request to implement a 3/6 tree trimming cycle as the most appropriate and cost-effective storm preparedness vegetation management plan for FPUC's system and approve that modification to FPUC's compliance plan.

ISSUE 15: Has FPUC complied with the Commission's 10 point initiatives?

FPUC: Yes, the Company filed a Storm Hardening Plan in Docket No. 060198-EI which complies with the Commission's 10 point initiatives. This plan was approved by the Commission by Order No 06-0781. These initiatives are part of the plan filed July 3, 2007, pursuant to Rule 25-6-0342. The company requested recovery of incremental costs associated with the storm hardening mandates in a separate petition and in this docket and recovery of these costs will be addressed within this proceeding. Pending cost recovery, the implementation of some of the plans has not yet begun; but, they will be initiated after final approval in this proceeding as well as the Storm Hardening Plan. (Cutshaw, Myers)

OPC: No. FPUC's Storm Hardening Plan has not complied with the cost benefit requirement of Order No. PSC-06-0781-PAA as set forth in OPC's positions on costs for storm hardening and 10 point initiatives..

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Yes. FPUC's compliance plan and proposed modifications to the plan comply with the Commission's 10 point initiatives.

COSTS FOR STORM HARDENING AND 10 POINT INITIATIVES

Note: Stipulated issues marked with an asterisk (*) indicate that OPC, FCTA, AT&T and Embarq have taken no position on the issue. Stipulated issues marked with two asterisks (**) indicate that OPC joins in the stipulation on the issue, while FCTA, AT&T and Embarq have taken no position.

STIPULATED**

ISSUE 16: Should the company's projected plan to accelerate the replacement of the existing wood 69 kv transmission system with concrete poles be approved?

POSITION: Yes, with the exception of any agreed upon changes to the plan or changes to our storm hardening plan, the replacement of wood poles with concrete poles will continue based on current practice with an average of one pole per year being replaced. The Company has recently provided actual cost estimates based on bids received for the purchase and installation of concrete poles along with actual cost associated with previous jobs. This information verifies the accuracy of the projected cost for pole replacement within the proposal. This revised proposal and the associated modification of the Storm Plan will comply with the storm hardening initiative to address transmission structures.

STIPULATED**

ISSUE 17: Should amortization expense be increased by $354,600 annually to collect the projected $7,092,000 total plant cost of FPUC's proposed 20 year storm hardening project to replace its wood transmission poles with concrete poles?

POSITION: No, since an average of one transmission pole will be replaced each year, only the rate base should be increased for the amount of the transmission pole. Based upon recent cost information provided in rebuttal testimony, the increase should be in the amount of $20,000 with corresponding increases to accumulated depreciation and depreciation expense and a full 13 month average for the test year should be allowed for recovery. The amortization of $354,600.00 should be removed from test year expenses.

STIPULATED**

ISSUE 18: Should FPUC's request to increase Account 593, Maintenance of Overhead Lines, by $352,260 for three additional tree trimming crews be approved?

POSITION: No, the Company will be able to comply with a 3/6 trim cycle with existing crews and no increase is required, and requests a modification to the Vegetation Management section of the Storm Plan. This includes the modification of items in the Vegetation Management Plan that address "Annual inspection of main feeders to critical infrastructure prior to the storm season to identify and perform the necessary trimming," and "actively address danger trees located outside the normal trim zone and located near main feeders." The modification is based upon using the current tree trimming crew level and that the Company will make reasonable efforts if and when tree trimming crews become available to address annual inspection of main feeders and address danger trees.

ISSUE 19: Should FPUC's request to increase Account 593, Maintenance of Overhead Lines, by $141,367 per year for distribution of pole inspections from an outside contractor be approved?

FPUC: Yes, with the exception of any agreed upon adjustments or changes to our storm hardening plan, the maintenance of overhead lines should be increased by $141,367 for increased pole inspections to allow for full annual recovery of the requirements of our storm hardening plan. The Company provided cost estimates from May 2007 that indicated a total inspection cost of $44.89 per pole. The cost was increased at 3.5% for 2008 which totaled $46.46 per pole to perform the inspection of 3,050 wood distribution poles. In the original MFR's the company included $46.35 per pole which totaled $141,367 for the inspection. Bids were solicited from two other nationally recognized vendors that did not provide bids based on their inability to perform the excavation inspection around the pole. (Cutshaw)

OPC: No. The requested distribution inspection cost includes $8.46 per pole directly related to joint use pole attachments and it is unreasonable to charge the ratepayers 100% for this expense since it benefits other users and these costs do not relate to the cost of providing electric service to electric customers. Deducting this cost reflects a rounded cost per pole inspection of $38, or a reduction of $25,467. In addition, the Company has not decided what inspection parameters that it wants to pursue. It submitted only one rough estimate of what the cost might be and has not initiated the competitive bid process. FPUC stated that there are contractors, other than the one it received an estimate from, that the Company could contract with for inspections. Because this is an item that the Commission has required as part of the storm initiative, it is important for the Company to comply with the Commission's directives. However, the Company has not fully supported its requested expense. On a conservative basis, the Commission should disallow 25% of the Company's projected expense resulting in an additional reduction of $28,975. This results in a per-pole inspection cost of $28.50, with an incremental distribution pole expense of $86,925, ($141,367 less $25,467 less $28,975) allocated 100% to electric operations.

ATT: Nothing determined in the rate case should be deemed to supersede or conflict with AT&T Florida's rights obtained through contract or stipulation, or under Federal law.

Embarq: No position.

FCTA: Nothing determined in the rate case should be deemed to supersede or conflict with cable operators rights obtained through contract or stipulation, or under Federal law.

STAFF: Staff has no position at this time.

ISSUE 20: Should FPUC's request to increase Account 593, Maintenance of Overhead Lines, and Account 588, Distribution Maps, by a combined total of $99,375 for an additional employee and related travel expenses to handle joint use audits and pole inspections be approved?

FPUC: Yes, with the exception of any agreed upon adjustments or changes to our storm hardening plan, Account 593 should increased by $78,466 and Account 588 should be increased by $20,909 for an additional employee to handle pole inspections and joint use audits. The Company included an additional position whose primary responsibilities will be to coordinate the pole inspection and joint use audit requirements. This position will also be used to coordinate the other storm hardening initiatives in order to ensure documentation and reporting is completed and submitted accurately. (Cutshaw)

OPC: No. The additional position should be approved with a salary of $58,930, with benefits of $15,321 (overhead rate of 26%, not 38%) for a combined annual expense of $74,251. This results in a decrease of $2,358 to the requested amount, which is 100% allocated to electric. This position should also be considered a Northwest division position responsible for joint use audits, administering the pole inspection program and the safety coordinator. Because the position will be located in the Northwest division no incremental travel expense is necessary. The Company's requested expense increase of $22,838 for travel should also be removed.

ATT: Nothing determined in the rate case should be deemed to supersede or conflict with AT&T Florida's rights obtained through contract or stipulation, or under Federal law.

Embarq: No position.

FCTA: Nothing determined in the rate case should be deemed to supersede or conflict with cable operators rights obtained through contract or stipulation, or under Federal law.

STAFF: Staff has no position at this time.

ISSUE 21: Should FPUC's request to increase Account 593, Maintenance of Overhead Lines, by $27,000 for the development and implementation for Post Storm Data Collection and Forensic Review be approved?

FPUC: Yes, with the exception of any agreed upon adjustments or changes to our storm hardening plan, the maintenance of overhead lines should be increased by $27,000 to allow for the Post Storm Data Collection and Forensics review which will allow for full annual recovery of the requirements of our storm hardening plan. Should approval be granted for this to be included in the storm reserve or amortized over a period of time, the adjustments can be made accordingly. (Cutshaw)

OPC: No. The Company's request includes $17,000 for development of the overall program methodology and $10,000 for post storm data collection. From the Company's explanation, it appears that this work will only take place after a hurricane and the development of the overall program methodology is a one-time cost, directly related to storm costs. Such costs should be charged to the storm reserve when and if such costs are incurred. Because these costs are non-recurring, they are not appropriate for inclusion in annual test year expenses. Thus, the entire $27,000 should be removed from the 2008 test year expenses.

ATT: Nothing determined in the rate case should be deemed to supersede or conflict with AT&T Florida's rights obtained through contract or stipulation, or under Federal law.

Embarq: No position.

FCTA: Nothing determined in the rate case should be deemed to supersede or conflict with cable operators rights obtained through contract or stipulation, or under Federal law.

STAFF: Staff has no position at this time.

ISSUE 22: Should FPUC's request for contractor expense of $18,540 in Account 566, for an additional expense for transmission inspections, be approved?

FPUC: Yes, the Company has properly supported the additional expense for transmission inspections and these are appropriate for recovery. The storm initiatives require the inspection of the transmission system on a six year basis. This work is in addition to work performed by the company and a contractor will be utilized to perform the inspections. This amount included is $18,450 per year which represents one sixth of the total inspection cost. In order to get a reasonable bid, the Company requested a bid from a contractor who was working for the company and had a good understanding of the facilities to be inspected. Based on their knowledge of the system the contractor provided the estimate included in the proposal. Due to the inaccessibility of certain areas of the transmission system to be inspected, bids from other contractors lacking knowledge of the system would have been excessively high or unreliable. This cost should be approved for recovery in this rate proceeding. (Cutshaw)

OPC: No, the Company has not adequately justified the level of the annual expense it would incur for the contractor expenses. The Company only went to one vendor and submitted a very rough estimate of what the inspection costs would be over the next five years. Because FPUC only submitted one rough non-binding, estimate, the Commission should disallow 25% of the requested cost for lack of support. An expense level of $4,635 should be disallowed and the allowed test year expense should be $13,905.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 23: Should the expense for an additional employee to handle joint-use audits be approved?

FPUC: Yes, the additional employee to handle joint-use audits should be approved as projected in the Company's rate proceeding. The Company included an additional position whose primary responsibilities will be to coordinate the pole inspection and joint use audit requirements. This position will also be used to coordinate the other storm hardening initiatives in order to ensure documentation and reporting is completed and submitted accurately. (Cutshaw)

OPC: See OPC's position on Issue 20.

ATT: Nothing determined in the rate case should be deemed to supersede or conflict with AT&T Florida's rights obtained through contract or stipulation, or under Federal law.

Embarq: No position.

FCTA: Nothing determined in the rate case should be deemed to supersede or conflict with cable operators rights obtained through contract or stipulation, or under Federal law.

STAFF: Staff has no position at this time.

DROPPED
ISSUE 24: Should additional contractor expense to handle joint pole inspections be approved?

STIPULATED**
ISSUE 25: Should FPUC's request for recovery of an additional expense to provide personnel for county emergency operating centers be approved?

POSITION: No, the additional expense associated with providing Company employees for county emergency operating centers should removed. The amount of 19,991 should be reduced from the Company's rate proceeding MFRs for the 2008 projected test year. Any incremental storm-related expense incurred to provide personnel for county emergency operating centers prior to or during a storm should be accounted for in compliance with Rule 25-6.0143(1), Florida Administrative Code.

ISSUE 26: Should FPUC's request to recover increased travel and PURC costs be approved?

FPUC: Yes, the Company's increased travel and PURC costs should be approved. Although the amount projected in the Company's rate proceeding MFRs for the 2008 projected test year was overestimated, the amount of $2,870 should be included based on information provided. These costs are necessary to comply with the storm hardening initiatives. (Cutshaw)

OPC: In its filing, FPUC requested $25,750 for travel and PURC costs in the utility collaborative research projects. In a data response the Company initially revised the cost down to, $5,170 and at deposition, further reduced it to $832. Test year expenses should be reduced by $24,918 to reflect the actual amount that will be incurred by the Company.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 27: What adjustments, if any, should be made to rate base associated with the storm hardening Rule 25-6.0342 and 10 point initiatives requirements?

FPUC: Unless the Commission determines that the Company's storm initiatives should change based on other information, or if there are any other agreed upon adjustments relating to rate base, no adjustments should be made. (Cutshaw)

OPC: See OPC's position on Issue 16.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 28: What adjustments, if any, should be made to operating expenses associated with the storm hardening Rule 25-6.0342 and 10 point initiatives requirements?

FPUC: Unless the Commission determines that the Company's storm initiatives should change based on other information, or if there are any other agreed upon adjustments relating to operating expenses, no adjustments should be made. (Cox, Martin, Cutshaw)

OPC: See OPC's positions on Issues 17-26.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

TEST PERIOD

Note: Stipulated issues marked with an asterisk (*) indicate that OPC, FCTA, AT&T and Embarq have taken no position on the issue. Stipulated issues marked with two asterisks (**)

indicate that OPC joins in the stipulation on the issue, while FCTA, AT&T and Embarq have taken no position.

STIPULATED**

ISSUE 29: Are the historical test year ended December 31, 2006, and the projected test year ending December 31, 2008, the appropriate test years to be utilized in this docket?

POSITION: Yes, with appropriate adjustments.

STIPULATED**

ISSUE 30: Are FPUC's forecasts of Customers, KWH and KW by Rate Class for the projected 2008 test year appropriate?

POSITION: Yes, FPUC's forecasts for the projected test year are appropriate.

QUALITY OF SERVICE

Note: Stipulated issues marked with an asterisk (*) indicate that OPC, FCTA, AT&T and Embarq have taken no position on the issue. Stipulated issues marked with two asterisks (**) indicate that OPC joins in the stipulation on the issue, while FCTA, AT&T and Embarq have taken no position.

STIPULATED*

ISSUE 31: Is the quality of electric service provided by FPUC adequate?

POSITION: Yes. Expert and customer testimony, as well as FPUC's annual distribution report and the Commission's service reliability review show that the quality of electric service provided by FPUC is adequate.

RATE BASE

Note: Stipulated issues marked with an asterisk (*) indicate that OPC, FCTA, AT&T and Embarq have taken no position on the issue. Stipulated issues marked with two asterisks (**) indicate that OPC joins in the stipulation on the issue, while FCTA, AT&T and Embarq have taken no position.

DROPPED

ISSUE 32: Has the Company removed all non-utility activities from rate base?

ISSUE 33: Should the company's request to receive a full 13-month average recovery for a transformer that is not projected to be placed in service until the 2008 test year be approved?

FPUC: Yes, FPUC has demonstrated that this replacement transformer has been delayed beyond our control, but is expected to be in full service by the spring of 2008. To order and receive a new transformer with a significantly shorter lead-time would have cost in excess of an additional $100,000 to $200,000. FPUC solicited and received several bids for the new transformer. Of the five vendors able to supply the specified transformer, FPUC management determined that Siemens Power provided the best combination of cost and reliability.

Since the period of time this transformer will be placed in service will match the period of time of the final rates, and it is a necessary, long-lived, and materially large capital expenditure, it is appropriate to include the full 13 month average amount of this transformer in the test year for rate making purposes. (Cutshaw, Mesite)

OPC: No. The Company has not justified why this one particular item should be given a full year of recovery when it is projected to be placed in service in Spring 2008. The Company has ample opportunity to recover all items that it projects will be in service for the test year and has not justified why such an exception should be made for this one item. The statement that a future rate case might be necessitated if full recovery is not allowed is a hollow threat. The problem is that allowing this one item to be brought into rate base violates the test year matching concept. Plant and accumulated depreciation should be decreased by $121,538 and $3,494, respectively, with a corresponding decrease to depreciation expense of $3,950. Further, 2008 test year expenses should be reduced by $28,582 to remove the cost of a temporary rental of a transformer that will no longer be incurred as a result of this plant replacement.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Yes. FPUC should be allowed to include the full 13 month average amount of this transformer and associated accumulated depreciation and depreciation expense in the test year for rate making purposes, subject to any adjustments necessary to reflect the Commission's decision in Docket No. 070382-EI. Test year expenses for 2008 should be reduced by $25,680 plus any projected escalation to remove the cost of a temporary rental of a transformer that will no longer be incurred as a result of this plant replacement.

DROPPED
ISSUE 34: Has the company provided sufficient evidence to support its projected plant additions for the 2008 test year?

STIPULATED**

ISSUE 35: Should Plant in Service, Accumulated Depreciation and Depreciation Expense be reduced to reflect missing invoices?

POSITION: Supporting documentation was provided by FPUC subsequent to the audit. No adjustments are necessary.

STIPULATED**

ISSUE 36: Should Plant in Service, Accumulated Depreciation, Depreciation Expense and Operation and Maintenance Expense be adjusted to capitalize construction of an office wall?

POSITION: Yes. Plant in Service should be increased by $1,707 for 2006 and by $2,219 for 2008. Depreciation expense should be increased by $36 for 2006 and by $44 for 2008. The 13-month average accumulated depreciation should be increased by $15 for 2006 and by $102 for 2008. Maintenance expense should be reduced by $2,219 for 2006 and by $2,375 for 2008, as reflected in issue 79.

STIPULATED**

ISSUE 37: Should Plant in Service, Accumulated Depreciation, Depreciation Expense and Operation and Maintenance Expense be adjusted to capitalize construction of a transformer pad?

POSITION: A transformer pad is not a retirement unit. The company properly accounted for the change-out as an expense. No adjustment is necessary.

ISSUE 38: Is FPUC's requested level of Plant in Service in the amount of $79,641,581 for the December 2008 projected test year appropriate?

FPUC: Yes, the requested level of projected test year 2008 Plant in service balances are appropriate with the exception of the effects of agreed upon adjustments contained within the FPSC audit findings, and other issues which are still under consideration. The effect of these adjustments has not been calculated. (Mesite)

OPC: No. Adjusted Plant in Service should be reduced by $1,010,809, to reflect a 13-month average balance of $78,630,772. Since this is a fall-out issue, it is subject to further revision based on the resolution of other issues.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

DROPPED
ISSUE 39: Is the FPUC's requested level of Common Plant Allocated in the amount of $1,853,396 for the December 2008 projected test year appropriate?

STIPULATED*
ISSUE 40: Should an adjustment be made for Plant Retirements for the projected test year?

POSITION: No adjustment for 2008 retirements is needed.

STIPULATED*
ISSUE 41: Should Accumulated Depreciation and Depreciation Expense be adjusted for trucks transferred from FPUC's Water Division?

POSITION: Yes. The Plant in Service 13-month average balance for both 2006 and 2008 should be increased by $22, due to booking of transferred vehicles at incorrect amounts. Accumulated Depreciation should be decreased by $14,531 for 2006 and increased by $1,373 for 2008. Depreciation expense should be increased by $4,465 for 2006. Using the rates set in Docket No. 070382-EI, depreciation expense for 2008 should be increased by $1,936.

ISSUE 42: What adjustments, if any, should be made to accumulated depreciation to reflect the Commission's decision in Docket No. 070382-EI?

FPUC: The 13-month average 2008 accumulated depreciation reserve should be increased by $60,111 for the results of the FPUC 2007 depreciation study under Docket No. 070382-EI. (Mesite)

OPC: The adjustments that are approved in the Company's current depreciation study in Docket No. 070382-EI should be made to the rate case.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 43: Is FPUC's requested level of accumulated depreciation for Plant in Service in the amount of $35,667,257 for the December 2008 projected test year appropriate?

FPUC: No. Subject to the effects of any agreed upon adjustments contained within the FPSC audit findings and other issues which are still under consideration, utility accumulated depreciation for utility plant in service should be $35,564,735. This represents a net reduction of $102,522, that reflects an increase of $60,111 for the effects of the FPUC 2007 depreciation study under Docket No. 070382-EI; and a decrease of $162,633 as detailed in FPUC's response to Staff's Fifth Set of Interrogatories, Item 26, correcting the 2008 beginning balances being brought forward from 2007 on Schedule B-9 (2008). (Mesite)

OPC: No. Accumulated depreciation should be reduced by $128,791 to reflect a 13-month average balance of $35,538,466. Since this is a fall-out issue, it is subject to further revision based on the resolution of other issues.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

STIPULATED**
ISSUE 44: Is FPUC's requested level of accumulated depreciation for Common Plant Allocated in the amount of $660,224 for the December 2008 projected test year appropriate?

POSITION: Yes, subject to any adjustments necessary to reflect the Commission's decision in Docket No. 070382-EI.

DROPPED
ISSUE 45: Is FPUC's requested level of Construction Work in Progress in the amount of $75,000 for December 2008 projected test year appropriate?

ISSUE 46: What is the appropriate projection methodology and balance of cash to be included in the 2008 working capital requirement?

FPUC: The appropriate Cash to be included in working capital is $70,678. The treatment of cash should be the same as other typical balance sheet accounts when computing Working Capital: 13-month average. FPUC has continually demonstrated responsible cash management practices and maintains adequate and necessary balances.

If this 13 month average is not applied consistently to all working capital components, the balance sheet would not balance. Adhering to double entry accounting and a proper balance sheet, if an adjustment is made to reduce (credit) one account, it is necessary and proper accounting treatment to increase (debit) another account.

To use a reduced level of cash as the normal balance, would require an offsetting adjustment for the same amount to an account such as accounts payable; thus negating any effect to working capital. (Mesite, Bachman, Martin)

OPC: Since FPUC has not shown that the substantial balances it is requesting are necessary for the day-to-day operations of its electric divisions, the amount of cash included in the working capital requirement should be $10,000. This reduces working capital by $60,678.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

STIPULATED**

ISSUE 47: What is the appropriate balance of special deposits to be included in the 2008 working capital requirement?

POSITION: For Account 1340 Special Deposits-Electric, the appropriate balance is zero. These deposits totaling $317,836, and the associated interest, should be removed from working capital. The Company earns interest on the deposits; therefore it is not appropriate to include them in working capital.

ISSUE 48: What is the appropriate balance of accounts receivable to be included in working capital?

FPUC: Accounts receivable of $5,015,473 is the appropriate balance. The Company has properly escalated this balance to reflect the impact of the recent significant fuel rate increases. The Accounts Receivable presented in the MFR, contains accounts for Customer Accounts Receivable-Electric, Employee Accounts Receivable, and Account Receivable-Other. In response to issues raised by the Office of Public Counsel, an extensive analysis and projection of Customer Accounts Receivable-Electric was conducted based on actual base and fuel cost rate increases for 2007 and projected base rate and fuel cost increases for 2008. The analysis resulted in a projected 2008 13-month average for Customer Accounts Receivable-Electric in the amount of $4,906,472. This balance reflects the impact of actual and projected significant fuel rate base increases, and interim and projected approved increases in base rate. Employee Accounts Receivable and Accounts Receivable-Other were projected from 2006 to 2008 using inflation and customer growth projection factors, resulting in 2008 13-month average balances of $3,694 and $105,307, respectively. (Mesite)

OPC: The appropriate balance of accounts receivable is $4,011,791. Accounts receivable related to jobbing, third-party damages owed to the Company, and other activities, including employee receivables, are below the line and unrelated to the provision of electric service. Ratepayers should not be required to pay a rate of return on receivable balances associated with non-regulated activities like jobbing or third-party damages. Accordingly, accounts receivable should be reduced by $302,140. Additionally, the Company projected Customer Accounts Receivable for the year 2008 by escalating the 2006 balance by approximately 46.4%, inconsistent with how it projected sales growth. A more appropriate method of projection would be to recognize the historical relationship of accounts receivables to revenues. The 12-months ended August 2007 percentage of accounts receivable to revenue of 6.42% should be used to project the accounts receivable balance in 2008, requiring a decrease to the 13-month average balance by $728,527. The total reduction in accounts receivable should be $1,030,667 ($302,140 for other accounts receivable and the over projection of $728,527).

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

STIPULATED**
ISSUE 49: Has the Company estimated an appropriate balance in its accumulated provision for uncollectible accounts?

POSITION: No. The balance of the accumulated provision for uncollectibles in Account 1440 should be increased by $7,986.

STIPULATED*
ISSUE 50: Should an adjustment be made to pension liability in the calculation of working capital?

POSITION: No, The Company has properly included the pension liability reserve as it pertains to the electric division in working capital. This is directly related to employee benefits, and is appropriate for recovery in working capital.

STIPULATED**
ISSUE 51: What is the appropriate balance of regulatory assets retirement plan to be included in working capital?

POSITION: The Company has properly included $450,155 as the regulatory asset associated with Pensions and FASB 158 as it pertains to the electric division in working capital. They have also filed a petition with the FPSC similar to other investor owned utility companies in the state of Florida, for regulatory treatment of pension as it relates to FASB 158 and this regulatory asset. Since this account only represents regulated amounts, the appropriate allocation factors have been used to allocate between the regulated natural gas and electric segments.

STIPULATED**

ISSUE 52: What is the appropriate allocation methodology and amount for prepaid insurance to be included in working capital for electric operations?

POSITION: The appropriate allocation methodology should be based on payroll instead of gross profit. Allocating the 2008 test year prepaid insurance of $629,658 by the payroll allocation factor of 25% results in electric operations prepaid insurance for Working Capital purposes of $157,415. The electric operations allocation of prepaid insurance included in Working Capital should be reduced by $37,779.

ISSUE 53: What is the appropriate balance of unbilled revenue to be included in working capital?

FPUC: The Company has used proper escalation factors to project the balance for unbilled revenue and the appropriate balance included in working capital for 2008 is $548,394. The response to Office of Public Counsel First Set of Interrogatories, Item 3, erroneously indicated a projection factor of 3.5%. The response should have indicated 23.5%; comprised of 3.5% for inflation and growth, plus 20% for an anticipated base rate increase resulting from this rate proceeding. A recent analysis was conducted of typical bills; comparing 2007 pre-interim base rates and 2008 projected base rates. The analysis showed an increase of 28%, indicating the 23.5% used for the MFR to be a meaningful estimation for the increase in the account. (Mesite)

OPC: In response to OPC discovery, FPUC stated that it increased the historical 13-month average of unbilled revenue by 3.5% to project the 13-month average for 2008, but its projected balance reflects an increase of approximately 23.5%. To correct this apparent calculation error, the 13-month average balance of unbilled revenue should be reduced by $88,808.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 54: What is the appropriate balance of temporary services to be included in working capital?

FPUC: The Company has included the appropriate amount of temporary facilities of $26,961 in working capital. (Mesite, Cutshaw)

OPC: The appropriate balance is zero. The Company is not collecting a sufficient amount of money for temporary facilities or services to offset all the costs of providing that service. Ratepayers should not be required to subsidize these services (i.e., provide a return) on services provided at below cost. The temporary service debit balance of $16,961 should be removed from working capital and with a corresponding increase to test year miscellaneous service revenues of $27,150 to reflect the amount written off since ratepayers would be subsidizing this service if this adjustment is not made.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: The appropriate balance for temporary services is zero. The temporary services balance in the amount of $26,961 should be removed from working capital. Currently, the Company is not collecting enough revenue to cover the cost of providing these services under its Commission approved tariff. But, subsumed in Issue 127, is a proposed adjustment to increase the cost of providing these services on a going forward basis. Staff believes that by increasing the cost as addressed by Issue 127, there should not be a corresponding increase to the Miscellaneous Services Revenue account, as addressed by Issue 74, to offset the stated zero balance.

ISSUE 55: Is the Company's working capital treatment of over and under recovery of fuel and conservation costs appropriate?

FPUC: Yes, the Company has appropriately included the balance of deferred debits, fuel under recovery in working capital. Although the appropriate adjustment was made to remove all of the effects from the income statement that related to the cost recovery clauses; there should be an adjustment made to working capital to either include or remove the effects of both over and under recoveries of fuel and conservation costs. These are handled through separate dockets and provide for interest in those separate proceedings. The over and under recoveries should be either included or removed since interest has been provided and accumulated on these balances and will either be returned to customers or paid to the company as appropriate.

The method of including only over recoveries in working capital double penalizes the company by requiring them to in effect pay double the interest to customers on the over recovery balances.

The purpose of the fuel and conservation cost recovery clauses is to allow for the direct pass through of costs, and to be revenue neutral to the company. Over and under recoveries are theoretically estimated to be $0 at the end of each projection period. Fluctuations from the projections result from differences for customer demand, market pricing, and weather fluctuations which are out of the control of the company and can result in either over or under recoveries, but they are part of the normal course of business.

It may be more appropriate to exclude both over and under recoveries from working capital, since the interest is provided to the customers on over recoveries within the fuel clause, and all other components are removed for base rate making purposes. (Mesite)

OPC: No. The Commission has a long-established policy which excludes under-recoveries and includes over-recoveries in the working capital requirement. The Company receives its rate of return on these assets through the fuel adjustment clause and conservation adjustment clause mechanisms, which add interest for any under-recovery to the cost which is subsequently billed to ratepayers. If the receivable is included in working capital when base rates are established, then ratepayers would pay a double return on these under recoveries. FPUC has presented no facts or circumstances have changed that warrant a re-evaluation of this policy, and accordingly, working capital should be reduced by $1,143,377 related to purchased-power under-recoveries.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: For Account 1860.1 -Deferred Debits -Under Recovery -Fuel, the under-recovery in the amount of $1,143,377 should be removed from working capital.

STIPULATED**

ISSUE 56: Should FPUC's requested level of Other Property and Investments/Other Special Funds in the amount of $3,100 for the projected test year be approved?

POSITION: Yes, this item was appropriately included in working capital in the MFR. The $3,100 represents consolidated electric's share of a $10,000 deposit held in escrow by the Company's insurance carrier to cover auto and general liability insurance claims against FPUC..

ISSUE 57: Is FPUC's balance of Accrued Interest on Customer Deposits appropriate?

FPUC: Yes, the 2008 projected test year 13-month average of $66,955 included in the MFR for Accrued Interest-Customer Deposits was appropriate. The account was properly projected based on customer growth. (Mesite)

OPC: No. The Company's projection methodology results in an understated balance of interest accrued on customer deposits. Using the actual 13-month average balance at September 30, 2007, the account should be increased by 8.6% to arrive at the December 31, 2008 balance of $77,133.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 58: What is the appropriate balance of deferred debit rate case expense to be included in working capital?

FPUC: It is appropriate to include the 13-month average 2008 unamortized rate case expense of $608,236 in working capital as it relates to reasonable and prudent expenses and it is a valid component of working capital. The offset to working capital for this item is accounts payable or cash. Excluding unamortized rate case expense from working capital would unfairly penalize the Company and does not follow appropriate working capital computations. It is also consistent with the treatment of Unamortized Rate Case expense in our rate proceeding in our Marianna division, Docket 930400-EI. The commission found that rate case expense was a necessary expense of doing business in the regulated arena; and as such, a utility should be allowed to earn a return on its unamortized balance.

The Company has appropriately included rate case expense of $ 182,000 in the projected 2008 test year. All costs charged to the rate case are either directly related to the rate case and necessary or required as a result of the rate case. The Company efficiently utilized some additional internal audit services above the annual recurring amount to allow company employees the ability to perform rate case related work. The required scope of the work performed by Christensen Associates on our rate proceeding has expanded beyond what was required in the original fixed price proposal. Additional work was performed by the consultants on responses to our document requests, interrogatories, and for use with our rebuttal testimony and positions to issues. Accordingly, additional costs will be incurred and are most appropriate for recovery as rate case expenses. Finally, salaried individuals were required to work extensive overtime on work as a direct result of this rate proceeding over a long period of time. The hours worked were beyond those normally required for these individuals and their normal pay does not adequately compensate them for this level of work. This type of additional pay is very appropriate for salaried individuals, and has been allowed by the Commission in past proceedings for recovery as rate case expenses. The total rate case expense including the unamortized balance of the prior rate case expenses is $728,000. The amortization period is four years which is the expected duration of time between rate proceedings. Our last electric rate proceeding was four years earlier, with a projected test year of 2004. See Docket 030438-EI. (Mesite, Martin)

OPC: The appropriate balance of deferred rate case expense to include in working capital is $303,400, which reflects a reduction of $304,836 from the Company's requested balance of $608,236. Adjustments are appropriate to reflect OPC's recommended balance of rate case expense and to allow one-half of the total rate case expense as a working capital allowance, consistent with the treatment afforded in the last FPUC rate case.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 59: Is FPUC's requested projected 2008 balance for its storm damage reserve appropriate?

FPUC: The Company has requested an increase to its storm damage accrual to an appropriate level. The reserve and annual accrual is appropriate as projected in our projected test year 2008. This increase should be approved for rate recovery. It is like insurance costs, and spreads the risk of storm damage costs to our two electric operating segments. This will reduce any future large impact to our customers that may result from a major storm or hurricane. (Martin, Cutshaw)

OPC: No, the appropriate balance for the storm damage reserve should be $1,818,548, reflecting an increase in the 13-month average credit balance of $8,871. This adjustment is the result of two errors. First, the Company has reflected a $50,000 reduction in the storm reserve in September 2007, which does not appear to be a storm related adjustment. Second, the Company started the test year calculation with the wrong balance at December 31, 2007.

ATT: No position.

Embarq: No position.

FCTA: FCTA takes no position on this issue at this time. However, FCTA reserves the right to modify its position should it find it necessary to do so in order to protect its members' rights under current pole attachment agreements and Federal law.

STAFF: Staff has no position at this time.

ISSUE 60: Is FPUC's requested level of Working Capital in the amount of a negative $1,310,654 for the December 2008 projected test year appropriate?

FPUC: No, although the Company's projection of working capital is appropriate, the Company inadvertently did not make the required adjustment to bring working capital to $0, if negative, for the 2008 test year. An adjustment should be made to working capital and rate base to bring working capital to $0, once other remaining agreed upon adjustments to working capital have been completed. (Mesite, Martin)

OPC: No. The appropriate balance of working capital should be ($4,460,890). The company's requested balance should be reduced by $3,150,236.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 61: Is FPUC's requested rate base in the amount of $43,020,996 for the December 2008 projected test year appropriate?

FPUC: Yes, the projected test year 2008 requested rate base is appropriate as filed with the exception of the effects of agreed upon adjustments contained within the FPSC audit findings, and other issues which are still under consideration. The effect of these adjustments has not been calculated. (Mesite)

OPC: No. The appropriate 13-month average balance of rate base should be $38,913,742, or a decrease of $4,107,255. This is a fall-out issue, subject to the resolution of other issues.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

COST OF CAPITAL

Note: Stipulated issues marked with an asterisk (*) indicate that OPC, FCTA, AT&T and Embarq have taken no position on the issue. Stipulated issues marked with two asterisks (**) indicate that OPC joins in the stipulation on the issue.

ISSUE 62: What is the appropriate return on common equity for the projected test year?

FPUC: The Florida Public Service Commission should set the allowed mid-point return on common equity at 11.50%. The 11.50% return on equity recommendation is equal to the Company's currently authorized equity return level, and is affirmed by the cost of equity analysis conducted by Robert J. Camfield. Mr. Camfield's approach applies four well-recognized methodologies that include Risk Premium, Discounted Cash Flow, and Capital Asset Pricing Model ("CAPM") techniques. Mr. Camfield's methods, analysis results, and recommendations utilize observed historical experience, and stand in stark contrast to the information presented by Professor J. Randall Woolridge regarding cost of capital on behalf of the Office of Public Counsel. Dr. Woolridge draws upon studies and information that do not have firm footing in capital market experience, as observed historically, and is inappropriately applied and presented. The result is a systematic understatement of the cost of capital of investors in Florida Public Utilities Company. Accordingly, the Commission should not utilize the analysis and recommendations of Dr. Woolridge. If adopted, the recommendations of Dr. Woolridge would put the Florida Public Service Commission in the position of a potential breach of the fair rate of return principles including financial integrity, capital attraction, and returns realized on investment of comparable risks, as set forth and utilized by regulatory institutions.

FPUC needs to provide adequate return to investors in order to remain competitive in the market and be able to attract capital when required. Fair rate of return is particularly relevant in the immediate case because a) the realized returns by the Company's electricity division have fallen consistently short of the authorized return level, and b) fast rising resource costs for electric utilities generally. In view of the recent history, the Company is concerned about maintaining adequate returns in view of prospective cost pressures. The return on equity of 11.50% requested by FPUC is reflective of the market as seen by the recent authorized return of 11.25% approved for Georgia Power in December 2007. FPUC, being a much smaller company with more volatile earnings is riskier and hence FPUC's investors should receive a higher return on their investment. The return on equity of 11.50% is therefore appropriate for FPUC. (Camfield, Cox)

OPC: The appropriate return on common equity for the projected test year is 9.15%. Applying the Discounted Cash Flow Model (DCF) and the Capital Asset Pricing Model (CAPM) to the two groups of publicly-held utility companies identified by FPUC results in 9.15% ROE. The DCF model provides the best indication of equity cost rates for public utilities and more weight should be given to DCF results than the other methodologies results. FPUC's equal weighting of the results of the four approaches it used, DCF, CAPM, Risk Premia (RP), Realized Market Returns (RMR), has resulted in an inflated ROE of 11.5%. The primary reason is that Mr. Camfield's CAPM, RP, and RMR approaches are all based on risk premiums derived from historical stock and bond returns. Using historical stock and bond returns as measures of expected returns is subject to a myriad of empirical errors which serve to inflate the equity risk premium. As such, Mr. Camfield's expected stock returns and equity risk premiums are not consistent with the equity risk premiums (1) advanced in recent academic studies by leading finance scholars, (2) employed by leading investment banks and management consulting firms, and (3) developed in surveys of financial forecasters and corporate CFOs. Furthermore, FPUC has also inflated its ROE recommendation by including inappropriate flotation cost and size adjustments.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 63: What is the appropriate capital structure for the projected test year?

FPUC: The appropriate conventional capital structure for FPUC is as follows: Short-Term Debt is 5.62% capitalization amount and 6.81% cost rate; Long-Term Debt is 43.45% capitalization amount and 7.96% cost rate; Preferred Stock is 0.52% capitalization amount and 4.75% cost rate; and Common Equity is 50.41% and cost rate of 11.50%, subject to any agreed upon changes. Although the Company utilized an average capital structure and use of 13-month average rate base in their MFRs and in the request for rate recovery; a year end capital structure is more appropriate. The Company provided additional testimony and exhibits to support use of a yearend capital structure. The yearend capital structure and rate base is more appropriate as they are more reflective of the timeframe in which rates will be in effect. If the Commission agrees with the Company's suggested use of an alternative yearend capital structure, then an adjustment would be required to the requested base rate increase and the 13 month average rate base would have to be updated to be the yearend rate base. (Cox, Camfield)

OPC: No. The Company has not supported its requested deviation from using a matching thirteen-month average test year cost of capital and rate base with its use of a year-end capital structure reconciled to a 13-month average rate base.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

STIPULATED**
ISSUE 64: What is the appropriate projected cost rate for long-term debt?

POSITION: The appropriate projected cost rate for long-term debt is 7.96%.

ISSUE 65: What is the appropriate projected cost rate for short-term debt?

FPUC: The projected cost rate for short term debt of 6.81%, as filed is appropriate, with the exception of any agreed upon adjustments, which reflects the observed and expected Fed Funds target rate over the foreseeable future, at the time of FPUC's ("Company") filing in the immediate docket. The interest charge on the short-term line of credit facility of the Company is linked to the One Month Floating London Interbank Offer Rate ("LIBOR"). In its recent rate case filings, the Company has proposed the use of the target rate for Federal Funds, as the basis for determining the appropriate LIBOR. Historically, LIBOR resides above, and varies with, Fed Funds in a reasonably consistent pattern. However, the interest rate spread between LIBOR and Fed Funds can reveal periods of sharp differences, such as the latter part of 2007, where the LIBOR – Fed Funds interest spread expanded considerably.

For determining the short-term debt cost rate, we recommend that the Commission utilize: 1) the Fed Funds interest rate as the baseline for setting the appropriate LIBOR; and 2) incorporate the LOC fees and interest rate spread above LIBOR.

The Company proposes that the Commission use a short term cost rate that is more indicative of cost rates that are likely to be in effect over the term in which retail prices will be effect. Accordingly, we recommend that the Commission use of a Fed Funds rate of either: 1) An average of Fed Funds target interest rates, as observed historically of 4.06% which would result in a cost rate of 5.62% after margins and fees; or, 2) The observed Fed Funds target rate at year end 2007 of 4.25%, which would result in a cost rate of 5.80%. (Camfield, Cox)

OPC: The appropriate projected cost rate for short-term debt is 5.81%. The Company's projected short-term debt cost rate of 6.81% was based on a Federal Funds rate 5.25%. Since the time that the Company filed its testimony based of the Federal Funds rate, the Federal Funds rate was reduced to 4.25% (as of Intervenor testimony filing date). Using the most recent Federal Funds rate results in the lower the short-term debt rate.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: The appropriate projected cost rate for short-term debt is 5.06%. The Federal Reserve lowered short-term rates twice since the rates reflected in the prehearing statements were filed.

DROPPED
ISSUE 66: Should the company's request to change the amortization methodology for deferred income taxes from the average rate assumption method (ARAM) to the straight-line method be approved?

ISSUE 67: What is the appropriate amount of accumulated deferred taxes to include in the capital structure for the projected test year?

FPUC: The appropriate amount of accumulated deferred taxes to include in capital structure is $6,078,743, adjusted for any effects of agreed upon adjustments. The effect of these adjustments has not been calculated. (Cox, Martin)

OPC: The accumulated deferred taxes to be included in the capital structure may need to be adjusted based on other Commission decisions in this case.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 68: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for the projected test year?

FPUC: The appropriate amount of unamortized investment tax credit to include in capital structure is $81,965. The appropriate cost rate is 9.67% adjusted for any effects of agreed upon adjustments. The effect of these adjustments has not been calculated. (Cox)

OPC: The appropriate amount of unamortized investment tax credit to be included in the capital structure may need to be adjusted for based on other Commission decisions in this case.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 69: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ending December 31, 2008?

FPUC: The overall cost of capital for regulatory purposes is 8.07%, which would be increased by any performance award. This is subject to any agreed upon change to cost rates, rate base or capital components. In addition, if the Commission feels it is more appropriate to use the year end capital components, then the impact to the overall cost of capital should be changed as well. See MFR schedule D1a for 2008 for all of the components, amounts and cost rates associated with the capital structure. (Camfield, Cox)

OPC: The appropriate capital structure for FPUC is as follows: Short-Term Debt is 5.62% capitalization amount and 5.81% cost rate; Long-Term Debt is 43.45% capitalization amount and 7.96% cost rate; Preferred Stock is 0.52% capitalization amount and 4.75% cost rate; and Common Equity is 50.41% capitalization amount. The appropriate ROE for FPUC is 9.15%. The overall fair rate of return is 7.09% for FPUC.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

NET OPERATING INCOME

Note: Stipulated issues marked with an asterisk (*) indicate that OPC, FCTA, AT&T and Embarq have taken no position on the issue. Stipulated issues marked with two asterisks (**) indicate that OPC joins in the stipulation on the issue, while FCTA, AT&T and Embarq have taken no position.

ISSUE 70: Should FPUC's request for recovery for an additional expense to inspect and test substation equipment costs be approved?

FPUC: Yes, the additional expense to inspect and test substation equipment costs should be approved as projected in the Company's rate proceeding. The Company has provided information regarding the increased level of substation maintenance required to increase the reliability of substation equipment and the associated reduction of repair cost that will result from the increased level of maintenance. The total amount of additional scheduled maintenance was projected at $126,000 for 2008 which is significantly above that requested. The additional maintenance will result in the reduction of repair work that has been previously required with the net adjustment necessary of $73,050. The total result is an overall increase of $73,050 for the increase in transmission and distribution substation maintenance. (Cutshaw)

OPC: No. FPUC has not provided documentation that supports an addition increase in the level of expense for inspection and testing of transmission substations (Account 154) of 154% from the 2006 amount of $17,124 to a projected 2008 amount of $43,478. The one generic document provided did not pertain to FPUC's specific needs; nor did FPUC identify what it would implement as a necessary component of its own inspection and testing program. This generic increase above the current inspection needs should be denied as unsupported and the 2008 projected test year amount should be reduced by $25,155 and to $18,323 ($17,124 escalated by compound inflation rate for 2007 and 2008).

FPUC has provided no documentation to support its requested increase of 112% increase related to substations in the distribution system and this increase should be disallowed. In response to discovery, FPUC only stated that the testing of this type of substation equipment may not be adequate but did not provide further documentation to support this weak assertion. The 2008 projected test year amount for Account 582 – Station Expense Inspection and Testing should be reduced by $49,600, the Company's projected expense of $99,878 less the adjusted test year amount of $50,378 ($47,082 escalated by compound inflation rate for 2007 and 2008).

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: No. The 2008 projected test year amount of $43,478 for Account 154, transmission substations, should be reduced by $25,155 ($17,124 escalated by compound inflation rate for 2007 and 2008). Also, the 2008 projected test year amount of $99,878 for Account 582, Station Expense Inspections and Testing should be reduced by $49,600 ($47,082 escalated by compound inflation rate for 2007 and 2008). Both Account 154 and Account 582 should be reduced because of inadequate supporting documentation.

ISSUE 71: Has the Company properly estimated an appropriate amount of forfeited discounts in calculating the revenues for 2008?

FPUC: Yes. The Company has properly projected forfeited discounts (late fees) of $342,133 for 2008. The actual results for 2007 (unaudited $347,773) compared to 2006 ($354,696) show a downward trend in late fee revenues for the Electric Division. This may be attributable to customers conserving due to the higher fuel costs and FPUC expects this trend to continue. (Cox, Cutshaw)

OPC: No it has not. Other Operating Revenues should be increased by $48,919 to reflect an understated projection of revenues associated with late payment charges. There are at least three factors which will cause the Company's late payment fees to increase. The first is the Company's requested decrease in the time period for the payment of the bill. The second is the growth in the Company's bill as a result of higher fuel costs and delivery costs of energy. The third is customer growth.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

STIPULATED*
ISSUE 72: Has FPUC made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause?

POSITION: Yes, the Company has appropriately excluded fuel revenue and expenses recoverable through the Fuel Adjustment clause. (Cox, Martin)

STIPULATED*

ISSUE 73: Has FPUC made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Conservation Cost Recovery Clause?

POSITION: Yes, the Company has appropriately excluded conservation revenue and expenses recoverable through the Conservation Cost recovery clause. (Cox, Martin)

ISSUE 74: What is the appropriate projected test year miscellaneous service revenue?

FPUC: The appropriate projected test year miscellaneous service revenues are $225,209. (Cox, Cutshaw)

OPC: Miscellaneous service revenues should be increased by $27,150 to reflect the removal of the debit balance of temporary service from working capital. This increase is appropriate so that ratepayers do not subsidize any of these services, in which revenues collected should fully offset the costs of providing that service.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 75: Is FPUC's projected level of Total Operating Revenues in the amount of $17,186,965 for the December 2008 projected test year appropriate?

FPUC: Yes. Revenue before a base rate increase of $17,186,965 projected for the December 2008 test year is appropriate with the exception of any agreed upon adjustments. (Cutshaw, Cox)

OPC: No. The appropriate balance of Total Operating Revenues should be $17,263,034, which reflects an increase of $76,069 from the Company's requested amount of $17,186,965.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 76: What are the appropriate escalation factors and trend rates for use in forecasting the test year projected Operation and Maintenance Expenses?

FPUC: The escalation and trend factors are appropriate as used. The results after application of these factors produce anticipated and expected results for our 2008 operation and maintenance expenses, and accordingly the end results of the applied factors are reasonable. Use of combined factors such as customer growth and inflation are appropriate as used. It is realistic to expect that some expenses will increase not only as a result of the inflationary effects on prices, payroll, and costs in general, but also as a direct result over time from the increased customer base. To adequately provide service to our customers, all areas will need increased services and employees to handle additional levels of customers, plant in service, and the related volume of work that increases with our customer base. If the Commission feels that some accounts should be separated and factors should be applied differently to the payroll versus nonpayroll amounts, we have provided this information by account number in Exhibit MKR-5 as part of our rebuttal testimony. Annualizing the 2007 expenses or reviewing the results compared to the trended numbers, does not produce an accurate picture of the expected expenses as they relate to the 2008 projected amounts. The Company had some delays in 2007 relating to storm hardening initiatives, salary survey implementation, accelerated filer status delay and related audit fees as well as other budgetary delays that contributed to the result differences in 2007. These would not be appropriate as adjustments to 2008 projections. (Martin, Cutshaw)

OPC: FPUC applied inappropriate trend rates in several areas. First, FPUC trended accounts that included both payroll and non-payroll costs using a payroll basis. The non-payroll components are overstated because payroll costs exceed the growth in inflation. OPC does not have the information necessary to separate the various expense accounts between payroll and non-payroll costs in order to apply separate trend factors. Second, the Company used a combined payroll/customer growth factor on 20 accounts, including FICA payroll taxes. This method overstates expenses because payroll increases do not directly correlate with customer growth. To use a trending factor that includes payroll and customer growth, in addition to making specific adjustments for incremental positions, results in double-counting payroll costs. O&M expenses should be reduced by $36,691 to remove the customer growth component of the 14.1% factor applied and use a payroll only factor of 11.3%.

Third, a combined inflation/customer growth trend overstates expenses because customer growth has negligible impact on the 33 accounts to which the Company applied the combined factor. The Company provided insufficient evidence to justify the application of the combined factor. Numerous accounts were specifically increased through over/above adjustments to both 2007 an 2008, which results in a double-counting of cost increases associated partially with customer growth. Further, the Company has not demonstrated that productivity increases and cost savings resulting from improved technologies would not offset the increase associated with customer growth and the growing industry trend of decreasing employee/customer ratios. O&M expenses should be reduced by $65,491 to reduce the combined inflation/customer growth factor applied 7.0% to use the inflation only factor of 4.6%.

Lastly, in further support of these adjustments to the trend rates is Mr. Larkin's analysis that shows actual O&M expenses annualized as of September 2007 are considerably less than the projected 2007 amounts contained in the filing. Based on the above, projected 2008 operation and maintenance expense should be reduced by $102,182 and taxes other than income should be reduced by $5,802.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 77: Should the Company's requested position in Corporate Accounting for a Compliance Accountant for the audit of inventory, cash and other processes be approved?

FPUC: Yes, the new position for Compliance is justified and needed and should be allowed full annual recovery of the position. Although there is a slight delay in the timing of hiring this position, it will coincide with the implementation of the final rates and is appropriate for full recovery. We fully anticipate this position will be filled at the latest by April 2008. (Martin)

OPC: No, while OPC recognizes that the additional position is needed, the requested expense in total should not be approved. First, only half of the proposed salary for the new internal audit/accounting position should be allowed to recognize that the position will not be filled until the middle of the year. Second, the estimated benefits for the position should be reduced to remove the excess 12% vacation/leave component. Thus, 50% of the $60,000 salary would be $30,000 with a 26% benefits overhear factor added equals a recommended 2008 salary level of $37,800. Using the 40% allocation factor, the electric system share is $15,120, which results in a decrease to electric account number 920 of $17,760.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Yes. The position should be approved at 50% of the $60,000 salary and remove the 12% vacation/leave part of the salary. Therefore, the recommended salary is $30,000 plus 26% benefits overhead factor for a total salary of $37,800. Using the 40% allocation factor, the electric system share is $15,120 for a decrease to the electric account number 920 of $17,760.

ISSUE 78: Should the Company's requested position in Customer Relations for a CR Analyst/Coordinator for work on SOX 404 Internal Control requirements be approved?

FPUC: Yes. This position is supported and necessary. No adjustments are needed. Previously, we had many of the duties of the new position decentralized to each local office and we struggled as a company to successfully complete these duties in a timely manner. Our intention is to ensure we are compliant within our local offices on 404, so we have decided to centralize some of the duties/tasks so we can operate more smoothly and efficiently. This will also allow the personnel in the local offices to concentrate on their own duties and serve our customers better. We reviewed the job requirements, and set the salary range appropriate for this position. Please refer to Exhibit MKR-6 for the job description for this position. (Martin)

OPC: The Company has failed to adequately justify the need for this position. First, its response to OPC's discovery questions regarding this position, FPUC addressed another requested incremental position and it never provided any support to demonstrate that this position was necessary. Second, if the need for this new position was so great, the Company should have filled it, which it has not as of yet. The over/above expense increase of $17,098 should be disallowed.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Yes. Staff agrees this position is needed for compliance with the SOX 404 Internal Control requirements. FPUC has provided a job description for the position. This position will also allow the personnel in the local office to concentration on their own duties and to maintain a high level of service for the FPUC customers. The over/above expense of $17,098 should be allowed.

STIPULATED**
ISSUE 79: Should any adjustments be made to Account 935, Maintenance of General Plant, related to office renovation costs?

POSITION: Yes an adjustment is necessary to reduce Account 935, Maintenance of General Plant by $2,219 for 2006 and by $2,375 for 2008. The corresponding adjustments are addressed in Issue 36.

STIPULATED**

ISSUE 80: Should the company's request for recovery of salaries for vacant information technology positions be approved, and if so, what are the appropriate test year expenses?

POSITION: Yes, the Company has supported the need for the addition of the fourth programmer for its IT department. The net over and above adjustment necessary to add to the 2008 test year expenses for the electric divisions is $38,026. The updated actual data through 2007 projected to 2008 supports a reduction to the Company's adjustment of $548 for a net over and above adjustment of $37,478.

ISSUE 81: Should an adjustment be made to test year expenses to Account 916, Miscellaneous Sales Expenses related to a customer survey?

FPUC: No adjustment is necessary. The Company has used customer surveys and finds it a very effective tool for determining what is important to our customers, and how we can better service them. During a recent survey we were able to accurately determine the customer satisfaction rating among customers and get information regarding current issues. The survey also provided opinions from customers that were contradictory to docket rulings made on the issue of fuel increases. These opinions could have been used effectively to implement fuel changes in a manner that would have satisfied more of the customer base. We expect to use this type of service in conjunction with our awareness and advertisement campaigns on an ongoing basis. The projection amount included in our test year is appropriate for recovery. (Cutshaw)

OPC: Yes, an adjustment of $27,397 to test year expenses to Account 916, Miscellaneous Sales Expenses, related to a customer survey is necessary. Even thought the Company had stated that it plans on conducting surveys in the future, the survey will not be as extensive and costly as the 2006 survey. Thus, the 2006 survey costs may be non-recurring costs which should be removed from the test year.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Yes. An adjustment of $27,397 to reduce 2008 test year expenses in Account 916, Miscellaneous Sales Expenses is necessary. Even thought the Company has stated that it has plans on conducting surveys in the future, the survey may not be as extensive and costly as the 2006 survey. Thus, the 2006 survey costs may be non-recurring costs which should be removed from the test year.

STIPULATED**

ISSUE 82: Should an adjustment be made to Other Post Employment Benefits Expense for the December 2008 projection for 401k benefits expense?

POSITION: No adjustment is necessary. In response to Interrogatory No. 135, the utility explained how benefit allocations are done within multiple steps in the payroll journal entry. The reasons that amounts cannot be reconciled within the clearing accounts is that some benefit allocation credits the division expense accounts directly and do not pass through the clearing accounts. Therefore, 401k benefits expense should not be reduced by $975.

STIPULATED**

ISSUE 83: Should any adjustments be made to Account 923.1, Outside Services Expense for postage and printing expenses?

POSITION: Yes, expenses should be reduced by $6,250 for 2008 to allow for a ten year amortization.

STIPULATED**

ISSUE 84: Should any adjustments be made to Account 928, Regulatory Commission Expense for legal fees?

POSITION: Yes, an adjustment is necessary to reduce expenses by $32,383 for 2008 to allow for a ten year amortization.

STIPULATED**

ISSUE 85: Should the Company's requested increase related to the vacant position for the Northwest Florida Division operations manager be approved?

POSITION: Yes. Late-filed Deposition Exhibit 12 (Martin, Khojasteh, and Mesite Panel), reflects that the Company agrees that its original estimate based on the former manager's salary was overstated for 2008 by $5,310.

ISSUE 86: Should FPUC's requested increase in training expense for apprentice linemen be approved?

FPUC: Yes, the requested increase in training expense for apprentice lineman has been adequately supported and is reasonable. An adjustment is necessary to adjust the initial projection of $54,254 which was included in the MFR's. Based upon changes in circumstance that developed after the initial filing, the program was modified and has been justified in previous interrogatory questions which resulted in an increase to this account in an amount of $127,135 rather than the amount initially submitted. The initial intent to use outside services was not available which necessitated a change that resulted in a requirement to provide these services from within the company. In order to provide the additional training resources in conjunction with the current safety program, an additional position was necessary. This will allow for a position in each division that will administer the safety and training programs. (Cutshaw)

OPC: No it is not. In its filing, the Company's originally included an over/above expense increase of expense increase of $54,354 ($27,127 for each division). This request was estimated to provide new linemen training through the Tampa Electric Company lineman training program. Through responses to OPC discovery requests and rebuttal testimony, the Company has modified its training expense because it stated that the TECO training was no longer available. The company is now requesting an expense adjustment of $127,135. FPUC's new request includes salary and benefits for a full-time trainer, travel expenses, training supplies and materials to implement an in-house lineman training program. The revised estimate also included additional costs for the State Lineman Program materials, which is the program that the company currently uses for linemen training. None of these costs were supported by invoices or bids; only by internal company documents. Other than the current state training program, the company has not hired this employee or implemented any new training program and the requested option submitted is the highest cost option considered by the company. The Company has also not shown that its incremental adjustment for state linemen program materials takes into consideration the 2006 material levels. Based on the above, the Company's requested adjustment for incremental training costs should be denied. OPC has recommended that the new position for pole inspections/joint use attachments be used as a part-time training coordinator. Accordingly, the Company's training expenses should only be escalated for inflation from the 2006 levels and no over/above adjustment for 2008 should be allowed. Thus, 2008 expenses should be reduced by $54,354.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: No. The requested increase of $54,254 which updated to $127,135 for training expense for apprentice linemen should not be allowed because of lack of supporting documentation. A formalized training program should be in place at the utility, but more research, analysis and supporting documentation is needed before the over and above amount of $54,254 included in the MFRs or the updated request of $127,135 should be approved.

STIPULATED**

ISSUE 87: Should an adjustment be made to the Company's requested increase for benefits for the Northeast Florida Division Safety coordinator?

POSITION: Yes. Consistent with FPUC witness Martin's statement, the Company's payroll benefits overhead factor adjustment is overstated. For the NE division, the overhead factor applied was 38% of which 12% should be removed for the vacation/leave component which was included by error. Backing out the 12% erroneous factor, leaves a proper overhead adjustment of $6,842 ($10,000/ 38% x 26%). The necessary adjustment is a reduction to expenses of $3,158, which should be allocated 100% to electric.

ISSUE 88: Should the Company's requested position in Corporate Services for a Corporate Services Administrator to assist in maintaining compliance be approved?

FPUC: Yes, this position is supported and necessary. No adjustments are needed. They are going to assist with administrative responsibilities currently assigned to our safety professionals, allowing more time for safety professional to focus on developing new safety programs, revising current safety programs, and performing an increased number of safety inspections. They are also going to maintain safety compliance records. (Martin)

OPC: No, the need for this new position has not shown or supported. In its response to OPC discovery, the Company stated that this position would be responsible for coordinating training programs, tracking training, assisting in safety and training, and other research, not compliance. The cost in the over/above schedule reflected $33,280 being added in 2008 of which 28% or $9,318 was allocated to electric and should be removed from test year expenses. As discussed in Issue 119, the Northeast division safety coordinator position should be sufficient to handle the training, safety and inspection coordination for the NE division with a new position added to handle the training, safety and inspection coordination for the NW division.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Yes. The utility should have an employee that is accountable for the administrative responsibilities so that safety personnel can focus on developing safety programs and monitoring current safety programs. The maintenance of compliance programs through a centralized office is imperative so the ratepayers are assured that the utility is following safety rules and maintaining safety compliance records.

ISSUE 89: Should the Company's requested increase for travel expenses related to the requested new position in Corporate Accounting for compliance accounting be approved?

FPUC: Yes, the travel costs associated with increases to the internal audit functions of the Company and the new Compliance position should be approved. These costs are necessary and appropriate to insure the Company is in compliance with the SEC rules and section 404, as well as to enhance internal operating efficiencies and effectiveness. This position will be filled at the very latest by April 2008, which also falls in the period that the final rates will be in place. (Martin)

OPC: No. Since no new clerical position is necessary to maintain compliance, it is inappropriate to increase travel expenses for a position which will not be filled. Thus, $5,200 should be removed from Account 921.5.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Yes, Because of the necessity of the internal audit functions and the new Compliance position the travel expenses should be approved.

ISSUE 90: Should an adjustment be made to Account 901, Operation Supervision-Administrative and General, related to the test year amount of moving expenses?

FPUC: No adjustment is necessary. Although we may not have moving expenses for this particular position, it is very common to have this type of expenditure on a recurring basis when the divisions are taken on a whole. In other words, we will have moving expenses associated with hiring new personnel on an ongoing basis, and accordingly this expenditure is valid for recovery. (Martin)

OPC: Yes, an adjustment is necessary to Account 901, Operation Supervision-Administrative and General. In 2006, FPUC paid $3,734 in moving expenses for a deposit on a rental house and two months rent for the new Northeast Division Manager. These costs were escalated for 2007 and 2008 for a total of $3,835. These costs are nonrecurring, and $3,835 should be removed from test year expenses.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Yes, an adjustment is necessary to Account 901, Operation Supervision-Administrative and General. In 2006, FPUC paid $3,734 in moving expenses for a deposit on a rental house and two months rent for the new Northeast Division Manager. These costs were escalated for 2007 and 2008 for a total of $3,835. These costs are nonrecurring, and $3,835 should be removed from test year expenses.

ISSUE 91: Should an adjustment be made to Account 588.2, Other Distribution Expense, related travel expenses for an employee's spouse?

FPUC: No adjustment is necessary. Part of the recruitment process for this Electric Operations Manager and the agreement with the candidate we hired, provided for reimbursement of travel expenses for the spouse while he was interviewing. Since this is a highly skilled employee and the location was in a rural setting, it was necessary that the spouse have an opportunity to visit the area to ensure the relocation would be a success. This expense is therefore necessary and appropriate for recovery. (Martin)

OPC: Yes, an adjustment is necessary to reduce Account 588.2, Other Distribution Expense, by $773 for non-utility travel expenses for the safety contractor's wife.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Yes, an adjustment is necessary to reduce Account 588.2, Other Distribution Expense, by $773 for non-utility travel expenses for the safety contractor's wife.

STIPULATED**
ISSUE 92: Should an adjustment be made to Account 595.3, Maintenance of Transformers, to remove the 2008 test year expense related to the escalated cost of a new transformer added in 2006?

POSITION: No adjustment is necessary. The conclusions reached in this finding are incorrect and no adjustment should be made. This is the change-out of a transformer: removing the existing transformer (to be tested and rebuilt) and installing a previously installed transformer (not a "new" transformer as stated in the audit analysis). Unless the removed transformer is to be retired, and/or the installed transformer is being installed for the first time, the entire process is maintenance expense.

The transformer pad is not a retirement unit, and is part of the transformer installation. The accounting treatment of the transformer pad therefore follows the treatment of the installation. In this case it is maintenance expense, which is how it was recorded.

ISSUE 93: Should the test year outside audit fees be approved?

FPUC: The appropriate internal and external audit fees for the projected 2008 test year should be $161,355 for the electric segment. The projection for 2008 audit fees was based on direct estimates from our auditors and is most appropriate as the basis for this projection. The total accounting fees including external and internal auditing fees as well as other accounting fees for account 9233 allocated to the electric segment is $240,243. These costs are appropriate for recovery, prudent, and necessary and should be allowed. (Martin)

OPC: The appropriate amount of test year audit fees should be the amount incurred in 2006. The Company's over/above increase of $90,675 for the electric portion of outside audit fees should be rejected until the Company presents a full analysis of the 2006 audit fees of $447,874 and a document explaining what actually would be required in the year 2008. Moreover, in addition to lack of support, the Company's calculation of the adjustment appears flawed in several ways. First, it appears that the Company did not reflect the actual audit fees for the year 2006 when it attempted to calculate the increase for 2008, which materially overstated the increase in audit fees. Second, discovery provided to OPC reflects that the Company has some options regarding becoming an accelerated filer for the Sarbanes/Oxley Act internal and external audit requirements, which would impact its outside audit fees. Finally, the Company has failed to provide documentation which shows there is no overlap of services between the internal and external audit functions in its projected 2008 audit fees.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

STIPULATED**
ISSUE 94: Should the company's requested increase in janitorial, elevator, air conditioning and landscaping expense be approved?

POSITION: No. Account 935 should be reduced by $6,223 for the 2008 electric allocation.

STIPULATED**
ISSUE 95: Should the company's requested increase in supervisory training expenses "to keep managers informed on various issues" be approved?

POSITION: No. FPUC has requested $21,100 supervisor training expense with $5,486 allocated to the electric division. The utility has spent $7,350 for supervisory training through September, 2007. It is important for supervisors to continue their training in ethics, harassment, hiring practices and other necessary supervisory training. Therefore, the utility should be allowed to recover the annualized supervisory training expense based on the $7,350 spent in 2007. The annualized expenditure for 2007 is $9,800 ($7,350/9 x 12) with $2,548 allocated to the electric division. Therefore, Account 921.6 should be reduced by $2,938

DROPPED
ISSUE 96: Should an adjustment be made to Advertising Expense for the December 2008 projected test year?

ISSUE 97: Should the company's requested increase in customer information expense be approved?

FPUC: Yes. The Company has included the appropriate level of customer information expense in its test year expenses. The Company has increased its level of advertising, in part, to inform and educate our customers on expected fuel increases or changes, but this level of advertisement will be continued to keep our customers informed of future fuel price changes, storm hardening initiatives, tree replacement programs and other information as deemed appropriate and necessary on an ongoing basis. (Martin, Cutshaw)

OPC: No. FPUC requested increase in customer information expense to continue to provide the same type of advertising and information as provide in 2006 is unreasonable and not supported. The main increases in expenses for the years 2006 and 2007 were related to the dramatic fuel increases due to the expiration of the low cost purchase power contracts. Prior to the 2006, historic advertising costs were significantly lower. Since customers are already aware of the significant fuel increase, it is not appropriate or reasonable to provide a significant increase in advertising expense from a low of $261 in 2005 to an escalated $159,543 for 2008. The advertising expense should be limited to an average of the actual expenditures over the last five years which is $44,757. This would result in a reduction to the 2008 test year other informational advertising expense of $159,543 by $114,786.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: No. FPUC requested $159,543 in expense to inform customers about rate increases and other utility matters. The main increases in expenses for the years 2006 and 2007 were related to the material fuel increases due to the expiration of the low cost purchase power contracts. Since the customers are already aware of the material fuel increase, it is not appropriate to allow such a large increase in advertising expense. Advertising expense increased from $261 in 2005 to $159,543 for 2008. Since there is such an inconsistent level of advertising expenses, a five year average of advertising expenses would be appropriate. The same level of advertising expense is necessary to allow the utility to inform its customers of future fuel increases, storm hardening initiatives and other utility matters. The five year average is $44,757, Therefore, it is appropriate to reduce Account 913.4, Advertising Expense by $114,786.

ISSUE 98: Should an adjustment be made to FPUC's requested level of Salaries and Employee Benefits for the December 2008 projected test year related to the salary survey?

FPUC: No. The Company has properly included salaries and wages in their 2008 test year. The salary survey adjustments are appropriate for including in 2008 for recovery. All salaries are reasonable, supported, necessary and appropriate for recovery. The Company has implemented the new ranges as a result of this extensive salary survey, and we have provided the expected impact to 2008 above and beyond normal increases as a result of this study. The summary of the study and the expected impact was furnished as Exhibits CMMR6 and CMMR7 in Cheryl Martin's rebuttal testimony. (Martin)

OPC: The Company's over/above increase "to bring salaries up to market based on a salary survey" should be denied. The total adjustments related to the salary survey were increases of $49,980 for 2008. Based on the salary survey submitted in response to OPC discovery, it is unclear what adjustments the Company will actually make. At a minimum, the Company admitted that a decrease of $23,205 to 2008 expenses is warranted to reflect the electric portion of the most recent set of salary survey numbers. Even if the Commission considers any adjustments that may be needed, the Company's proposed adjustments are to salary ranges, not immediate pay raises to employees and if granted would be given throughout the year. As such, a full year of salary increase for the salary survey is unwarranted. Lastly, the Company has stated in response to OPC discovery that actual amounts expended would depend upon amounts approved in the rate case, which concludes in May 2008. Based on the above, the Company's over/above salary adjustment for the salary survey should be removed, reflecting a decrease of $43,382 for the electric allocated portion.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 99: Should the company's requested salary adjustment for executives be approved?

FPUC: Yes, the Company has supported the increase to executives and no adjustments are necessary. The projection was based on a historical average increase. We also provided support that the salary ranges of the executives are well below market rates, and the increase we projected is reasonable. (Martin)

OPC: No it should not. The Company included increases in executive salary expense for 2008 of $51,531. When asked to provide copies of all documents to support its requested increase in executive salaries, the Company provided only a calculation of how the adjustment was made with an unsupported statement that the executive salary adjustment was based on the last 3 years to bring the executives' pay more in line with the current market. Based on this lack of support, the 2006 salary levels (including incentives), which were escalated from 2004 to 2006 by 21.5% (over a 2-year period), should be assumed to be sufficient to bring the executives up to current market. Beyond the 2006 actual levels, the executive pay raises should be limited to the 5.5% merit pay raises that the Company gave its other employees and included in the projection factor for this account. Thus, the Company's 2008 over/above adjustment for executive salaries of $51,531 should be removed. The electric allocation of this expense at 40% is a reduction of $41,225.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

STIPULATED**
ISSUE 100: Should an adjustment be made to Other Post Employment Benefits Expense for the December 2008 projection for medical expense?

POSITION: No adjustment is necessary. In response to Interrogatory No. 135, the utility explained how benefit allocations are done within multiple steps in the payroll journal entry. The reasons that amounts cannot be reconciled within the clearing accounts is that some benefit allocation credits the division expense accounts directly and do not pass through the clearing accounts. Therefore, medical expense should not be reduced by $120,339.

ISSUE 101: What is the appropriate amount of annual storm expense accrual?

FPUC: The Company has requested an increase to its storm damage accrual to approximately $ 17,000 per month, or for a total storm reserve of $3,338,800 over an eight year time period. This increase should be approved for rate recovery. It is like insurance costs, and spreads the risk of storm damage costs to our two electric operating segments. This will reduce any future large impact to our customers that may result from a major storm or hurricane. (Martin, Cutshaw)

OPC: The Company has not justified an increase in the annual storm expense accrual. Based on recent storm expenditures, the accrual should remain at $121,620.

ATT: No position.

Embarq: No position.

FCTA: FCTA takes no position on this issue at this time. However, FCTA reserves the right to modify its position should it find it necessary to do so in order to protect its members' rights under current pole attachment agreements and Federal law.

STAFF: Staff has no position at this time.

DROPPED
ISSUE 102: Should an adjustment be made to the accrual for property damage for the December 2008 projected test year?

STIPULATED**
ISSUE 103: What is the appropriate amount for projected general liability expense?

POSITION: No adjustment is necessary. In response to Interrogatory No. 135, the utility explained how benefit allocations are done within multiple steps in the payroll journal entry. The reasons that amounts cannot be reconciled within the clearing accounts is that some benefit allocation credits the division expense accounts directly and do not pass through the clearing accounts. Therefore, general liability insurance expense should not be reduced by $52,628.

ISSUE 104: Should the projected 2008 economic development donations be approved?

FPUC: Yes. The Company has properly projected and included appropriate economic development expenses. Although these cannot be precisely estimated for each year, the Company will continue to place any unused economic development costs in its storm reserve. This allows the Company the ability to use these only as needed, yet protects the customers and allows them the benefit of either the use of economic development costs or protection from future storm damage. (Cutshaw)

OPC: No. FPUC is requesting $15,701 for economic development cost. FPUC has only spent $5,000 in each of the years 2003 through year-to-date 2007 (except 2004 where it spent nothing), even though it was allowed $22,641 in economic development costs per calendar year. FPUC should not be allowed to recover more than what it has historically been spending. FPUC should be allowed to recover $5,000 for economic development. A reduction of $10,701 should be made to the Company's proposed 2008 test year amount. Further, Account 920.23, Economic Development, includes membership dues for Opportunity Florida. FPUC joined this organization for networking and opportunities with other industries, thus these costs should not be charged to customers and 2008 projected test year need to be reduced by $5,351.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

DROPPED
ISSUE 105: Is the level of overhead cost allocation for the 2008 projected test year appropriate?

STIPULATED**
ISSUE 106: Should the increase to Account 903, Customer Records and Collection Expenses, to reflect an increase in postage expense, be approved?

POSITION: Yes. The Company has appropriately projected Account 903 for their 2008 projected test year with the exception of any agreed upon adjustments. They have included $20,100 for postage increases with $6,030 allocated to the electric division.

ISSUE 107: What is the appropriate total amount, amortization period and test year expense for Rate Case Expense for the December 2008 projected test year?

FPUC: The Company has appropriately included rate case expense of $ 182,000 in the projected 2008 test year. All costs charged to the rate case are either directly related to the rate case and necessary or required as a result of the rate case. The Company efficiently utilized some additional internal audit services above the annual recurring amount to allow company employees the ability to perform rate case related work. The required scope of the work performed by Christensen Associates on our rate proceeding has expanded beyond what was required in the original fixed price proposal. Additional work was performed by the consultants on responses to our document requests, interrogatories, and for use with our rebuttal testimony and positions to issues. Accordingly, additional costs will be incurred and are most appropriate for recovery as rate case expenses. Finally, salaried individuals were required to work extensive overtime on work as a direct result of this rate proceeding over a long period of time. The hours worked were beyond those normally required for these individuals and their normal pay does not adequately compensate them for this level of work. This type of additional pay is very appropriate for salaried individuals, and has been allowed by the Commission in past proceedings for recovery as rate case expenses. The total rate case expense including the unamortized balance of the prior rate case expenses is $728,000. The amortization period is four years which is the expected duration of time between rate proceedings. Our last electric rate proceeding was four years earlier, with a projected test year of 2004. See Docket 030438-EI. (Martin)

OPC: The appropriate total amount of rate case expense for the current case is $522,000. The Company's requested total should be reduced by $100,000 which is comprised of several requests that were not appropriately included as rate case expense. First, the Company has a fixed-rate contract with Christensen Associates for $165,000 for rate case preparation. The Company requested an additional $45,000 for extraordinary costs over and above the fix contract amount which should be removed. Those costs are the responsibility of the Company since the rate case analysis was completed and filed timely. Next, the Company's request for $30,000 for work labeled internal audit work must be removed because it is not directly related to the rate case filing. Lastly, the Company's request for $25,000 for "Salaried Overtime Pay for Extraordinary Work Load" for salaried employees needs to be removed. Salaried employees are employed with the understanding that their work would not be limited to 40-hour work week and would be based on the requirements of the job. Unamortized prior rate case expense of $84,811 should be added to the current amount for a total of $606,811. The proper amortization period is four years and results in annual amortization expense of $152,000. This reduces the Company's requested annual amortization by $30,000.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

STIPULATED**
ISSUE 108: What is the appropriate period for the amortization of rate case expense?

POSITION: The appropriate period for the amortization of rate case expense is four years.

ISSUE 109: Should an adjustment be made to uncollectible expense in Account 904, Uncollectible Accounts, for the December 2008 projected test year?

FPUC: No, the Company has appropriately projected uncollectible expense in account 904 for the 2008 test year with the exception of any agreed upon adjustments. With the recent increases in both fuel and base revenue and the economic slow-down, the expected rate of bad debts will be increasing over historical years. We have appropriately accounted for both the rate of bad debts and the increase in the revenues to project our uncollectible expense. (Martin)

OPC: Yes. Account 904, Uncollectible Accounts for the December 2008 projected test year should be reduced by $145,485. The Company has overstated the bad debt expense. The Company calculated its write-off based on projected 2008 revenues exclusive of the rate increase impact of $144,563. The Company included $216,664 for Account 904, Uncollectible Accounts, which is an error. Second, FPUC has used a bad debt write-off percentage of 0.2340% for 2008 which has no validity. Applying a proper analysis of historical write-offs net of recoveries as a percentage of total revenues using the last five years yields a bad debt write off percentage of 0.11552%. When this factor is applied to the Company's projected revenues in the year 2008 less the rate increase of $61,786,961, produces a 2008 bad debt expense of $71,179.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

STIPULATED**
ISSUE 110: Should an adjustment be made to Pension Expense for the December 2008 projected test year?

POSITION: No adjustment is necessary. In response to Interrogatory No. 135, the utility explained how benefit allocations are done within multiple steps in the payroll journal entry. The reasons that amounts cannot be reconciled within the clearing accounts is that some benefit allocation credits the division expense accounts directly and do not pass through the clearing accounts.

ISSUE 111: Should the company's request for recovery of tree replacement costs be approved?

FPUC: Yes, the costs associated with tree replacement should be approved. Although there will not be any noticeable short term benefits, this cost of $31,050 will begin to reduce both the tree trimming costs and outages associated with storms on a long term basis. (Cutshaw)

OPC: No. The Company's request to spend $31,050 on an annual basis to dig out and replace trees on private property with low growing trees funded by ratepayers is unreasonable and unsupported. Ratepayers are responsible for planting and keeping trees away from power lines. The Company already has a program for tree trimming and line clearance that is supposed to keep trees away from the power lines. It is not the ratepayers' responsibility to fund the replacement of trees with low growth trees by FPUC. Therefore, $31,050 should be removed from expenses.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: No. FPUC's request to recover $31,050, $15,025 for each division will not have noticeable short term benefits to the ratepayers. There may not be any long term benefits either because individual ratepayers may not provide the needed water in times of dry weather to keep the young trees alive. Further, the individual ratepayers are responsible for planting the trees on their private property. Lastly, the utility has a tree trimming program in place to prevent outages that would reduce the need for low growing trees. Therefore, Account 593.2 should be reduced by $31,050 for the 2008 projected test year.

DROPPED
ISSUE 112: Should an adjustment be made to other distributions expense, account 5882 for the December 2008 projected test year?

ISSUE 113: Is FPUC's requested level of O&M Expense - Other in the amount of $10,081,391 for the December 2008 projected test year appropriate?

FPUC: Yes. The appropriate amount of O&M expense is $10,081,391, adjusted for any effects of agreed upon adjustments. The effect of these adjustments has not been calculated. (Martin, Bachman)

OPC: No. FPUC's requested O&M expenses should be decreased by $2,165,357 to reflect a total of $7,916,034. This issue is subject to the resolution of other issues.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: This is a fall-out issue subject to the resolution of other issues.

ISSUE 114: What adjustments, if any, should be made to the December 2008 projected test year depreciation expense to reflect the Commission's decisions regarding the depreciation study filed in Docket No. 070382-EI?

FPUC: Subject to the effects of any agreed upon adjustments contained within the FPSC audit findings, MFR filing corrections, and other issues, which are still under consideration, the depreciation portion of 2008 projected test year depreciation and amortization expense should be increased by $286,368. This depreciation adjustment reflects revised depreciation rates resulting from the FPUC 2007 depreciation study under Docket No. 070382-EI. (Mesite)

OPC: The depreciation expense should reflect the Commission's decision in Docket No. 070382-EI.

ATT: No position.

Embarq: No position.

FCTA: FCTA takes no position on this issue at this time. However, FCTA reserves the right to modify its position should it find it necessary to do so in order to protect its members' rights under current pole attachment agreements and Federal law.

STAFF: The depreciation expense should reflect the Commission's decision in Docket No. 070382-EI.

ISSUE 115: What is the appropriate amount of Depreciation Expense for the December 2008 projected test year?

FPUC: Depreciation expense shown in the MFR for the December 2008 projected test year was $3,418,847. This amount will be adjusted based on the rates approved in the Company Depreciation study, Docket No. 070382-EI, and any additional agreed upon adjustments. The adjustment due to the approved depreciation study is an increase to depreciation expense of $286,368. (Mesite)

OPC: No position at this time.

ATT: No position.

Embarq: No position.

FCTA: FCTA takes no position on this issue at this time. However, FCTA reserves the right to modify its position should it find it necessary to do so in order to protect its members' rights under current pole attachment agreements and Federal law.

STAFF: Staff has no position at this time.

ISSUE 116: Should an adjustment be made to Taxes Other Than Income Taxes for the December 2008 projected test year?

FPUC: No, unless adjustments should be made to Taxes Other Than Income Taxes for the effects of any agreed-upon adjustments. The effect of these adjustments has not been calculated. (Martin)

OPC: Yes. FICA payroll taxes should be reduced by $5,802 as addressed in the Issue related to the 2007 and 2008 projection and trending factors.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: This is a fall-out issue subject to the resolution of other issues.

ISSUE 117: Should an adjustment be made to Income Tax expense for the December 2008 projected test year?

FPUC: No, unless adjustments should be made to Income Taxes Expense for the effects of any agreed upon adjustments. The effect of these adjustments has not been calculated. (Martin)

OPC: Yes. The company's requested current income tax expense of ($1,360,960) should be increased by $923,492 to reflect an adjusted test year expense of ($437,468). Test year deferred income tax expense should be $581,498 and the investment tax credit-net expense should be ($27,935). This issue is subject to the resolution of other issues.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: This is a fall-out issue subject to the resolution of other issues.

ISSUE 118: Is FPUC's projected Net Operating Income in the amount of $206,341 for the December 2008 projected test year appropriate?

FPUC: Yes, unless adjustments should be made to Net Operating Income for the effects of any agreed upon adjustments. The effect of these adjustments has not been calculated. (Martin)

OPC: No. The appropriate test year net operating income before a revenue increase should be $1,577,105. This issue is subject to the resolution of other issues.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

REVENUE REQUIREMENTS

ISSUE 119: What is the appropriate net operating income multiplier for FPUC?

FPUC: The appropriate net operating income multiplier is 1.6077. (Martin, Cox)

OPC: The appropriate net operating income multiplier should be 1.6063. The Company's requested multiplier includes a 0.20% uncollectible expense factor. This factor should be reduced to reflect the historical average of 0.1152% for uncollectible accounts.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

ISSUE 120: Is FPUC's requested annual operating income increase of $5,249,895 for the December 2008 projected test year appropriate?

FPUC: The appropriate net operating increase is $5,249,895 for the projected test year 2008 with the effects of any agreed upon adjustments. The effect of these adjustments has not been calculated. (Martin, Cox, Mesite, Cutshaw, Bachman)

OPC: No. The appropriate annual revenue increase should be $1,898,502. This issue is subject to the resolution of other issues.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

COST OF SERVICE AND RATE DESIGN

Note: Stipulated issues marked with an asterisk (*) indicate that OPC, FCTA, AT&T and Embarq have taken no position on the issue. Stipulated issues marked with two asterisks (**) indicate that OPC joins in the stipulation on the issue, while FCTA, AT&T and Embarq have taken no position.

STIPULATED*
ISSUE 121: Are FPUC's estimated revenues from sales of electricity by rate class at present rates for the projected test year appropriate?

POSITION: The revenues from sales of electricity by rate class at present rates for the projected 2008 test year shall be adjusted upward by a total of $10,089. Specifically, revenues for the GS rate class shall be adjusted upward by $10,089 that results when the Non-profit Sports Fields Transitional Rate customers are billed under the correct rate. With that adjustment, FPUC has correctly calculated revenues from sales of electricity at present rates for the test year.

STIPULATED*
ISSUE 122: What is the appropriate cost of service methodology to be used in designing FPUC's rates?

POSITION: The appropriate cost of service methodology to be used in designing FPUC's rates is the fully allocated embedded cost of service study contained in MFR Schedule E-1, as adjusted for changes to rate base, revenues, expenses, and return approved by Commission.

STIPULATED*
ISSUE 123: If a revenue increase is granted, how should the increase be allocated to rate classes?

POSITION: The increase should be allocated to the rate classes in a manner that moves the class rate of return indices as close to parity as practicable based on the approved cost allocation methodology, subject to the following constraints: (1) no class should receive an increase greater than 1.5 times the system average percentage increase in total, and (2) No class should receive a decrease.

STIPULATED*
ISSUE 124: What are the appropriate customer charges?

POSITION: The appropriate customer charges shall be approved as follows:

Rate Schedule	Customer Charge
Residential Service	$12.00
General Service – Non-Demand	$18.00
General Service – Demand	$52.00
General Service – Large Demand	$100.00
General Service – Large Demand -1	$600.00

ISSUE 125: What are the appropriate demand charges?

FPUC: The appropriate demand charges should be approved using the factors determined in the cost of service study, adjusted for the effects of any agreed upon adjustments. (Cutshaw)

OPC: No position.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: This is a fall-out issue

ISSUE 126: What are the appropriate energy charges?

FPUC: The appropriate energy charges should be approved using the factors determined in the cost of service study, adjusted for the effects of any agreed upon adjustments. (Cutshaw)

OPC: No position.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: This is a fall-out issue.

STIPULATED*
ISSUE 127: What are the appropriate service charges?

POSITION: The appropriate service charges shall be approved as follows:

Type of Charge	Service Charge
Initial establishment of service	$53.00
Re-establish service or change existing account	$23.00
Temporary disconnect then reconnect	$33.00
Reconnect after rule violation (during normal hours)	$44.00
Reconnect after rule violation (after hours)	$95.00
Temporary Service connect and disconnect	$51.00
Installing and removing temporary service (overhead)	$200.00
Installing and removing temporary service (underground)	$170.00
Additional Temporary Service Pole	$200.00
Collection Charge	$14.00

The present charge for bills paid electronically shall be eliminated since customers who choose to pay by credit card will be assessed a transfer fee directly from the third party vendor.

STIPULATED*
ISSUE 128: What are the appropriate transformer ownership discounts?

POSITION: The appropriate primary transformer ownership discount for the GSD and GSLD rate classes shall be $0.55 per KW per month.

ISSUE 129: What are the appropriate Street and Outdoor Lighting rates?

FPUC: The appropriate street and outdoor lighting rates should be approved using the factors determined and shown in the cost of service study, adjusted for the effects of any agreed upon adjustments. (Cutshaw)

OPC: No position.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: This is a fall-out issue.

STIPULATED*
ISSUE 130: Should FPUC's Transitional Rate of non-profit sports fields be eliminated?

POSITION: FPUC's Transitional Rate for Non-Profit Sports Fields shall not be eliminated. Elimination of the transitional rate would constitute a burdensome rate increase for sports field customers. Both the customer and non-fuel energy charges for the transitional rate shall be increased by the same percentage revenue increase approved for the GS rate class.

STIPULATED*
ISSUE 131: What are the appropriate standby rates?

POSITION: The appropriate monthly Local Facilities Charges of the standby service rate are as follows:

$2.00 per kW for customers who have contracted for standby service of less than 500kW.

$0.53 per kW for customers who have contracted for standby service capacity of 500kW or greater.

STIPULATED*
ISSUE 132: What is the appropriate adjustment to account for the increase in unbilled revenues due to the recommended rate increase?

POSITION: The adjustment by rate class to account for the increase in unbilled revenues should be made by applying the methodology shown in MFR Schedule E-12 to the Commission-approved revenue increase.

STIPULATED*
ISSUE 133: What is the appropriate effective date for FPUC's new rates and charges?

POSITION: The revised rates shall become effective for meter readings on or after 30 days following the date of the Commission vote approving the rates and charges.

OTHER ISSUES

Note: Stipulated issues marked with an asterisk (*) indicate that OPC, FCTA, AT&T and Embarq have taken no position on the issue. Stipulated issues marked with two asterisks (**) indicate that OPC joins in the stipulation on the issue, while FCTA, AT&T and Embarq have taken no position.

ISSUE 134: Should any of the $790,784 interim rate increase granted by Order No. PSC-07-0897-PCO-EI be refunded to the ratepayers?

FPUC: No, the interim rate increase granted was appropriate and does not need to be refunded to ratepayers. (Martin)

OPC: No position at this time.

ATT: No position.

Embarq: No position.

FCTA: No position.

STAFF: Staff has no position at this time.

STIPULATED**
ISSUE 135: Should FPUC be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, earnings surveillance reports, and books and records which will be required as a result of the Commission's findings in this docket?

POSITION: Yes, FPUC should be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, earnings surveillance reports, and books and records which will be required as a result of the Commission's findings in this docket.

STIPULATED**
ISSUE 136: Should this docket be closed?

POSITION: Yes.

IX. EXHIBIT LIST

Witness	Proffered By	Exhibit	Description
Direct			
C. Martin, M. Khojasteh, and J. Mesite, Jr.	FPUC	CMM-1	Schedule C-1 (2008) Adjusted Jurisdictional Net Operating Income
C. Martin, M. Khojasteh, and J. Mesite, Jr.	FPUC	CMM-2	Schedule B-1 (2008) Adjusted Rate Base
C. Martin, M. Khojasteh, and J. Mesite, Jr.	FPUC	CMM-3	Schedule G-1 Interim Revenue Requirements Increase Requested
R. Camfield and D. Cox	FPUC	Appendix I	Present Value of Investment And Derivation of Constant Growth and Multi-Stage Discounted Cash Flow Model (DCF)
R. Camfield and D. Cox	FPUC	Appendix II	Derivation of Capital Asset Pricing Model
R. Camfield and D. Cox	FPUC	DC-RC-1	Overall Rate of Return Requirements
R. Camfield and D. Cox	FPUC	DC-RC-2	Cost of Common Equity and Equity Rate of Return Recommendation
R. Camfield and D. Cox	FPUC	DC-RC-3	Long Term Debt Cost Rate, 2008
R. Camfield and D. Cox	FPUC	DC-RC-4	Short Term Debt Cost Rate, 2008
R. Camfield and D. Cox	FPUC	DC-RC-5	Preferred Stock Cost Rate, 2008
R. Camfield and D. Cox	FPUC	DC-RC-6	CAPM Estimates of the Cost of Equity Capital: Mid-Sized Electric Utilities and Gas Utilities

Witness	Proffered By	Exhibit	Description
R. Camfield and D. Cox	FPUC	DC-RC-7	Discounted Cash Flow Estimates of Cost of Equity: Mid-Sized Electric Utilities and Gas Utilities
R. Camfield and D. Cox	FPUC	DC-RC-8	Risk Premium Analysis: Mid-Sized Electric Utilities and Gas Utilities
R. Camfield and D. Cox	FPUC	DC-RC-9	Average Returns per Annum Mid-Sized Electric Utilities and Gas Utilities
R. Camfield and D. Cox	FPUC	DC-RC-10	Selection Screen: Mid-Sized Electric Utilities and Gas Utilities
R. Camfield and D. Cox	FPUC	DC-RC-11	Historical Year-End Capital Structure
R. Camfield and D. Cox	FPUC	DC-RC-12	Financial Results Over Recent Years
P. M. Cutshaw and D. Myers	FPUC	Exhibit 1	Own-Price Elasticities of Demand for Electricity – Synthesis of Values Reported in the Literature
G. Bachman, R. Camfield, D. Cox, P. M. Cutshaw, M. Khojasteh, C. Martin, and J. Mesite	FPUC	Composite Exhibit	Minimum Filing Requirements Schedules B-1 through G-23
Hugh Larkin, Jr.	OPC	Appendix 1	Qualifications

Witness	Proffered By	Exhibit	Description
Hugh Larkin, Jr.	OPC	HL-1	Schedules A-1 Revenue Requirement A-2 Revenue Expansion Factor B-1 Adjusted Rate Base B-2 Working Capital B-3 Receivables - Working Capital B-4 Utility Accounts Receivable B-5 Uncollectibles B-6 Charges to Storm Reserve, 1989 - 2007 B-7 Plant in Service Adjustments C-1 Adjusted Net Operating Income C-2 Staff Audit Adjustments C-3 Revision to Company Projection Factors C-4 Uncollectible Expense C-5 Interest Synchronization Adjustment C-6 Income Tax Expense D-1 Overall Cost of Capital, per OPC
Hugh Larkin, Jr.	OPC	HL-2	OPC Interrogatory No. 1 Exhibit 50.1 – NE Division – Substation Maintenance 2008 to 2012
Dr. J. Randall Woolridge	OPC	Appendix A	Educational Background, Research, and Related Business Experience
Dr. J. Randall Woolridge	OPC	JRW-1	Recommended Rate of Return – Weighted Average Cost of Capital
Dr. J. Randall Woolridge	OPC	JRW-2	Interest Rates and Yield Spreads

Witness	Proffered By	Exhibit	Description
Dr. J. Randall Woolridge	OPC	JRW-3	Summary Financial and Risk Statistics for Proxy Groups
Dr. J. Randall Woolridge	OPC	JRW-4	Capital Structure Ratios
Dr. J. Randall Woolridge	OPC	JRW-5	The Relationship Between Estimated ROE and Market-to-Book Ratios
Dr. J. Randall Woolridge	OPC	JRW-6	Public Utility Capital Cost Indicators – Indicators of Public Utility Capital Cost Rates
Dr. J. Randall Woolridge	OPC	JRW-7	Industry Average Betas
Dr. J. Randall Woolridge	OPC	JRW-8	Three-Stage DCF Model
Dr. J. Randall Woolridge	OPC	JRW-9	DCF Study – DCF Results
Dr. J. Randall Woolridge	OPC	JRW-10	CAPM Study- CAPM Results
Dr. J. Randall Woolridge	OPC	JRW-11	Summary of FPU's Equity Cost Rate Approaches and Results
Dr. J. Randall Woolridge	OPC	JRW-12	Historic Equity Risk Premium Evaluation
Dr. J. Randall Woolridge	OPC	JRW-13	FPU's DCF Results
Dr. J. Randall Woolridge	OPC	JRW-14	FPU's CAPM Results
Dr. J. Randall Woolridge	OPC	JRW-15	FPU's RP Results
Dr. J. Randall Woolridge	OPC	JRW-16	FPU's RMR Results
Patricia W. Merchant	OPC	PWM-1	Résumé
Patricia W. Merchant	OPC	PWM-2	Transformer Plant Adjustment
Patricia W. Merchant	OPC	PWM-3	OPC POD Exhibit 72.2 Osmoses Estimate
Kirk Smith	ATT	KS-1	Process to Engage Third-Party Attachers

Witness	Proffered By	Exhibit	Description
Sandra A. Khazraee	Embarq	SAK-1	Embarq's Cost Estimate
Kathy L. Welch	Staff	KLW-1	History of Testimony Provided by Kathy L. Welch
Kathy L. Welch	Staff	KLW-2	Audit Report
Kathy L. Welch	Staff	KLW-3 (supplemental)	Company responses to Staff's 11th Interrogatories to FPUC
Rebuttal			
D. Cox	FPUC	DCR-1	Comparison of Recently Requested and Approved Return on Equity Rates
D. Cox	FPUC	DCR-2	Consolidated Electric Earnings Surveillance Report
D. Cox	FPUC	DCR-3	Consolidated Electric Rate of Return
D. Cox	FPUC	DCR-4	Consolidated Electric Rate Base
D. Cox	FPUC	DCR-5	Consolidated Electric Net Operating Income
P. M. Cutshaw	FPUC	MCR-1	Summary of Storm Hardening Activities
P. M. Cutshaw	FPUC	MCR-2	Pole Replace Cost Worksheet
P. M. Cutshaw	FPUC	MCR-3	69kV Line – Stepdown to JLT
P. M. Cutshaw	FPUC	MCR-4	Invoice for Replacement of 3 Wood Poles in 1998
P. M. Cutshaw	FPUC	MCR-5	Current Pricing on 82 foot poles that will be purchased in January 2008
P. M. Cutshaw	FPUC	MCR-6	Recent Bids for Installation of Concrete Poles

Witness	Proffered By	Exhibit	Description
P. M. Cutshaw	FPUC	MCR-7	Service Agreement for Network Integration Transmission Service with JEA
P. M. Cutshaw	FPUC	MCR-8	Substation Maintenance Plan
P. M. Cutshaw	FPUC	MCR-9	Substation Maintenance Costs
P. M. Cutshaw	FPUC	MCR-10	Summary of Training Program for Apprentice Lineman
P. M. Cutshaw	FPUC	MCR-11	Job advertisement and description for Engineer for Storm Hardening Position
P. M. Cutshaw	FPUC	MCR-12	Explanation of number of tree trimming crews and requirements
P. M. Cutshaw	FPUC	MCR-13 (supplemental)	Documents relating to Issues 16-18, and 20 of the Prehearing Order
M. Khojasteh	FPUC	MKR-1	Reg. § 240 of the Exchange Act
M. Khojasteh	FPUC	MKR-2	Purchased Power or fuel cost increase effect on the write off of bad debts
M. Khojasteh	FPUC	MKR-3	Computation of a four-year average write-off rate for the period 2003-2006
M. Khojasteh	FPUC	MKR-4	Bad Debt Rate Computation for the most current four year period ending 12/31/07
M. Khojasteh	FPUC	MKR-5	Revised Schedule C-7 to separate payroll from non-payroll
M. Khojasteh	FPUC	MKR-6	CIS Project Analyst Job Opening Notice

Witness	Proffered By	Exhibit	Description
C. Martin	FPUC	CMMR-1	Company Response to FPSC Audit Report dated Dec. 13, 2007
C. Martin	FPUC	CMMR-2	Comparison of Audit and What Was in FPUC Books
C. Martin	FPUC	CMMR-3	Company Additional Response to FPSC Audit Report
C. Martin	FPUC	CMMR-4	Notice of Job Opening for Compliance Accountant
C. Martin	FPUC	CMMR-5	Confidential – Minutes of Board of Directors Compensation Committee Meeting
C. Martin	FPUC	CMMR-6	Confidential – FPU Salary Survey 2007
C. Martin	FPUC	CMMR-7	Salary survey adjustment
C. Martin	FPUC	CMMR-8 (supplemental)	Documents relating to Issues 80 and 93 of the Prehearing Order
J. Mesite	FPUC	JMR-1	Information on the Auto and General Liability Claim Escrow Disbursement Bank Account
J. Mesite	FPUC	JMR-2	FPUC 2007 Accounts Receivable
J. Mesite	FPUC	JMR-3	Detail of Accounts 1650.2 and 1650.5
J. Mesite	FPUC	JMR-4 (supplemental)	Document relating to Issues 42-43, 53, and 114 of the Prehearing Order

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. PROPOSED STIPULATIONS

AT&T Florida, FPUC, Embarq Florida, Inc. and the Florida Cable Telecommunications Association have reached an agreement wherein these parties have committed that they will support the jointly developed terms and conditions contained in the Process to Engage Third-Party Attachers. A copy of the agreement was filed on January 29, 2008. OPC has indicated that it has no objection to the stipulation.

The parties have proposed stipulations on the following issues in the case: 1-9, 12, 14, 16-18, 25, 29-32, 35-37, 40-41, 44, 47, 49-52, 56, 64, 72-73, 79-80, 82-85, 87, 92, 94-95, 100, 103, 106, 108, 110, 121-124, 127, 128, 130-133, 135-136. Those proposed stipulations are identified in Section VIII of this Prehearing Order.

XI. PENDING MOTIONS

There are no pending motions.

XII. PENDING CONFIDENTIALITY MATTERS

There are no outstanding confidentiality matters.

XIII. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 80 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of this Prehearing Order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 80 words, it must be reduced to no more than 80 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, F.A.C., a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 40 pages and shall be filed at the same time. In light of the complexity of these consolidated cases, however, that page limit shall be increased to 80 pages.

XIV. RULINGS

Opening statements, if any, shall not exceed ten minutes per party.

At the prehearing conference several parties expressed concern that their interests might be adversely affected if they took positions on the issues before the hearing. In conformance with longstanding Commission practice and with the Orders Establishing Procedure issued in this case, the parties were required to take a position or no position, but with the understanding that if they were surprised and harmed by testimony or evidence at the hearing, they would have the opportunity to request leave to respond.

It is therefore,

ORDERED by Commissioner Nancy Argenziano, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Nancy Argenziano, as Prehearing Officer, this 25th day of February, 2008.

NANCY ARGENZIANO
Commissioner and Prehearing Officer

(S E A L)

MCB/KY/tfw

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.