


A PUBLICATION OF THE
Florida Public Service Commission

Consumer Assistance & Protection Report

For Fiscal Year
July 1998 - June 1999

 TELECOMMUNICATIONS

 ELECTRIC & GAS

 WATER & WASTEWATER

DOCUMENT NO. DATE

16887-99 12/30/1999
FPSC - COMMISSION CLERK

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A Message from the Chairman

The Florida Public Service Commission (PSC) regulates all investor-owned electric, natural gas, and telecommunications utilities in the state of Florida. We also regulate investor-owned water and wastewater companies in those Florida counties that have transferred jurisdiction to the PSC.

The PSC's consumer assistance role continues to expand, as consumers continue to rely on us for help in making informed decisions about their utility needs. This Consumer Assistance & Protection Report documents that expanding role, and demonstrates our strong commitment to ensuring that consumers have access to safe and reliable utility services at fair and reasonable rates.

A key purpose of the regulatory process is to ensure that the rights of consumers are protected. This is a responsibility the PSC takes seriously. In fiscal year 1998-99, Florida consumers contacted the PSC more than 62,000 times, leading to nearly 9,000 official inquiries of possible infractions on the parts of utilities. These inquiries in turn resulted in refunds to consumers of more than \$2 million, and fines and settlements levied against utilities in excess of \$4.7 million. Clearly, the PSC is an agency that exists to serve the needs of Florida's citizens.

Of all the regulated industries, telecommunications has provided the widest variety of challenges - owing in part to increased competition. "Slamming" -- changing a consumer's telephone service without permission -- and "cramming" -- adding charges for unauthorized programs, products or services to a consumer's phone bill -- are two fraudulent practices that have been particularly troublesome - resulting in 3,865 cases investigated and closed by the PSC over the past year. To safeguard consumers' rights, this agency approved the toughest rules in the nation to combat slamming. We also began the process of creating equally tough rules to combat cramming.

Another key telecommunications issue we dealt with involved area code exhaustion. We requested and have received permission from the Federal Communications Commission to implement area code number conservation measures.

In the electric industry, the PSC has worked to improve service to consumers by developing a standardized system for tracking service interruptions. This has prompted utilities to work harder to minimize the number of outages, and to respond more efficiently when outages do occur. The results are promising; from April 1 through June 30, 1999, for example, approximately 20 percent fewer service quality complaints were filed with the PSC compared to the same period in 1998.

In the water and wastewater industry, the PSC continues to emphasize public hearings as a way of allowing consumers to participate in cases affecting them. In fiscal year 1998-99, 19 rate cases were held around the state. In addition, the PSC saved approximately \$236,000 for customers of small water and wastewater utilities through our staff-assisted rate case (SARC) program for smaller utilities.

In a fast-moving and ever-changing utility market, the Public Service Commission's efforts on behalf of Florida's consumers are essential. I am pleased to be able to show you the results of our hard work in this Consumer Assistance & Protection Report.

Joe Garcia
Chairman

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I N T R O D U C T I O N

Under Florida law, the Florida Public Service Commission (Commission) regulates investor-owned electric, gas and telecommunications utilities throughout the state, and water and wastewater utilities in those counties that have opted to transfer such jurisdiction to the Commission. (See the map of jurisdictional counties on **page 79**.) In addition, the Commission has jurisdiction over municipally owned electric utilities and rural electric cooperatives with regard to rate structure, territorial boundaries, bulk power supply operations, planning, and safety; and over municipally owned gas utilities with regard to territorial boundaries and safety. Regulation by the Commission is a balancing act. This is evidenced by the mission statement of the Commission:

“To provide a regulatory environment that facilitates the efficient provision of desired utility services of acceptable quality at fair prices.”

The goals pursued in fulfilling this mission include providing an open, accessible and efficient regulatory process, ensuring fair rates, ensuring that customer needs are met in a cost-effective manner, encouraging competitive markets when they are beneficial to the customer, and facilitating the safe provision of utility services at levels of quality and reliability that satisfy customer needs. As these goals indicate, the consumers are an important focus of all aspects of this balancing process. Therefore, the Commission, in addition to considering consumer interests in the economic regulation of utilities, plays a role in consumer assistance activities by responding to technical consumer complaints, assuring a reliable quality of service and protecting the consumers through ongoing safety inspection programs. These efforts are further assisted by providing information and education to consumers, handling consumer inquiries and complaints and dealing with the public's concerns.

The Florida Public Service Commission is committed to providing assistance and protection to consumers of regulated utilities. Consumers may contact the Commission to file complaints or inquire about any regulated utility company via our toll-free telephone and fax numbers, 1-800-342-3552 and 1-800-511-0809, respectively; by mailing inquiries to 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850; or through our e-mail address, contact@psc.state.fl.us. The Commission's Internet home page (<http://www.floridapsc.com>) provides detailed information regarding the Commission, regulated utilities, docketed matters, and both live and archived audio of Commission meetings. Consumers are also able to file on-line complaints regarding their utility services via the Commission's home page.

This report identifies consumer assistance and protection activities for each industry. Specific issues of consumer interest addressed by the Commission during the fiscal year are discussed individually.



TELECOMMUNICATIONS

THE TELECOMMUNICATIONS INDUSTRY

The telecommunications industry is undergoing rapid change. Innovative technologies, changes in market structures, and changes in demand have all contributed to the industry transformation. Further, the Florida Legislature has opened the local telephone market to competition. All these factors have caused an increase in the number of companies offering service, and the number and types of service offerings in local markets. Where consumers once had to deal with just a local telephone company and a long distance carrier, they now also must deal with alternative local telephone companies, operator service providers, billing agents, equipment vendors, and private owners of public pay telephones.

With these additional service providers, and in some instances with the emergence of competition, the Commission serves an important role in resolving service quality issues and implementing policies that promote competition, universal service and technological advancement. Given this rapidly expanding base of service providers and services in the telecommunications industry, many consumers need additional information to protect their own interests and make informed decisions involving their options. Therefore, consumer assistance, education and complaint resolution continue to be major focuses of the Commission.

PROGRAMS and ACTIVITIES

Consumer Awareness and Education

The Commission's consumer education program has several operational goals, including: (1) disseminating consumer information about regulatory matters to the media; (2) establishing the Commission's presence and increasing its visibility as a consumer education agent; and (3) maintaining an outreach plan for FPSC hearings and workshops held across the state.

A significant portion of the Commission's recent consumer education efforts have involved the production of television and radio public service announcements. Through them, Florida consumers have been presented with information on current telecommunications issues such as slamming, choosing a long distance carrier, and knowing their rights regarding pay phones.

Another educational tool that is increasingly being utilized is the World Wide Web. The FPSC's Internet home page, located at <http://www.floridapsc.com>, has been expanded to supply consumers with greater amounts of information about the industries we regulate and about specific issues before the Commission. Press releases, current television public service announcements, and most FPSC publications are among the items that can be accessed there. Consumers are also able to file on-line complaints regarding their utility services via the home page. In addition, FPSC customer hearings are frequently accessible on-line as live audio broadcasts. (To access a hearing,

a consumer must have a computer equipped with a soundboard and speakers; the necessary helper application software may be downloaded from the FPSC's home page.)

The Commission's bimonthly newsletter, *From The PSC Agenda*, is published to highlight recent decisions and specific issues before the Commission. Telecommunications topics are among those that have been featured in the newsletter during the past fiscal year.

To assist Florida legislators whose constituents may be affected by a case before the FPSC, the Commission produces the *Legislative Bulletin*. The *Bulletin* is designed to provide a case background and to assist legislators in fielding inquiries from their constituents. One recent example was a request for a review of proposed numbering plan relief for the 941 area code, which was mailed to legislators from the affected region.

FPSC staff also attend customer hearings held in conjunction with telecommunications cases. For each such hearing, a *PSC Special Report* is prepared to give customers a factual, historical narrative on the case at hand.

The Commission has produced a number of brochures designed to help consumers become more knowledgeable about their rights and options as users of telecommunications services:

- ◆ *321 Liftoff! A New Area Code Is Coming to Florida* -- Provides consumers in the 407 area code of Central Florida with information about the 321 area code, which has been added in the region.
- ◆ *Custom Calling Features* -- Provides consumers with information on specific options designed to make better use of telephone service. Information on methods of billing for these services is included.
- ◆ *How to Avoid Being Slammed* -- Provides consumers with suggestions about how to avoid being slammed (an unauthorized switch of their phone service provider) and what to do if they are slammed.
- ◆ *How to Choose a Local Toll Company* -- Provides consumers with points to consider and key questions to ask when choosing a company to provide local toll service.
- ◆ *How to Choose a Long Distance Carrier* -- Provides consumers with points to consider in the selection of a long distance company. In addition, information regarding long distance service from pay phones and hotel/motel phones is included.

- ◆ *Lifeline Assistance Program & Link-Up Florida* -- Provides consumers with information about who is eligible and how to participate in these two assistance programs designed to ensure that all residents have access to telephone service in their homes. (Also available in Spanish.)
- ◆ *Prepaid Phone Cards* -- Provides consumers with information about prepaid phone cards, including buying, using, and problem resolution. (Also available in Spanish.)
- ◆ *Tips on Telephone Service* -- Provides consumers with information on service provided by their local telephone company, alternative local telephone companies and cellular companies. In addition, information is provided on the deregulation of local telephone service and the rules pertaining to pay telephones.
- ◆ *Understanding Area Codes and Why They Change* -- Explains to consumers how and why area codes change and how to prepare for a change when one occurs.
- ◆ *Where to Find Help in Florida* -- This booklet provides information to help consumers living on low or fixed incomes, or living with disabilities, find assistance in paying for basic utility services.
- ◆ *Your Rights and Responsibilities as a Telecommunications Customer in Florida* -- Provides consumers with information about their rights under Florida law as local telephone service moves into a competitive market.

In addition, a display unit is set up and brochures are distributed at some consumer events in which the Commission participates. At such events, Commission employees are available to provide additional information and answer questions from consumers.

FPSC and Florida Energy Office brochures are also distributed through the Commission's Library Outreach Program. The program's objective is to maintain a supply of FPSC brochures in every public library in Florida.

To inform the news media about the latest trends and changes in the industries we regulate, Commissioners participate in editorial board visits with major newspapers around the state. Commission staff also take part in television, radio, newspaper, and print media interviews.

Finally, the Commission publishes two annual statistical reports that provide telecommunications information to the public. *Statistics of Florida Telecommunications Companies* provides maps

and information on territories served, access line information and inter- and intracompany financial comparisons. *Comparative Cost Statistics* provides company-specific local service rates and intrastate long distance rates for local exchange companies and intrastate/interstate long distance rates for AT&T.

Service Evaluation Program

The Commission conducts field evaluations of telecommunications services provided by the local exchange, interexchange, and pay telephone companies. This program helps assure that customers continue to receive an acceptable level of service and that any service deficiencies are corrected in a timely manner. **Table A (page 5)** provides details of refunds, fines, and settlements attributable to the service evaluation program.

Local Telephone Companies

Local telephone companies evaluated during Fiscal Year 1998-99 include BellSouth, GTE Florida, Northeast and Sprint-Florida. The evaluation objectives for the local exchange companies were:

- ◆ to evaluate each company's performance in meeting the Commission's service standards;
- ◆ to review the company's control systems to ensure the accuracy of service quality data provided in periodic reports to the Commission; and
- ◆ to determine if previously identified service deficiencies were corrected.

More than 210,000 test calls were made to measure all companies' performances against more than 70 standards. Test calls were initiated by FPSC staff from 21 central offices of the companies being evaluated. Business office and repair records were reviewed in 17 exchanges. Approximately 2,555 subscriber loops were checked for transmission levels, noise, proper grounding and safety. Audits were performed on 2,333 repair reports to ensure service was restored within 24 hours, and that customer rebates were issued when service was not restored within the required time frame. In addition, 2,035 installation orders were audited to ensure that new service was installed within three days. Using special equipment available to the hearing- and speech-impaired, test calls were made to telephone company services and to 911 emergency systems to ensure that access is available to hearing- and speech-impaired persons. **Table B (pages 27 and 28)** provides the details by type of test calls made and the service level results, compared with the Commission's standards.

While most deficiencies discovered were resolved during the evaluation, companies failing to meet the Commission's standards were asked to specify what corrective action would be taken to comply with the applicable standards. Each company's response was reviewed to ensure proper corrective action had been taken. In addition, on a quarterly basis, the Commission reviews monthly service quality reports from each local exchange company to ensure that service quality standards are being met. (See the photo of a service evaluation team using dialing equipment for test calls on **page 26.**)

TABLE A

FINES AND SETTLEMENTS

SERVICE STANDARDS

Company	Docket	Refunds	Fines/Settlements*
Telaleasing Enterprises, Inc.	981798-TC		\$75,000
PhoneTel Technologies, Inc.	990241-TC		Pending
Triplex Telephone Communications, Inc.	990360-TC		Cancel Certificate
Hillsborough Communications Corp.	990361-TC		Cancel Certificate
Beuford B. Wentworth	990622-TC		\$800
A. CoinPhone Services, Inc.	990627-TC		\$400
Reliable Telephone Company	990629-TC		\$300
2001 Telecommunications, Inc.	990630-TC		Pending
ACI, Inc.	990663-TC		\$200
Communications Management Services	990664-TC		\$200
Lupton Industries	990735-TC		\$100
Hasan Akhtar	990736-TC		\$200
Commercial Telephone's, Inc.	990753-TC		Pending
ETS Payphones of Florida, Inc.	990754-TC		Pending
The Fone Connection of Tampa Bay	990755-TC		Pending
Syncom Communications	990756-TC		Pending
Landmark Communications Technologies	990757-TC		Pending
Ferob Corporation	990758-TC		Pending
Payphone Connection Inc.	990760-TC		Pending
Lizabeth Perez	990761-TC		Pending
Coin-Tel, Inc.	990762-TC		Pending
Southern Telecom, Inc.	990779-TC		Pending
Sky Shell, Inc.	990780-TC		Pending
SMBR, Inc.	990781-TC		Pending
Tel Call Communication, Inc.	990782-TC		Pending
The Train-Tel Company	990783-TC		Pending
First American Telecommunications Corp.	990797-TC		Pending
BellSouth Public Communications, Inc.	990798-TC		Pending
Florida Pay Phone Systems, Inc.	990818-TC		Pending
Orlando Payphones, Inc.	990819-TC		Pending
Sprint Payphone Services, Inc.	990820-TC		Pending
TSC Payphone Corp.	990821-TC		Pending

OVERCHARGES

Gulf Long Distance	990675-TI		Pending
Nationwide Comm. of Michigan, Inc.	971317-TP	\$6,769	\$2,750

*Fines and settlements are forwarded to the State of Florida General Revenue Fund.

Long Distance Companies

A total of 53 interexchange carriers (long distance companies, or IXCs) were evaluated. Long distance test calls were made to analyze the percentage of call completions (96,555 test calls), the quality of transmission (528 test calls), compliance with rules and tariffs with respect to toll timing and billing accuracy, and whether the calls were rated and billed correctly (8,547 1+ direct-dialed and 0+ Calling Card interLATA test calls, LATA = Local Access and Transport Area). Reports of the results were furnished to each provider evaluated. Where standards were not achieved, or the results were unsatisfactory, the company was asked to confirm the appropriate corrective action to be taken. A summary of these long distance company results is provided in **Table C (page 29)**. Staff also evaluated the prepaid calling cards of nine providers for compliance with rules and tariffs with respect to toll timing and billing accuracy and whether the calls were rated and billed correctly. Reports of the results were furnished to each provider evaluated. Where standards were not achieved, or the results were unsatisfactory, the company was asked to confirm the appropriate corrective action to be taken.

Pay Telephone Companies

Tests were made on 8,924 pay telephones to determine compliance with the Commission's rate cap, accessibility to the wheelchair-disabled, access to the caller's preferred long distance company, local directory availability, posting of required information notices, and other applicable rule requirements. More than 8,000 test calls to 43 county 911 systems were made to ensure that emergency calls were completed to the correct emergency response agency and that pay telephone address information was correct in the 911 system database. Providers were notified of violations and asked to confirm that corrective action would be taken. In addition, test calls were made to test the answer time of county 911 emergency systems. These results were provided to the respective county 911 coordinator and to the Florida Department of Management Services' Division of Communications for follow-up of identified problems.

Telecommunications Access System

The Telecommunications Access System Act (TASA) of 1991 requires the Commission to establish and administer a statewide telecommunications system for hearing- and speech-impaired persons. TASA was developed in responses to two needs. The first was the need for permanent funding for the distribution of specialized telecommunications equipment to people who are hearing- and speech-impaired (Telecommunication Devices for the Deaf, volume control telephones, etc.). The second was the need for a telecommunications relay system whereby the cost for access to basic telecommunications services for persons with a hearing- or speech-impairment would be no greater than the amount paid by other telecommunications customers.

The following tables provide the most current statistical summary of the status of the TASA Program. **Table E** indicates the number of pieces of equipment distributed each year since the TASA was passed. **Table F** indicates that 21,173 people received equipment in the fiscal year ending June 1998. **Table G** indicates that the budget was \$14.3 million for the fiscal year ending June 1998. *

TABLE E

EQUIPMENT DISTRIBUTION

	Total Items Distributed	Average Per Month
9/1/91 - 6/30/92	6,462	646
7/1/92 - 6/30/93	22,259	1,855
7/1/93 - 6/30/94	41,639	3,470
7/1/94 - 6/30/95	45,307	3,776
7/1/95 - 6/30/96	41,281	3,440
7/1/96 - 6/30/97	36,526	3,044
7/1/97 - 6/30/98	38,321	3,193

TABLE F

NEW RECIPIENTS OF EQUIPMENT AND TRAINING

(7/97 - 6/98)

Deaf	538
Hard of Hearing	20,480
Speech-Impaired	120
Dual Sensory Impaired	35
TOTAL	21,173

TABLE G

FINANCIAL REPORT

(7/97 - 6/98)

Relay Services	\$ 9.3 million
Equipment & Repairs	3.2 million
Equipment Distribution & Training	0.9 million
Outreach	0.2 million
General & Administrative	0.7 million
TOTAL	\$ 14.3 million

* Data for fiscal year 1998-99 will be available on November 1, 1999.

Florida Relay Service

Pursuant to the Telecommunications Access Systems Act of 1991, the Commission regularly measures the service quality provided to users of the Florida Relay Service for the hearing- and speech-impaired. Both voice to Telephone Device for the Hearing Impaired (TDD) and TDD to voice calls are initiated by staff engineers. Call completion, blocking and answer time are measured. The relay operators are also measured on how quickly feedback is provided to hearing-impaired callers to let them know the progress of calls. Details of these tests are included on **Table D (page 31)**.

Areas of Florida With Unique Telephone Problems

Dog Island

GTC, Inc. first provided telephone service to Dog Island, an unbridged island southeast of Carrabelle, in November 1995. The company provided cellular service that proved unsatisfactory, lacking in service quality and available services. In 1997, the company recommended replacing the cellular service with Spread Spectrum Radio (SSR) service. On October 2, 1997, the Commission ordered conditional approval of the company's recommendations. GTC, Inc. began SSR construction in March 1998 and completed construction on May 5, 1998. After final testing, GTC switched Dog Island customers to the SSR service on June 22, 1998. We evaluated the service provided to Dog Island subscribers on December 15, 1998. Our test results verified that GTC, Inc. is now providing satisfactory telephone service to island subscribers -- equal in quality and available services (voice, facsimile, and data) to its mainland Carrabelle customers.

Upper Captiva Island

Sprint-Florida, Inc. provided telephone service to Upper Captiva, an unbridged island just north of Captiva Island, via a submarine telephone cable. With service growth to more than 300 subscribers, Sprint's capacity to provide additional service was exhausted in November 1997. Much of the buried feeder cable on the island passes through state park lands and needs to be removed for maintenance and easement reasons. Recognizing the need to reinforce its feeder facilities, Sprint studied several relief solutions. In March 1997, Sprint's planners decided to construct Spread Spectrum Radio (SSR) facilities to the island.

After receiving a complaint from the Upper Captiva Civic Association, staff opened a docket in January 1998 to investigate Sprint's failure to provide additional service to the island. We learned that Sprint was unable to construct new feeder facilities due to unusual circumstances -- inability to remove submarine load coils, the aforementioned deteriorating buried cable, obsolete and unavailable analog carrier equipment, prohibitive fiber construction costs, easement revocations by both the state and the island's fire district, and significant resident opposition to the proposed tower height. Staff and Sprint then met with several civic associations in April 1998 and with

residents at an open forum in June of that year to seek cooperation to secure an easement for an SSR antenna. When attempts to secure an easement on state park lands and fire district property failed, Sprint acquired a private property easement in October 1998. It started construction immediately, completed the SSR installation during the second week of December, and satisfied all unfilled service requests on December 22, 1998. At year end, Sprint provided SSR service to 80 of the island's subscribers. Sprint then experienced several problems with the new system that required increasing the tower height from 60 to 80 feet, increasing the antenna size, and realigning the antenna. By March 31, 1999, Sprint corrected the problems and provided SSR service to all remaining island subscribers.

Other Consumer Protection Activities

Telephone Service to Inmate Families

Inmate pay telephone services are provided through collect calls at operator-assisted rates, which are one of the highest-cost methods for the person accepting the call. On February 1, 1999, operator-assisted rates were capped by Commission rule. A comprehensive review of all operator services providers' tariffs has been initiated, and service providers are regularly audited for compliance with the rule.

Telephone Service to the Traveling Public

To ensure compliance with §364.3376, Florida Statutes, which prescribes service criteria for the provision of operator services for long distance calls made through call aggregators such as hotels and motels, the Commission and the Department of Business & Professional Regulation (DBPR) cooperate to ensure that hotel and motel guests have access to their preferred long distance providers and that required notices are posted. DBPR includes test calls in their regular inspections of hotel/motel properties to ensure that guests are not blocked from using their preferred long distance provider. When apparent violations are found, the Commission pursues corrective action. In addition, the Commission makes its own spot checks for compliance with its rate cap for operator-assisted calls. During the year under report, the Commission tested 271 properties and followed up on 100 violations observed by DBPR inspectors.

ALEC-ILEC Switchover Problems

The Telecommunications Act of 1996 (Act) was enacted and Chapter 364 of the Florida Statutes was amended to ensure that consumers are provided with safe and reliable telecommunications services at fair prices by promoting meaningful facilities-based competition and implementing necessary (and eliminating unnecessary) regulation. In this regard, incumbent local exchange telecommunications companies (ILECs) are required to enter into agreements with requesting parties and to provide services to alternative local exchange telecommunications companies (ALECs) via interconnection (collocation); unbundled network elements (UNEs), including indi-

vidual and existing UNE combinations; and resale, with any one or a combination of such services. As of July 1, 1999, the Commission has approved 266 ALEC certificates, 886 negotiated agreements and 12 arbitrated agreements. Of the approved agreements, 14 are adoptions of previously approved agreements in their entirety. The number of certificates and agreements is on the rise. With this increase, the Commission staff concentrates on what is actually happening in the real-world local telecommunications markets and reports on the details of ALEC-ILEC switchover problems and how the Commission works toward solving them.

As of July 1999, the Commission has received eight "ALEC-ILEC switchover problem" complaints. The consumers involved allege that they have experienced inadequate service, e.g., no dial tone, outgoing but no incoming call capability, etc. This is of grave concern because it not only leaves consumers without telephone service but also creates a "no switch" mind-set that discourages rather than encourages competition in the local market. Staff handles these complaints by following switchover problem-solving procedures such as obtaining key information from the ALEC, ILEC and consumer involved, analyzing all of the evidence, and recommending that the Commission require the faulting company or companies to confirm the actions taken to ensure compliance with the agreement.

There is no doubt that the technical aspects associated with ALEC-ILEC switchovers are complex and that the processes and procedures to solve ALEC-ILEC switchover problems continue to evolve as new problems occur. The Commission also understands that ALEC-ILEC switchover problems sometimes occur for reasons beyond the company or companies' control. Further, the Commission insists that ALECs and ILECs work together to make all notifications regarding customer switchovers and all changes as required by their agreement so that the customer will not be adversely affected.

Safety

The Commission's Service Evaluation Program includes a review of local telephone company outside plant facilities and central offices to ensure that aerial and buried cable and auxiliary power equipment meet applicable safety codes. Engineers also randomly sample for proper grounding at the point where telephone network facilities are connected to homes. In addition, our pay telephone evaluation program includes a review of pay telephone wiring and of pay phone booths for compliance with safety codes. Unsafe conditions are immediately reported for prompt corrective action. (See the photo of an engineer testing a subscriber's line for proper grounding on [page 26](#).)

Consumer Inquiries and Complaint Resolution

The FPSC is committed to providing assistance and protection to consumers of regulated utilities. Consumers may contact the Commission to file complaints, or to inquire about any regulated utility company, via the toll-free telephone and fax numbers, 1-800-342-3552 and 1-800-511-0809, respectively; by mail at 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850; by e-mail at contact@psc.state.fl.us; or through the Internet at <http://www.floridapsc.com>. The Commission resolves consumer complaints through the following mechanisms:

- ◆ Investigating the facts and circumstances of the case with the customer and the company;
- ◆ Researching service provisioning issues and interpreting applicable statutes, rules, and tariffs;
- ◆ Specifying corrective action and ensuring compliance;
- ◆ Advising the consumer, and serving as facilitator where necessary.

The Commission logged in 8,047 inquiries relating to all facets of the telecommunications industry and the Commission closed 9,840, which resulted in refunds and savings to consumers of \$1,886,164.24 for fiscal year 1998-99. Of the 9,840 closed cases, 1,793 are attributed to cases opened in the previous fiscal year, but closed during fiscal year 1998-99.

Upon completion of an in-depth staff analysis, and upon closure, logged inquiries are classified as either an “apparent rule infraction” or an “apparent non-infraction.” If staff believes that a possible violation of the Florida Administrative Code, company tariff, or company policy occurred, the case is closed as an apparent infraction. However, if the consumer contact is regarding a request for information, a nonjurisdictional issue, a protest of Commission actions, or a protest about approved utility rates, the staff member closes the case as an apparent non-rule infraction.

Subscriber Complaints

The Commission’s Divisions of Auditing and Financial Analysis and Telecommunications have access to the Division of Consumer Affairs’ Consumer Activity Tracking System (CATS). Complaints typically handled by Telecommunications staff include those of a technical nature, involving two or more providers, installation delays, deficient service quality, the interpretation of tariffs or rules, and unusual billing issues. These complaints are logged into the CATS system and follow-up and closure is handled by telecommunications staff but the results, including refunds and credits, are reported by the Division of Consumer Affairs from their database.

Complaints and inquiries typically handled by Auditing and Financial Analysis staff include concerns about the base to which taxes and fees are applied on bills, the rates at which the taxes and fees are calculated, the authority to charge the tax or fee, the taxes and fees applicable to services

that are anticipated to be offered in Florida, tax and fee variations between companies and locations within Florida, the tax and fee forms required (their source, filing location, and due dates), comparisons of Florida's tax burden to that of other states, and the impact of potential competition on state and local revenues. Other inquiry areas include the depreciation practices of regulated versus non-regulated companies; the effect of competition on depreciation rates, cost of removal, salvage, and capitalization policies; the effect of potentially stranded investment on competition; and the effect of proposed legislation, rules, and regulations on both regulated operations and competitive operations.

Local Exchange Companies - Inquiry Activity

Table H (page 32) indicates that the Commission logged 1,695 inquiries for fiscal year 1998-99. The majority of these inquiries (680) addressed Florida Administrative Code rules with respect to local telephone company service or tariff filings.

BellSouth had the largest number of logged inquiries, with a total of 901, followed by Sprint-Florida, Inc. with 399, GTE with 357, and Alltel with 18. The remaining companies had a total of 20 logged inquiries.

Additionally, there were 259 inquiries closed as apparent infractions. The major infraction type against local exchange companies during the fiscal year was a "delay in connecting service," accounting for 113 infractions, or 44 percent of the total apparent rule infractions for the entire industry. **Table I (page 33)** indicates that these 259 apparent rule infractions resulted in an infraction percentage of 0.0234 per 1,000 access lines. On a per-company basis, BellSouth had the largest number of apparent rule infractions with 140, followed by GTE with 66, Sprint-Florida, Inc. with 49, Alltel with 3, and Frontier with 1.

As a result of staff's investigations, total savings to consumers was \$782,528.03 for the fiscal year.

Alternative Local Exchange Companies - Inquiry Activity

The total number of inquiries logged against alternative local exchange companies (ALECs) for fiscal year 1998-99 was 383. The total number of cases closed was 420, with 65 closed as apparent infractions, representing 15 percent of the total cases closed. The total savings to consumers was \$53,885.44. **Table J (page 34)** indicates there were 383 inquiries logged against 65 companies during the fiscal year. The Other Phone Company had the most cases logged with a total of 70. Telecom Plus had the most apparent rule infractions with 11, which represents 17 percent of the total apparent rule infractions for ALECs.

Long Distance Companies - Inquiry Activity

The total number of inquiries logged against long distance companies (also known as interexchange carriers or IXC's) for the fiscal year was 5,905. At this writing, there are over 600 certificated IXC's, of which the overwhelming majority are resellers, with 50 (according to information provided on their applications) being facilities-based carriers. **Table K (page 35)** shows the 11 companies with the highest number of logged inquiries. The five highest companies were MCI with 1,159, AT&T with 712, GTE with 346, Sprint with 296, and American Nortel with 258.

The Commission closed 7,489 logged inquiries, of which 2,063 were closed as apparent rule infractions. The companies with the largest number of apparent rule infractions were GTE and American Nortel with 199 each, MCI Telecommunications with 159, AT&T with 158, and Long Distance Charges with 154. Total savings to consumers as a result of these investigations was \$1,048,757.96.

Slamming - Inquiry Activity

"Slamming," when a consumer's telephone company is changed without authorization, has generated more complaints to the Commission than any other utility issue. **Table L (page 36)** shows the 10 long distance companies with the highest number of apparent slamming infractions. The total apparent slamming infractions for the industry was 1,502 -- accounting for 73 percent of the total apparent infractions involving the long distance industry for the fiscal year. The same chart shows that these 10 companies represented 69 percent, or 1,041, of the total apparent slamming infractions for the fiscal year. **Table M (page 37)** shows the number of apparent infractions in each county.

Pay Telephone Companies - Inquiry Activity

For fiscal year 1998-99, there were 64 logged inquiries against pay telephone companies. **Table N (page 38)** highlights the inquiry activity received by the Commission. The two companies with the highest number of logged inquiries were BellSouth Public Communications with 9 and The Other Phone Company with 5.

A total of 80 inquiries were closed in the fiscal year, of which 10 were closed as apparent rule infractions. The major infraction types were "failure to return coins" and "lack of proper signage" on pay phones. These two types of inquiries accounted for 11 percent of the total rule apparent infractions for the pay telephone industry.

Monitoring Federal Activities

An important activity in assisting the Commission to attain its goals and accomplish its mission is to ensure that the interests and concerns of the State of Florida and its consumers are considered in federal policy making. This is accomplished, in part, by providing comments and filing petitions on docketed matters before the Federal Communications Commission (FCC) and Federal Trade Commission (FTC). The following dockets were addressed by the Florida Public Service Commission in the fiscal year, and the Commission made the following comments to the FCC on these consumer-related topics:

Comments supporting the FCC's review of long distance slamming rules, CC Docket No. 94-129. The FCC sought input regarding its review of slamming policies, including more restrictive actions and extending its rules to local service. The Commission filed comments strongly supporting most of the FCC's actions in this area. The FCC has now issued its new slamming rules. However, the interexchange companies have challenged the rules and are currently in litigation on these.

Comments regarding a major modification of the FTC's proposed pay-per-call rules, FTC File No. R611016, and participation in the FTC's workshop on May 19-21, 1999. The FTC sought comment regarding general questions and questions on proposed specific changes. The FTC had incorporated the following Commission suggestions submitted in response to the FTC's request for comment in 1997:

- ◆ Expand the definition of pay-per-call to include the many forms of access used by the industry.
- ◆ Require the information provider to be responsible for obtaining the authorization for its charges.
- ◆ Prohibit entities from misleading consumers that they are legally bound to pay for any unregulated pay-per-call charges, even if the charges were not authorized.
- ◆ Prohibit entities from "rebilling" charges previously removed or from threatening or reporting negative credit ratings for such previously removed charges until charges are validated.

The Commission endorsed the FTC's modifications to the proposed rule in 1999 and made the following suggestions:

- ◆ Consider increasing the time a consumer must notify a billing entity of a billing error from 60 days to 12 months.
- ◆ Consider prohibiting vendors from accessing beepers and pagers to solicit calls to a pay-per-call service.
- ◆ Consider allowing the market place to determine pay-per-call billing increments rather than codifying billing increments, but require full disclosure.
- ◆ Consider defining and requiring service standards for companies for responding to consumer complaints.

Because billing for unauthorized services continues to be a major source of complaints, the Commission believed these suggestions would provide additional safeguards to consumers. This matter is still pending at the FTC. (Incidentally, the FPSC was selected to participate in a 15-person roundtable discussion at the FTC on these issues. The FPSC was the only state commission selected to participate in this session.)

FCC docket on truth-in-billing. The FPSC filed extensive comments in this docket. Consumers are fed up with charges appearing on their bills without there being sufficient explanation of what the charges are. The FPSC urged the FCC to require carriers to use standardized labeling of the charges, so that consumers may at least compare the different amounts charged by companies. These charges are federally authorized charges, and the FPSC is urging the FCC to label them in that manner. The FPSC also urged the FCC to implement a consumer awareness program; the FCC, not states, should be the messenger of the charges the FCC authorizes. State resources should not have to be used to explain or justify an FCC decision.

Comments on slamming rules and area codes (numbering) made to the FCC on numerous dockets. The FPSC has sent letters to Congress regarding federal anti-slamming legislation and the need for area code legislation mandating that the FCC delegate authority to state commissions to implement numbering conservation. Consumers are experiencing great problems because of the inefficient allocation of numbering resources.

Also, recognizing that Florida is experiencing a dire numbering (area code) problem, the FPSC filed a petition with the FCC in April 1999, asking for a delegation of authority to implement numbering conservation measures. The inefficient allocation of numbering resources under the existing FCC program is leading to more frequent changes of area codes than may actually be needed.

In addition, PSC staff is monitoring HR 2670, directing the FCC to implement a final plan for the "efficient allocation" of phone numbers to ensure number portability and to curb area code exhaustion.

Staff is also monitoring a possible amendment to HR 2670 that would suspend the FCC's accounting and cost allocation manual rules for one year, during which stranded investment requirements would apply.

The FCC's proposed rulemaking, CC Docket No. 99-253, to conduct a comprehensive review of its accounting and reporting requirements rules, is being monitored by staff.

Continuing Surveillance

The Commission has developed an earnings surveillance report (ESR) program designed to monitor the earnings of rate-base-regulated companies. The ESR program involves review of the companies' seminannual ESRs and monthly financial statements. Through its monitoring, FPSC staff can better anticipate changes in companies' earnings. Projecting how a company is expected to perform helps the Commission to better regulate and protect Florida's ratepayers against company over earnings.

As a result of this program, BellSouth's earnings review during 1998 produced refunds to their customers of \$40 million. Earnings reviews for Alltel and Northeast resulted in no refunds.

Other Reviews and Reports

During the fiscal year, the Commission published technical reviews and reports dealing with subject matters that affect consumers, including:

A Review of BellSouth's OSS Operations -- Under the 1996 Telecom Act, monopoly local exchange companies such as BellSouth are required to allow access by competitors to their network and underlying operations support systems (OSS). The aim is to promote growth in local competition, providing more consumers with a choice of local service companies. In exchange, the incumbent LECs will be allowed to enter the interLATA long distance market. The act requires the FPSC to advise the FCC on whether BellSouth has complied with this requirement. During 1998-99, FPSC staff monitored improvements made to BellSouth's systems, as well as remaining problems experienced by competitive local exchange carriers (CLECs) using these systems. Currently the FPSC is developing a test plan for independent third-party testing of whether BellSouth provides CLECs with operations support systems on par with those it uses itself. If approved, the testing could begin in late 1999, and continue into 2000.

A Review of MCI's PIC Change Process -- Unauthorized PIC changes (slamming) have been an ongoing concern being addressed by the FPSC. As part of a settlement agreement between MCI and the FPSC, an audit was conducted to determine MCI's policies, procedures, and internal controls designed to protect consumers from unauthorized PIC changes. In addition, the audit scope included determination of MCI's compliance with FPSC rules and the settlement agreement.

A Review of Northeast Telephone Company, Inc. Regulated and Non-regulated Services -- As companies diversify, regulated and non-regulated services need to be appropriately allocated between the two types of services. An audit was performed to ensure that the appropriate separations were made, thereby avoiding any possibility of regulated customers subsidizing non-regulated customers.

A Review of Minimum Rate Pricing PIC Change Process -- As part of a settlement of a show cause action triggered by slamming complaints, the FPSC ordered Minimum Rate Pricing, Inc. to suspend telemarketing in Florida until July 8, 1999. The Commission also ordered an operational audit of the company's procedures and controls surrounding sales and PIC changes. The audit will address the company's transactions with affiliates, including transfers of customers. Completion of this audit is anticipated by September 1999.

Access by Telecommunications Companies to Customers in Multitenant Environments -- At the Legislature's direction, the FPSC considered recommendations on access to customers in multitenant environments (MTEs), the promotion of a competitive telecommunications market to end users, consistency with any applicable federal requirements, landlord property rights, rights of tenants, and other issues relevant to MTEs. A central theme to the study was negotiated access based on the premise of reasonable, nondiscriminatory, and technologically neutral access to MTEs.

The Affordability of Residential Local Telephone Service in Florida -- This publication reports the results of a Residential Local Telephone Service Affordability Survey performed in conjunction with the University of Florida. It provides survey results related to the demand for telephone service, its impact on the demand for other household goods and services, the relative importance of local telephone service versus other household services, and the relative importance of local telephone service in consideration of its price.

A Study to Estimate the Amount of Support Necessary to Provide Residential Basic Local Telecommunications Service to Low-Income Customers -- In response to a legislative mandate, this report provides staff's calculation of Florida's low-income support requirements for lifeline rates associated with basic residential local telecommunications services.

Review of Electric Customers' Property Damage Claims -- The review was a follow-up to the Commission's 1997 report *Review of Electric Service Quality and Reliability*. This review examined the four Florida investor-owned electric utilities' practices and procedures for handling customer property damage claims. Specifically, the report examined samples of both paid and denied customer claims from four income levels, and determined that no pattern of discrimination existed. The report also documented several changes to damage claims handling by the companies that occurred since the 1997 service quality review. The review noted a possible need to revise the tariffs excluding utility liability for failure to provide continuous electric service, and a need for additional customer education and outreach by the companies regarding the process of filing a damage claim.

IP Telephony (Internet Protocol Telephony) -- As consumers begin to use the Internet for telecommunications services, there may be implications for regulators and therefore consumers. This report provides a basic understanding of the technological fundamentals of IP telephony and how it differs from conventional telephony. Understanding the IP technologies is imperative in resolving future issues that might affect the consumer.

The Status of Local Telecommunications Competition Throughout the United States -- The primary scope of this report is to present comparative data on the status of local telecommunications competition throughout the United States. It is important to try and develop useful data that can help regulators determine if customers are truly receiving the benefits of effective competition. This paper takes a first step and looking at data that might be helpful in determining if the consumer has choice and therefore the possibility of receiving any benefits of effective competition.

Composition of the Board of Directors of Selected Regulated Utilities -- This report provides handy information on the membership of boards of directors of nine of the largest local exchange and electric companies in the state of Florida. The report also includes information on the membership of the parent companies' board of directors.

I S S U E S

Slamming

Consumers have the right to choose their primary long distance, local toll, and local telephone companies, and to change companies whenever they wish. Sometimes a consumer's company is changed without the consumer's knowledge or consent. This is known as "slamming." Slamming deprives consumers of their right to make choices. A slammed consumer may lose important service features, get a different quality of service or be charged higher rates for calls and services. When a consumer is slammed, the Commission ensures that he or she is not charged for the switch from, or back to, his or her preferred company. Additionally, the company that switched a consumer's service without permission must provide full credit for all 1+ charges billed for the first 30 days or first billing cycle, whichever is longer. After the first 30 days and up to 12 months, all 1+ charges over the rates of the preferred company must be credited to the customer by the company responsible for the unauthorized switch.

In December 1998, the Commission adopted amendments to its slamming rules. The rules apply to alternative local exchange, local exchange, and interexchange companies.

Table O highlights the enforcement docketed and associated penalties and settlements related to slamming.

TABLE O

SLAMMING

Company Name	Docket No.	Penalty	Settlement *
Minimum Rate Pricing	971482-TI		\$100,000
Preferred Carrier Services	971485-TI		\$ 50,000
LCI International	971487-TI		\$110,000
Home Owners Long Distance	971489-TI		\$ 90,000
Excel Telecommunications	971490-TI		\$ 68,000
AT&T	971492-TI		\$300,000
All American	971493-TI	Canceled Cert.	
Amer-I-Net	980165-TI	Canceled Cert.	
Least Cost Routing	980897-TI		\$ 70,000
Corporate Services Telcom	980950-TI		\$ 20,000
American Nortel Communications	981247-TI	\$160,000**	
USA Tele Corp.	981643-TP		\$ 12,000
Value Tel	981869-TI		\$ 500
GTE Communications Corp.	990362-TI	Pending	
CommEx	990497-TI	Canceled Cert.	
Access One Communications	981867-TX		\$ 7,500

* Fines and settlements are forwarded to the State of Florida General Revenue Fund.

** Proposed penalty.

Lifeline Assistance Program

Because of the benefits of having a telephone in every household, the federal government and most state governments (including Florida's) have tried to encourage subscribership by offering credits to qualifying low-income consumers. Consumers who receive assistance through programs funded by Temporary Aid to Needy Families (TANF), which includes such programs as Temporary Cash Assistance (also called WAGES); Supplemental Security Income (SSI); Food Stamps; Federal Public Housing Assistance (Section 8); Low-Income Home Energy Assistance Program (LIHEAP), or Medicaid are eligible for the Florida Lifeline Assistance Program. Despite the availability of this program, there is concern that the telephone subscription rate for low-income consumers is still significantly lower than the norm for the general population. The num-

ber of Lifeline subscribers as a percentage of total Florida residential customers is also low. As of June 30, 1999, the percentages range from zero to 2.36 percent (depending on the local telephone company), with a statewide average of 1.70 percent.

On January 1, 1998, a new federal Lifeline program went into effect containing the following elements:

- ◆ Subscribers may receive a waiver of the \$3.50 Subscriber Line Charge (SLC), regardless of state participation.
- ◆ An additional \$1.75 rate reduction is available with state approval. No state matching is required.
- ◆ A further \$1.75, for a total of \$7.00 in federal support, requires 2-for-1 state matching. In other words, the state must provide funding of \$3.50 for subscribers to receive the final \$1.75 in federal support.
- ◆ As of April 1, 1998, each Lifeline subscriber in Florida receives up to \$10.50 in support.

In 1998, Chapter 98-277, Laws of Florida, dealing with telecommunications, became effective. A provision was included to require each LEC to offer basic service at a 30 percent discount for one year to former Lifeline customers. LECs have filed tariffs to implement this additional element.

Implementation of New Florida Area Codes

In addition to population growth and increased telecommunications competition, consumer demand for services such as pagers, cellular telephones, fax machines and computers has hastened the need for additional telephone numbering resources in the state of Florida. Prior to 1989, there were only four area codes in Florida -- and now there are thirteen. Currently, there are four area codes in need of relief. The Commission has played an active role in planning for these necessary changes and cushioning the impact on consumers. (See the Area Code map on page 39.)

The Commission has responded to numerous inquiries from callers having difficulty dialing a new area code or regarding the implementation of a new area code. In each case, the caller was provided the appropriate information or determination was made as to the problem and corrective action, if necessary. The Commission has also placed several public service announcements in the statewide media to inform consumers about the locations, time frames, and necessary preparations for the area code changes.

Prepaid Telephone Cards

Prepaid telephone cards allow consumers to purchase telephone service in advance of actually making calls. They are usually sold at retail outlet stores in varied denominations and look like credit cards.

Because of complaints about prepaid calling services, the Commission required that certain disclosures be made prior to the purchase of the service as part of the adopted rules. These disclosures ensure that the consumer can make an educated decision prior to making the purchase.

Highlights of the rules are as follows.

Print on the card:

1. Name of provider
2. Customer service phone number
3. Access number and PIN

Display at point of sale:

1. Maximum charge per minute
2. Surcharges
3. Expiration policy

Provide through customer service number:

1. Certificate number
2. Rates and surcharges
3. Balance of account
4. Expiration date

The rules also require that the customer service number be answered.

Table P highlights the enforcement docket and associated fines and settlements.

T A B L E P

PREPAID CALLING SERVICES

Company Name	Docket No.	Refunds	Fines/Settlement *
Total National Telecom	980739-TI	\$ 1,500	Canceled Certificate
Cedant Membership	980675-TI	Pending	\$ 38,064.98

**Fines and settlements are forwarded to the State of Florida General Revenue Fund.*

Cramming

Cramming occurs when charges for telephone services are added, or "crammed," onto local telephone bills without the consumers' knowledge or consent. Cramming includes unauthorized pay-per-call charges, including entertainment charges masqueraded as international toll charges, and charges for voice mail, toll-free 800 numbers and calling card services that are generally marketed through sweepstakes or other promotions. In fiscal year 1998-99, the Commission was contacted by 2,532 telephone subscribers about cramming problems. The Commission continues to actively pursue enforcement action related to cramming. **Table Q** highlights the enforcement dockets and associated fines and settlements related to cramming.

TABLE Q

CRAMMING

Company Name	Docket No.	Fine	Settlement*
Accutel Communications	981488-TI	\$1,710,000**	
Telecommunications Service Center	980605-TI		\$1,580
Valu-Tel & Public Communications	980606-TI		\$5,000
Colorado River Communications	981868-TI	\$ 12,500**	

* Fines and settlements are forwarded to the State of Florida General Revenue Fund.

** Proposed fines

In 1995, 1997, and again in 1998, the Commission urged the FCC and the FTC to adopt additional consumer safeguards. Through June 1999, the FCC has adopted truth-in-billing rules intended to reduce telecommunications fraud. The FCC's rule requires companies to provide additional billing information to aid customers in understanding their telecommunications bills.

In response to comments filed in 1997 by the Commission, the FTC proposed major changes to its existing 900-number rule and renamed it "pay-per-call." The rule was renamed because unauthorized charges on consumers bills went well beyond the scope of 900-type calls. Based on its proactive response to the FTC, the Commission was invited to a three-day workshop, held May 19-21, 1999, in Washington, D.C. As currently proposed, the FTC's pay-per-call rule would require all service providers to obtain valid authorization from a consumer before their charges could be billed on the consumer's telephone bill. The Commission anticipates that the FTC's proposed pay-per-call rule will be adopted during the fourth quarter of 1999.

The Commission staff continues to assist consumers in obtaining credits and refunds for unauthorized charges. Pursuant to Section 364.27, Florida Statutes, the Commission continues to investigate apparent violations of the Trade Regulation Rule pursuant to the Telephone Disclosure and Dispute Resolution Act (TDDRA) of 1992, and the FCC's requirements with respect to pay-per-call services.

Examples of some of these deceptive or fraudulent pay-per-call arrangements to which consumers are susceptible include:

Collect call-backs

A consumer may dial an advertised number and be given the option of requesting a return call to receive the advertised information. If the call is returned, the consumer will be billed for a collect call.

Instant calling cards

A consumer may dial an advertised number and be offered a calling card, which may be used immediately to access the advertised information. The calling card is a numerical code -- sometimes based on the telephone number of the consumer placing the call -- that is used to bill the charges for the call to the information service.

International information services

Advertisements may promote services that involve calls to international telephone numbers. Most international dialing sequences begin with the prefix 011. However, some international numbers look like ordinary ten-digit domestic numbers. For example, the Commission and the FCC have received complaints about information services located in the Caribbean that used the 809 area code assigned to that region. In addition, many consumers have reported instances in which 800 numbers have been used to initiate international calls to information services. Callers to toll-free numbers may be instructed to enter a particular series of digits in order to hear the advertised information. However, these callers may not be aware that by entering the digits, they are completing a long distance telephone call -- often to a foreign location.

In these schemes, callers are not charged for their use of an information service. However, callers are assessed long distance or international toll charges to cover transmission of their calls to the free information service. These types of service arrangements rely on cooperation between a telephone company and an information provider or information services advertiser. The telephone company shares the money collected for its toll charges with the information provider or advertiser. In some instances, U.S. telephone companies may be knowingly involved, and the FCC can take action. In other cases, the domestic telephone company may be an unwitting victim

of an arrangement between an information provider and a foreign entity that is not subject to U.S. law.

In anticipation of the adoption of proposed FTC rules in the third quarter of 1999, FPSC staff has been developing draft rules to address cramming. Pursuant to §364.604, Florida Statutes, rulemaking is expected to begin in the third quarter of 1999.

To assist consumers in determining if the charges to their bills are correct and how to reach their phone service provider, the Commission has opened Docket No. 990994, Proposed Amendments to Rule 25-4.110, Florida Administrative Code, Customer Billing for Local Exchange Telecommunications Companies.

Other draft rules being considered include answer time standards requiring that providers are accessible to customers; third-party verification to verify that services have been authorized by the customer; records retention requirements; and a consumer billing block option limited to exclusion of non-regulated, non-telecommunications products or services.

Pay Phones and Public Safety

There are approximately 1,000 pay phone providers in Florida and more than 112,000 pay phones. The Commission has been investigating the quality of service of pay phones and the issue of public safety. Commission staff has randomly tested many of the state's pay phones for compliance with state rules governing their operation. Pay phones have been tested in the field for compliance with rules regarding accuracy in billing, equal access to appropriate long distance carriers, ease of wheelchair access for individuals with disabilities and accuracy of address location for 911 emergencies.

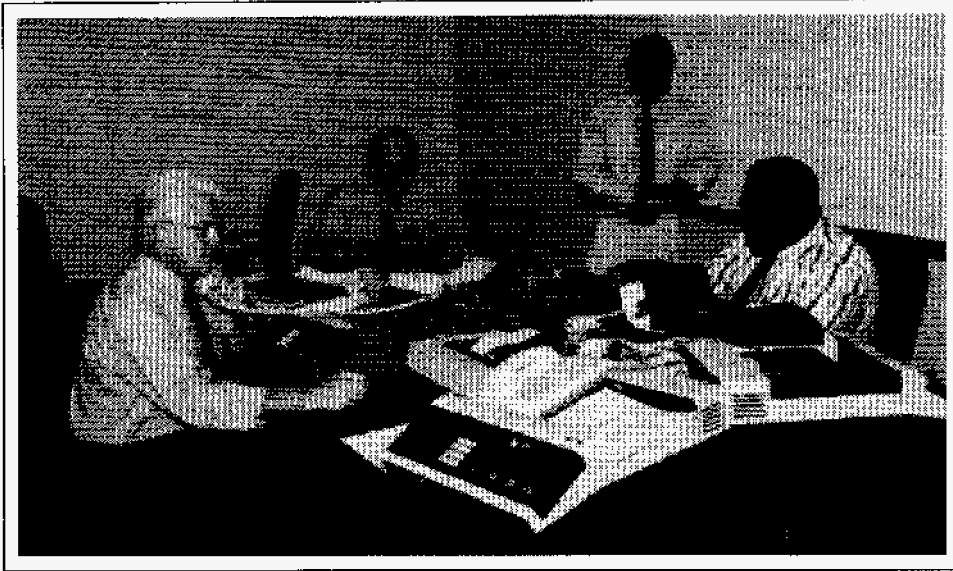
On May 20, 1999, the Commission conducted a Pay Phone and Public Safety Workshop in Miami. The purpose of the workshop was to allow consumers, businesses and organizations the opportunity to share their experiences and other pertinent information concerning pay phones and public safety.

Several municipalities have expressed concern about pay phones in the public rights-of-way and have considered passing ordinances banning pay phones from public rights-of-way or requiring businesses to place them indoors. Representatives from municipalities cited several examples of pay phones that were either inoperative or generally in a state of uncleanness.

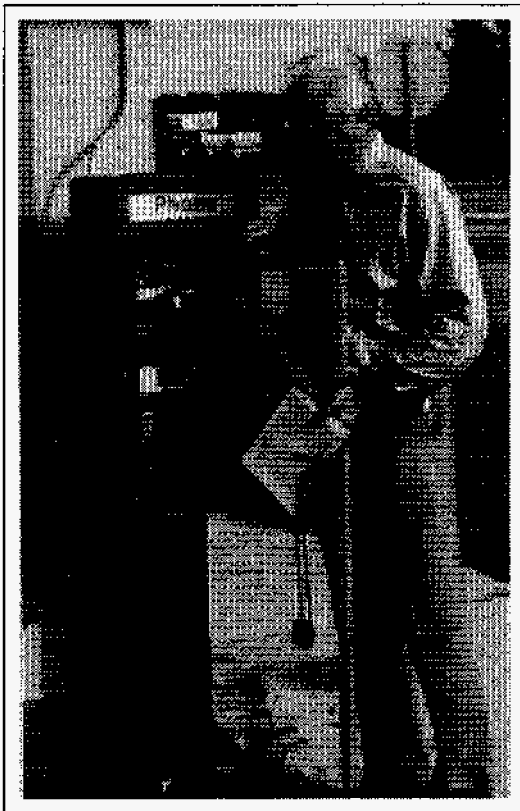
Another concern of municipalities is the placement of pay phones in residential neighborhoods and the potential harm that may result due to criminal activity such as drug sales. State and local law enforcement agencies are increasingly requesting the Commission's assistance to deter criminal use of pay telephones. Law enforcement officers contend they are not able to enforce anti-loitering codes when individuals claim to be waiting for a telephone call at pay telephone locations. In fiscal year 1998-99, the Commission granted 152 waivers to block inbound telephone calls to pay telephones, specified by law enforcement. A notice that the instrument will not receive inbound calls at the request of law enforcement must be clearly posted. These waivers are monitored to ensure that tourists and Floridians who do not have basic telephone service are not adversely affected by telephones with restricted calling.

The Commission has trained several municipal employees in Fort Lauderdale for the purpose of conducting pay phone inspections. While only the Commission has jurisdiction over pay phone service standards, Commission staff will process the municipal employees' inspection reports to notify pay phone providers of deficiencies.

Field Evaluations of Telecommunications Services



▲ A service evaluation team uses dialing equipment for test calls.



An engineer measures a pay phone for wheelchair access.



▲ An engineer tests a subscriber's line for proper grounding.

T A B L E B

**Local Exchange Company Service Evaluation
1998-99**

Tests Made

Criterion	WEIGHTED INDEX				
	FPSC Standard	BellSouth	GTE	Northeast	Sprint
Call Completions					
Intraoffice	95.0	100.0	99.9	100.0	100.0
Interoffice	95.0	99.8	100.0	100.0	100.0
EAS	95.0	99.0	99.9	N/E	98.8
Intra-LATA DDD	95.0	99.1	100.0	100.0	100.0
Incorrectly Dialed Calls	95.0	100.0	100.0	100.0	100.0
911 Service	100.0	100.0	100.0	100.0	100.0
Transmission					
Dial Tone Level	100.0	100.0	100.0	100.0	100.0
Central Office Lo	100.0	100.0	100.0	100.0	100.0
M.W. Frequency	100.0	100.0	100.0	100.0	100.0
Central Office Noise-Metal	100.0	100.0	100.0	100.0	100.0
Central Office Noise-Impulse	100.0	100.0	100.0	100.0	100.0
Subscriber Loops	98.0	98.9	98.3	98.0	99.4
Power and Generators	100.0	100.0	100.0	100.0	100.0
Test Numbers	100.0	100.0	100.0	100.0	100.0
Central Office					
Scheduled Routine Program	95.0	100.0	100.0	100.0	100.0
Frame	95.0	100.0	100.0	100.0	100.0
Facilities	95.0	100.0	100.0	100.0	100.0
Answer Time					
Operator	90.0	95.9	94.6	92.0	99.4
Directory Assistance	90.0	99.1	97.5	99.3	100.0
Repair Service	95.0	96.0	92.0	100.0	94.2
Business Office	85.0	98.0	89.7	52.6	77.0
Adequacy of Directories and Directory Assistance					
Directory Service	100.0	95.7	100.0	100.0	100.0
New Numbers	100.0	94.7	95.7	98.3	100.0
Numbers in Director	99.0	95.3	98.7	97.0	100.0
Adequacy of Intercept Services					
Changed Numbers	90.0	90.9	100.0	100.0	100.0
Disconnected Number	80.0	98.5	100.0	100.0	100.0
Vacation Disconnect	80.0	N/E	100.0	N/E	100.0
Vacant Numbers	80.0	100.0	100.0	100.0	100.0
Disconnect Non-P	100.0	93.2	100.0	100.0	100.0
Toll Timing and Billing Accuracy					
INTRALATA Billing	97.0	98.7	100.0	100.0	100.0
Directory Assistance Billing	97.0	97.6	100.0	100.0	98.0

N/E Not Evaluated or No Data

Continued on next page

TABLE B

**Local Exchange Company Service Evaluation
1998-99**

Tests Made

(Continued)

Criterion	WEIGHTED INDEX				
	FPSC Standard	BellSouth	GTE	Northeast	Sprint
PUBLIC TELEPHONE SERVICE					
SERVICEABILITY	100.0	97.4	100.0	100.0	94.3
HANDICAPPED ACCESS	100.0	99.3	100.0	87.5	93.1
GLASS	95.0	99.0	100.0	100.0	100.0
ENCLOSURE	95.0	100.0	N/E	N/E	N/E
WIRING	95.0	99.7	99.1	100.0	100.0
CLEANLINESS	95.0	96.7	99.1	100.0	87.5
LIGHTS	100.0	93.1	98.8	100.0	100.0
TELEPHONE NUMBERS	100.0	99.0	98.1	100.0	98.9
NAME OR LOG	100.0	100.0	100.0	100.0	100.0
DIAL INSTRUCTIONS	100.0	100.0	100.0	100.0	100.0
TRANSMISSION	95.0	98.7	100.0	100.0	98.8
DIALING	95.0	99.7	100.0	100.0	100.0
COIN RETURN AUT	100.0	96.9	99.1	95.7	100.0
ACCESS ALL LD CARRIERS -	100.0	99.3	100.0	100.0	100.0
RING BACK OPERATOR	95.0	97.0	97.2	N/E	98.8
COIN-FREE ACCESS OPER	100.0	100.0	100.0	100.0	100.0
COIN-FREE ACCESS D.A	100.0	100.0	100.0	100.0	100.0
COIN-FREE ACCESS 911	100.0	100.0	100.0	100.0	100.0
COIN-FREE ACCESS R.S.	100.0	99.3	100.0	100.0	100.0
DIRECTORY	100.0	90.8	96.3	91.7	84.1
DIRECTORY SECURITY	95.0	96.3	89.7	N/E	96.6
ADDRESS/LOCATIO	100.0	96.0	100.0	100.0	97.7
AVAILABILITY OF SERVICE					
3 DAY PRIMARY SERVIC	90.0	98.0	94.7	94.7	98.5
PRIM. SERV. APPOINTMNT +	95.0	92.6	100.0	N/E	100.0
REPAIR SERVICE					
RESTORED-SAMEDAY	80.0	65.8	79.5	97.8	81.6
RESTORED-24 HOU	95.0	80.9	94.9	97.8	93.1
REPAIR APPOINTMENTS	95.0	98.1	100.0	N/E	85.7
REBATES OVER 24 HOURS	100.0	64.4	86.2	0.0	95.8
SERVICE AFFECTING-72HR	95.0	100.0	100.0	100.0	99.0
CUSTOMER COMPLAINTS					
COMPLAINTS/1000 LINES	STATE AVERAGE 0.03	0.02	0.05	0.00	0.01
Weighted Index	75.0	53.9	84.8	67.6	77.4

N/E = Not Evaluated or No Data

TABLE C

**Interexchange (Long Distance) Companies Service Evaluation
1998-99**

IXC RESULTS July 1998 Through June 1999	TOLL TIMING AND BILLING ACCURACY							CALL COMPLETIONS			
	INTERLATA DDD 1+							Calls Made	Calls Completed	Comp %	
	Number Timed	Under Timed	Over Timed	Correctly Number	Timed Percent	Billed Per Tariff	Rating Accurac				
STANDARD					97.0%		100.0%			90.0%	
American Network Exchange, Inc.	108	0	0	108	100.0%	YES	0%	1,634	1,626	99.5%	
Amerivision Communications	125	0	0	125	100.0%	YES	57%	2,509	2,394	95.4%	
Athena International	N/E							2,478	2,421	97.7%	
AT&T Communications	108	0	18	90	83.3%	YES	100%	2,370	2,321	97.9%	
Bell Atlantic Long Distance	108	0	8	100	92.6%	YES	100%	1,928	1,903	98.7%	
BNI Telecommunications	108	0	0	108	100.0%	YES	100%	2,124	2,080	97.9%	
BTI Business Telecom	54	0	4	50	92.6%	YES	93%	1,864	1,847	99.1%	
Cable & Wireless Communications, Inc.	108	0	0	108	100.0%	YES	0%	1,620	1,592	98.3%	
Cincinnati Bell Long Distance	108	0	0	108	100.0%	YES	0%	2,463	2,425	98.5%	
Coast International, Inc.	54	0	0	54	100.0%	YES	98%	1,729	1,700	98.3%	
Coastal Telephone	108	0	0	108	100.0%	YES	100%	2,319	2,301	99.2%	
CTS Telecom of Florida	54	0	11	43	79.6%	YES	80%	1,860	1,853	99.6%	
Deltacom, Inc.	108	0	0	108	100.0%	YES	100%	1,634	1,624	99.4%	
Eastern Telecommunication, Inc.	108	0	0	108	100.0%	YES	0%	3,028	3,021	99.8%	
Eclipse Telecommunications	54	0	8	46	85.2%	YES	0%	1,858	1,853	99.7%	
Frontier Communications International, Inc.	108	0	0	108	100.0%	YES	100%	1,634	1,606	98.3%	
GST NET	54	0	0	54	100.0%	YES	100%	2,568	2,540	98.9%	
GTE Telecommunications Services, Inc.	54	0	8	46	85.2%	YES	85%	1,860	1,856	99.8%	
IDS Long Distance, Inc.	108	0	0	108	100.0%	YES	0%	1,655	1,631	98.5%	
Intermedia Communications	108	0	0	108	100.0%	YES	0%	2,516	2,488	98.9%	
LCI International / LIHEL	162	0	15	147	90.7%	YES	88%	1,793	1,761	98.2%	
Long Distance International, Inc.	54	0	3	51	94.4%	YES	94%	1,861	1,835	98.6%	
Long Distance Wholesale Club	108	0	13	95	88.0%	YES	88%	1,856	1,828	98.5%	
Matrix Telecom	162	0	0	162	100.0%	YES	100%	1,633	1,631	99.9%	
MCI	108	0	0	108	100.0%	YES	100%	1,767	1,758	99.5%	
National Telecom of Florida	108	0	0	108	100.0%	YES	17%	1,634	1,620	99.1%	
Network One (CRG International, Inc.)	54	0	0	54	100.0%	YES	0%	1,863	1,859	99.8%	
Nextel Long Distance	54	0	54	0	0.0%	NO	0%	1,863	1,859	99.8%	
North American Telecommunications Network	108	0	0	108	100.0%	YES	0%	2,647	2,619	98.9%	
Opticom, d/b/a One Call Communications	216	23	0	193	89.4%	YES	50%	2,794	2,604	93.2%	
Phoenix Network, Inc.	54	0	9	45	83.3%	YES	83%	1,857	1,852	99.7%	
Qwest Communication	162	0	3	159	98.1%	YES	98%	3,761	1,858	49.4%	
SCI Long Distance Telephone, Inc.	54	0	7	47	87.0%	YES	87%	2,031	2,026	99.8%	
Sprint L	216	0	14	202	93.5%	YES	100%	2,142	2,106	98.3%	
Telco Billing, Inc. (Jun)	108	NO BILL RENDERED									
Telecom*USA	108	0	0	108	100.0%	YES	0%	1,887	1,879	99.6%	
Telec, Inc.	108	0	0	108	100.0%	YES	0%	2,536	2,505	98.8%	
The Phone Company	162	0	9	153	94.4%	YES	100%	1,879	1,861	99.0%	
Thrifty Call, Inc.	108	0	0	108	100.0%	YES	100%	2,432	2,408	99.0%	
Unidial Incorporate	164	0	8	156	95.1%	YES	95%	4,455	2,539	57.0%	
USN Communications Long Distance, Inc.	162	0	38	124	76.5%	YES	77%	3,824	1,935	50.6%	
Vartec Telecom, Inc.	108	0	0	108	100.0%	YES	100%	2,512	2,486	99.0%	
Winstar Gateway Network, Inc	108	NO BILL RENDERED DUE TO LINE ASSIGNMENT PROBLEM									
Working Assets Long Distance	0							2,368	2,349	99.2%	
Worldcom Network Service	108	0	0	108	100.0%	YES	44%	1,879	1,879	100.0%	
Xtracom	108	36	0	72	66.7%	YES	0%	1,630	1,624	99.6%	

NE = Not Evaluated or No Data

Continued on next page

TABLE C

**Interexchange (Long Distance) Companies Service Evaluation
1998-99
(Continued)**

July 1998 Through June 1999	INTELRATA CALLING CARD 0-						
	Number Timed	Under Timed	Over Timed	Correctly Timed Number	Percent	Billed Per Tariff	Rating Accurac
STANDARD					97.0%		100.0%
American Network Exchange, Inc.	109	0	12	97	89.0%	YES	100%
Amervision Communications	54	0	0	54	100.0%	YES	100%
AT&T Communications	108	0	8	100	92.6%	YES	100%
Bell Atlantic Long Distance	108	0	0	108	100.0%	YES	100%
BN1 Telecommunications	108	0	20	88	81.5%	YES	94%
BII Business Telecom	54	2	1	51	94.4%	YES	100%
Business Telecom	53	0	2	51	96.2%	YES	100%
Cable & Wireless Communications, Inc.	54	0	2	52	96.3%	YES	0%
Cincinnati Bell Long Distance	54	0	54	0	0.0%	YES	0%
Coast International	54	0	1	53	98.1%	YES	100%
Coastal Telephone	54	0	0	54	100.0%	YES	100%
CTS Telcom of Florida	54	0	16	38	70.4%	YES	96%
Deltacom, Inc.	87	0	0	87	100.0%	YES	100%
Eastern Telecommunication, Inc.	54	0	0	54	100.0%	NE	NE
Eclipse Telecommunications	54	0	13	41	75.9%	YES	100%
Frontier Communications International, Inc.	108	0	5	103	95.4%	YES	44%
GSTNET	104	0	0	104	100.0%	YES	100%
Intermedia Communications	54	0	0	54	100.0%	YES	100%
LCI International / LIHEL	162	1	5	156	96.3%	YES	77%
Long Distance International	54	1	27	26	48.1%	YES	0%
Long Distance Wholesale Club	54	0	3	51	94.4%	YES	100%
Matrix Telecom	108	0	0	108	100.0%	YES	100%
MCI	108	0	0	108	100.0%	YES	100%
National Telecom of Florida	108	0	0	108	100.0%	YES	100%
North American Telecommunications Network	54	0	0	54	100.0%	NO	0%
Opticom, d/b/a One Call Communications	104	31	0	73	70.2%	YES	100%
Opticom, d/b/a One Call Communications	52	12	0	40	76.9%	YES	100%
Phoenix Network	54	0	0	54	100.0%	YES	100%
Qwest Communications	140	0	9	131	93.6%	YES	61%
Sprint L	63	0	0	63	100.0%	YES	100%
Telco Billing, Inc.	108	NO BILL RENDERED					
The Phone Company	162	0	18	144	88.9%	YES	100%
Thrifty Call, Inc.	31	2	0	29	93.5%	YES	100%
Unidial Corp	108	0	0	108	100.0%	YES	100%
USN Communications Long Distance	108	0	38	70	64.8%	NO	65%
Vartec Telecom, Inc.	54	0	0	54	100.0%	YES	100%
Worldcom Network Service	54	0	0	54	100.0%	YES	100%

NE = Not Evaluated or No Data

Timing Accuracy - Compares company's recorded duration of call with our measurement of conversation time
 Billing Per Tariff - Compares company's recorded duration of call with billing methodology specified in its tariff.
 Rating Accuracy - The bills are further analyzed to determine if the proper amounts (dollars & cents) have been billed.
 Test calls are made using computerized timing devices. These record connect time, measure and record timed intervals, usually resulting in 54 calls.

T A B L E D

**Florida Telecommunications Relay System
1998-99
Summary Report of Test Calls by FPSC**

<u>TDD TO TELEPHONE</u>		<u>TELEPHONE TO TDD</u>	
Number of call	1,910	Number of call	1,578
Busy (Fast)	14	Busy (Fast)	2
Busy (Station)	1	Busy (Station)	3
RNA/Failed	78	RNA/Failed	47
Call Successfully Completed	1,817	Call Successfully Completed	1,526
Answered over 20 sec.	226	Answered over 20 sec.	117
Garbled Messages	3	Garbled Messages	0
Not Courteous	0	Not Courteous	0
Average Feedback (sec.)	10		

SUMMARY

Total Call	3,488
Busy & Failures	145
% Completion	95.8%
Answered	3,343
Ans W/I 20 Sec	3,000
% Ans W/I 20 Sec	89.7%
Garbled Messages	0
Not Courteous	0
Average Feedback (sec.)	10.2

Local Exchange Companies

Inquiry Activity*/Consumer Savings



COMPANY	INQUIRIES LOGGED			MAJOR TYPE*	INQUIRIES CLOSED			CONSUMER SAVINGS
	Service*	Billing*	TOTAL		Apparent Non-Infractors*	Apparent Infractors*	TOTAL	
Alltel	15	3	18	Rules & Tariffs (10)	22	3	25	\$ 901.78
BellSouth	702	199	901	Rules & Tariffs (380)	841	140	981	596,605.15
Frontier	4	2	6	Other (2)	3	1	4	0
GT COM	8	1	9	Rules & Tariffs (3)	9	0	9	310.52
GTE	273	84	357	Rules & Tariffs (125)	349	66	415	86,895.81
Indiantown	0	0	0	---	0	0	0	0
NE Florida	2	1	3	Rules & Tariffs (5)	5	0	5	0
Quincy\TDS	1	1	2	Information (1)	1	0	1	89.36
Sprint-Florida	307	92	399	Rules & Tariffs (157)	362	49	411	97,725.41
Vista-United	0	0	0	---	0	0	0	0
Industry Total	1,312	383	1,695	Rules & Tariffs 680	1,592	259	1,851	\$ 782,528.03

* Please see index of definitions on page 81.

TOTAL SAVINGS TO CONSUMERS: \$782,528.03

Local Exchange Companies

Number of Access Lines/Apparent Infraction Indices

TABLE I

TELECOMMUNICATIONS

33

COMPANY	Number of * Access Lines	Fiscal Year Apparent Infractions	Apparent Infractions ** Per 1,000 Access Lines	Fiscal Year *** Apparent Infraction Index
Alltel	82,719	3	0.0363	1.55
BellSouth	6,481,986	140	0.0216	0.92
Frontier	4,266	1	0.2344	10.02
GT COM	46,415	0	0	0
GTE	2,368,938	66	0.0279	1.19
Indiantown	3,537	0	0	0
NE Florida	8,592	0	0	0
Quincy\TDS	13,270	0	0	0
Sprint-Florida	2,048,042	49	0.0239	1.02
Vista-United	15,236	0	0	0
Industry Total	11,073,001	259	0.0234	

* Source: Florida Public Service Commission, Division of Communications, January 1998.
 ** Total fiscal year apparent infractions, divided by total number of access lines.
 *** Percentage of apparent infractions divided by percentage of customers.

Alternative Local Exchange Companies



Inquiry Activity*/Consumer Savings

COMPANY	INQUIRIES LOGGED			INQUIRIES CLOSED			CONSUMER SAVINGS
	Service*	Billing*	TOTAL	Apparent Non-Infractions*	Apparent Infractions*	TOTAL	
AT&T	16	4	20	11	3	14	\$ 0
GTE Comm. Corp.	27	14	41	38	6	44	5,482.75
Intermedia Comm., Inc.	16	9	25	21	3	24	19,241.88
Tel-Link, L.L.C.	11	3	14	26	4	30	705.41
Telecom Plus	32	11	43	46	11	57	2,245.60
The Other Phone Co., Inc.	55	15	70	73	10	83	2,886.84
USA Telecom	10	3	13	15	0	15	200.27
58 Other Companies	127	30	157	125	28	153	23,122.69
Industry Total	294	89	383	355	65	420	\$ 53,885.44

* Please see index of definitions on page 81.

TOTAL SAVINGS TO CONSUMERS: \$53,885.44

Long Distance (Interexchange) Companies

Inquiry Activity*/Consumer Savings



COMPANY	INQUIRIES LOGGED			INQUIRIES CLOSED			CONSUMER SAVINGS
	Service*	Billing*	TOTAL	Apparent Non-Infractions*	Apparent Infractions*	TOTAL	
American Nortel Comm., Inc.	229	29	258	62	199	261	\$ 24,540.54
AT&T	290	422	712	662	158	820	239,595.86
Corporate Services Tele.	58	11	69	98	37	135	7,215.14
Excel Telecommunications, Inc.	146	80	226	144	84	228	20,711.88
GTE Communications Corp.	306	40	346	157	199	356	23,749.69
Integretel, Inc.	35	56	91	99	12	111	24,753.86
Long Distance Charges	120	15	135	110	154	264	37,882.11
MCI Telecom. Corp.	531	628	1,159	1082	159	1,241	181,374.33
Minimum Rate Pricing, Inc.	137	27	164	190	62	252	14,051.36
Sprint	187	109	296	366	49	415	40,196.84
Worldcom Network Serv., Inc.	79	25	104	135	11	146	26,323.54
280 Other Companies	1,602	743	2,345	2,321	939	3,260	408,362.81
Industry Total	3,720	2,185	5,905	5,426	2,063	7,489	\$ 1,048,757.96

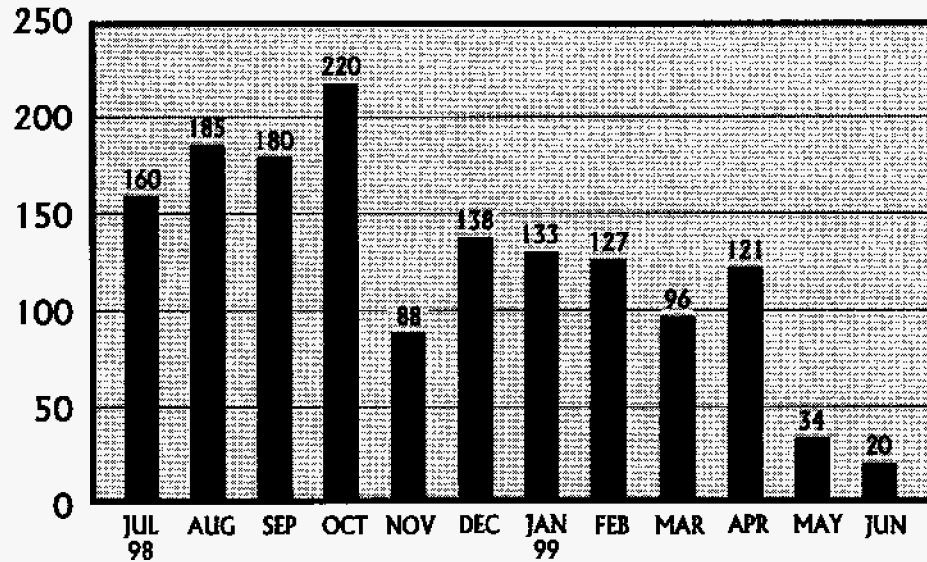
* Please see Index of definitions on page 81.

TOTAL SAVINGS TO CONSUMERS: \$1,048,757.96

FLORIDA PUBLIC SERVICE COMMISSION
**Apparent Slamming Infractions -
 Long Distance**

(Unauthorized Long Distance Carrier Change)

36



TOTAL APPARENT SLAMMING INFRACTIONS: 1,502
 Totals include all inquiries closed as apparent slamming infractions during the fiscal year.

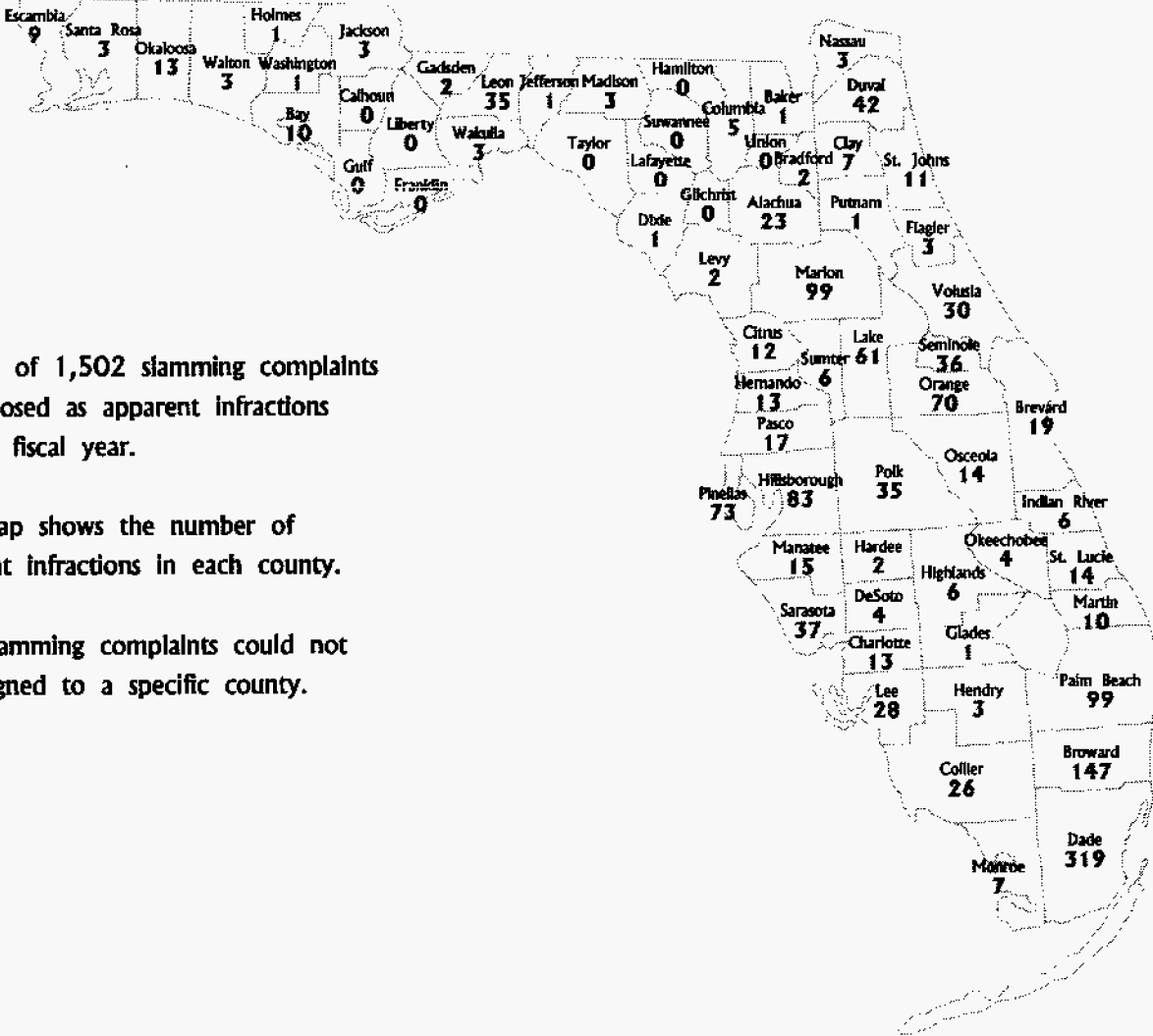
TABLE L

TELECOMMUNICATIONS

American Nortel Communications, Inc.	193
GTE Communications Corporation	192
Long Distance Charges	152
Amer-I-Net Services Corp.	126
BCI Corp.	86
AT&T Communications	74
Excel Telecommunications, Inc.	61
Minimum Rate Pricing, Inc.	58
All American Telephone, Inc.	50
Long Distance Direct, Inc.	49
SUBTOTAL	1,041
85 Other Long Distance Companies	461
TOTAL	1,502

FLORIDA PUBLIC SERVICE COMMISSION
Slamming Complaints by County

TELECOMMUNICATIONS



A total of 1,502 slamming complaints were closed as apparent infractions for the fiscal year.

This map shows the number of apparent infractions in each county.

Four slamming complaints could not be assigned to a specific county.

INVESTOR-OWNED
Pay Telephone Companies



TABLE N

Inquiry Activity*/Consumer Savings

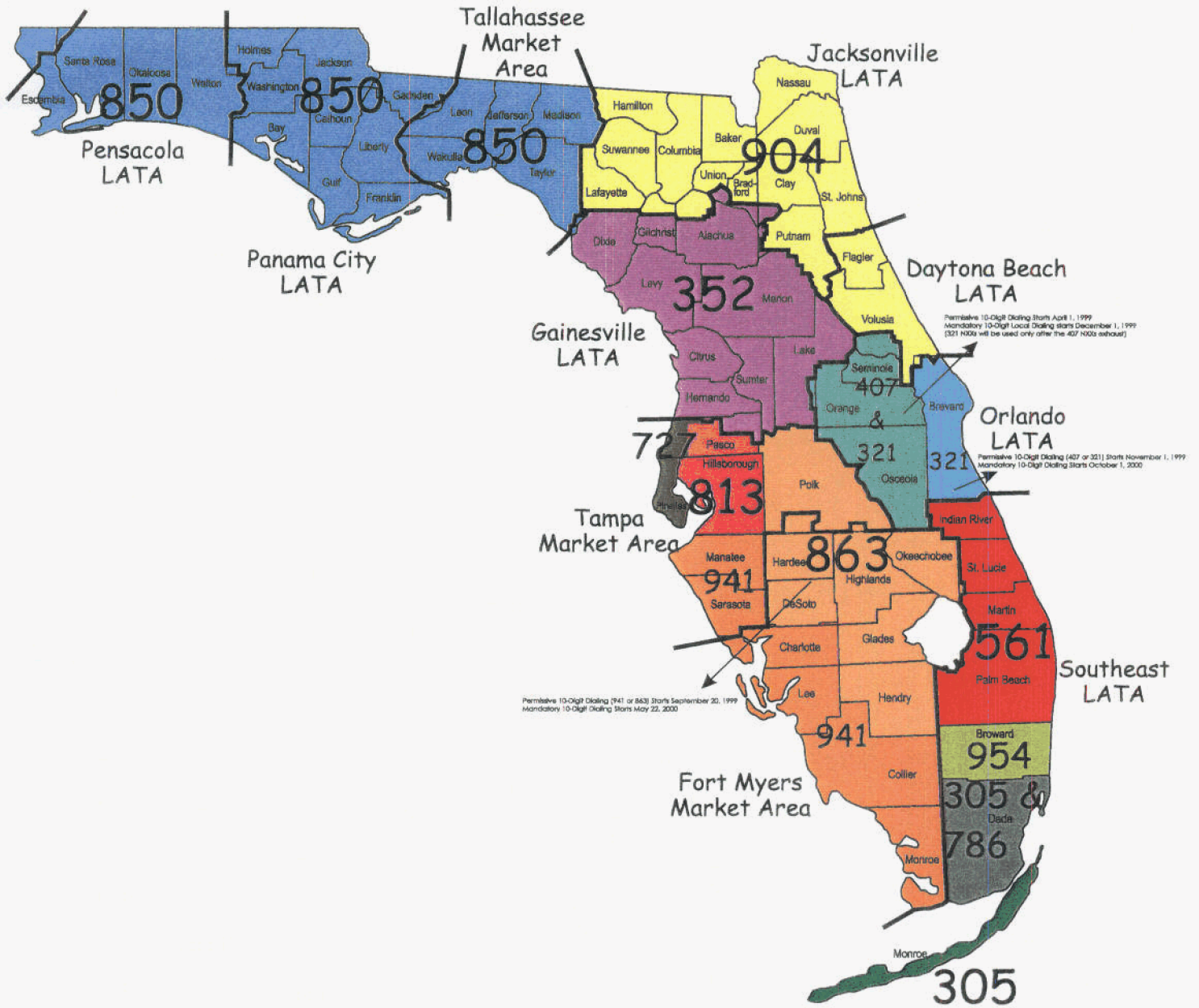
38

COMPANY	INQUIRIES LOGGED			INQUIRIES CLOSED			CONSUMER SAVINGS
	Service*	Billing*	TOTAL	Apparent Non-Infractions*	Apparent Infractions*	TOTAL	
Peoples Telephone Company, Inc.	2	1	3	1	1	2	\$ 0
ETS Payphones of Florida, Inc.	2	1	3	2	1	3	1.35
Nationwide Communications	1	2	3	2	0	2	0
BellSouth Public Comm., Inc.	4	5	9	9	0	9	540.74
The Other Phone Company, Inc.	5	0	5	3	1	4	281.55
49 Other Companies	31	10	41	53	7	60	169.17
Industry Total	45	19	64	70	10	80	\$ 992.81

* Please see index of definitions on page 81.

TOTAL SAVINGS TO CONSUMERS: \$992.81

Florida Area Codes by County





ELECTRIC



GAS



THE ELECTRIC and NATURAL GAS INDUSTRIES

The statutes governing the Commission's electric and natural gas responsibilities have not materially changed in recent years, but there is an increasing focus on specific consumer concerns as these industries try to address the issue of competition.

In Florida, the primary impetus for competition in the electric industry is the low price of natural gas coupled with the advancement in technology of the gas-fired, combined-cycle generating units. These two factors make it possible for the new power plants to produce electricity at a substantially lower cost than the older, larger coal and nuclear power plants.

Although the number of entrants into the wholesale market may be limited in Florida, competition is already widespread in the state at the wholesale level. The Federal Energy Regulatory Commission (FERC) has required utilities to open their transmission lines to utility competitors for sales to municipal and cooperative electric utilities.

As the electric utilities continue to position themselves for the introduction of competition, there are concerns about issues that directly affect the quality and price of safe service to the smaller captive or core retail customers. Positioning for competition includes downsizing and the associated cost-cutting measures, the shifting of cost allocations between customers, diversification, mergers, and the increasing business risks for the electric utilities.

In the natural gas industry, FERC Order 636 has shifted the focus and the risk of the natural gas industry from the pipeline sector to the local distribution companies (LDCs). LDCs now have options as to the supplier of their natural gas. How the LDC performs in the acquisition of lower-cost gas supplies and the low-cost transportation of that gas, as well as the need for possible cost reductions in other areas, will dictate the financial condition of the LDC and its ability to adequately serve the customers. Similar core customer issues of downsizing, cost cutting, cost shifting, diversification, mergers and business risk will affect the ability of the LDC to provide safe, reliable service at a reasonable price.

Under rate base regulation in the electric and gas industries, the Commission has a statutory obligation to protect the consumer by ensuring electric and natural gas safety compliance. The Commission is also responsible for assistance in addressing consumers' service quality concerns. The introduction of competition has placed added emphasis on these aspects of the Commission's regulation of electric and natural gas utilities. Therefore, consumer assistance, protection (safety), education, and complaint resolution continue to be major focuses of the Commission.

PROGRAMS and ACTIVITIES

Consumer Awareness and Education

The Commission's consumer education program has several operational goals, including: (1) disseminating consumer information about regulatory matters to the media; (2) establishing the Commission's presence and increasing its visibility as a consumer education agent; and (3) maintaining an outreach plan for FPSC hearings and workshops held across the state.

A significant portion of the Commission's recent consumer education efforts have involved the production of television and radio public service announcements. Through them, Florida consumers have been presented with information on current energy topics such as the Year 2000, or Y2K, issue and how the electric and natural gas industries are preparing for it.

Another educational tool that is increasingly being utilized is the World Wide Web. The FPSC's Internet home page, located at <http://www.floridapsc.com>, has been expanded to supply consumers with greater amounts of information about the industries we regulate and about specific issues before the Commission. Press releases, current television public service announcements, and most FPSC publications are among the items that can be accessed there. Consumers are also able to file on-line complaints regarding their utility services via the home page. In addition, FPSC customer hearings are frequently accessible online as live audio broadcasts. (To access a hearing, a consumer must have a computer equipped with a soundboard and speakers; the necessary helper application software may be downloaded from the Commission's home page.)

The Commission's bimonthly newsletter, *From The PSC Agenda*, is published to highlight recent decisions and specific issues before the Commission. Electric and natural gas topics are among those that have been featured in the newsletter during the past fiscal year.

To assist Florida legislators whose constituents may be affected by a case before the FPSC, the Commission produces the *Legislative Bulletin*. The *Bulletin* is designed to provide a case background and to assist legislators in fielding inquiries from their constituents. One recent example was a review of an outage at Florida Power Corporation's Crystal River Nuclear Unit III, which was mailed to legislators from the affected region.

FPSC staff also attend customer hearings held in conjunction with electric and natural gas cases. For each such hearing, a *PSC Special Report* is prepared to give customers a factual, historical narrative on the case at hand.

The Commission has produced a number of brochures designed to help consumers become more knowledgeable about their rights and options as users of electric and natural gas services:

- ◆ *Approved Electric Conservation Programs for Florida's Major Electric Utilities* -- Provides details of residential, commercial/industrial and other conservation programs, by utility, with a contact phone number for each company.
- ◆ *Bill of Rights for Electric and Gas Service* -- Provides information on the provision of service, customer deposits, billing practices, meter problems, service interruptions and contacting the Commission.
- *Conserve Your World* -- Provides extensive information on energy conservation tips, including weatherization and insulation of homes, heating and cooling, water heaters, pool pumps and other appliances. (Also available in Spanish.)
- ◆ *Electric Power Interruptions* -- Provides information on momentary power outages and surges, what consumers can do to minimize their effects, and general safety tips.
- ◆ *Electric Vehicles & Solar Energy* -- Provides information on a program that examines the feasibility of producing "pollution-free" transportation alternatives.
- ◆ *How To Read Your Electric Meter* -- Provides a visual guide to reading an electric meter, average monthly consumption information, and a conservation scorecard to track electricity usage.
- ◆ *If You Have a Problem with Utility Service or Rates* -- Provides information on how consumers may contact utilities over which the Commission has jurisdiction, and how to file a complaint with the Commission.
- *Natural Gas Utility Regulation in Florida* -- Provides a brief history of natural gas, including the Commission's jurisdictional responsibilities in setting rates, safety and the engineering aspects of natural gas operations. A basic map of local distribution companies and gas pipelines is included.
- ◆ *Watt-Counter* -- Demonstrates the use of electricity, how it is recorded by an electric meter, and the estimated costs of using common household appliances.
- ◆ *Where To Find Help in Florida* -- Includes an extensive list with contact phone numbers of community organizations that administer various assistance programs. Provides basic information regarding no-cost and low-cost hints for conserving electricity.

In addition, a display unit is set up and brochures are distributed at some consumer events in which the Commission participates. At such events, Commission employees are available to provide additional information and answer questions from consumers.

FPSC and Florida Energy Office brochures are also distributed through the Commission's Library Outreach Program. The program's objective is to maintain a supply of FPSC brochures in every public library in Florida.

To inform the news media about the latest trends and changes in the industries we regulate, Commissioners participate in editorial board visits with major newspapers around the state. Commission staff also take part in television, radio, newspaper, and print media interviews.

Finally, the Commission publishes three annual statistical reports that provide electric and natural gas information to the public. *Statistics of the Florida Electric Utility Industry* provides maps of territories served, information regarding electricity generation and consumption, fuel usage, customers, utility financial statistics, forecasts, economic and financial indicators, and related statistics. *Statistics of the Florida Natural Gas Industry* provides a map indicating the general service territories and existing and planned gas pipeline locations, as well as information regarding consumption, customers, utility financial statistics and comparative utility statistics, using customers and miles of gas mains as the denominator. *Comparative Cost Statistics* provides company-specific bill comparisons for residential, commercial and industrial customers of investor-owned electric and gas utilities, municipal electric utilities and cooperative electric utilities.

Emergency Operations Center

The Commission's role at the Department of Community Affairs' Emergency Operations Center is to staff the Emergency Support Function (ESF12-energy).

The purpose of ESF 12 is for the FPSC to maintain open communication with the electric and natural gas utilities to ensure that the integrity of the power supply systems is maintained during emergency situations. The Commission has primary responsibility to monitor and coordinate the availability of electric utility generation capacity and reserves. The Commission also monitors the restoration of electric and natural gas service. During emergencies, the Commission maintains contact with the affected utilities and obtains outage reports that are helpful to the news media and federal, state and local emergency managers, as well as to mass care agencies such as the American Red Cross.

Electric Safety

The Commission is statutorily responsible for electric safety, and has, by rule, adopted the National Electric Safety Code as the applicable safety standard for transmission and distribution facilities subject to the Commission's safety jurisdiction. In addition, the rule sets requirements for the reporting of accidents, quarterly utility compliance reports and random Commission inspections of facilities.

In fiscal year 1998-99, the Commission's electric safety engineers inspected 2,356 utility electric transmission and distribution construction sites that were randomly selected from a total of 61,937 sites. At the sites inspected, 927 variances from the National Electric Safety Code were found. Reinspections were made at 247 of the sites with variances to verify that corrections had been made. Twenty-four electrical accidents occurred in Florida that resulted in twenty-one injuries and eight fatalities. This level of accidents remains approximately constant in spite of almost 2,900 new electric customers being added each week. See pages 62-64 for some examples of the most common variances from the National Electric Safety Code.

Natural Gas Pipeline Safety

The Commission is statutorily responsible for natural gas pipeline safety. Florida has approximately 31,000 miles of transmission and distribution mains that supply natural gas to about 638,000 services. Natural gas is an energy source in homes, businesses, and industry in every major metropolitan area in Florida. Occasionally, natural gas leaks and accidents occur from incidents such as construction equipment digging into pipelines or leaking house piping. Commission engineers evaluate all jurisdictional natural gas pipelines in the state for unsafe construction, operating or maintenance practices. Any unsafe conditions discovered are promptly made safe and repaired.

The Commission is responsible for inspection of natural gas pipelines operated by the following entities:

- ◆ 8 investor-owned natural gas utilities
- ◆ 27 municipal natural gas entities
- ◆ 4 special natural gas districts
- ◆ 8 natural gas intrastate transmission systems
- ◆ 12 housing authorities with end-use metered natural gas
- ◆ 1 private master meter entity

The Commission's engineers evaluate natural gas systems each year for compliance with natural gas safety rules and regulations. Last year, engineers spent the equivalent of 735 days conducting pipeline safety evaluations of 77 inspection units of intrastate natural gas systems. Some natural gas systems, because of size or geographic locations, have more than one inspection unit.

Areas Covered by Annual Evaluations of Natural Gas Distribution Pipelines

Construction:

- ◆ inspection and testing procedures
- ◆ joining procedures
- ◆ leak and pressure testing
- ◆ materials standards
- ◆ pipe installation & cover
- pipeline design
- ◆ repair of defects
- ◆ welder and joiner qualification
- ◆ X-ray and destructive testing

Corrosion Control:

- ◆ atmospheric corrosion
- ◆ cathodic protection
- ◆ monitoring
- ◆ protective coatings
- ◆ qualification of personnel
- ◆ remedial measures

Operations and Maintenance:

- | | |
|--|-----------------------------------|
| ◆ abandonment of inactive service facilities | ◆ odorant concentration |
| ◆ alcohol and drug testing | ◆ operating pressures |
| ◆ distribution systems patrols | ◆ pressure regulator stations |
| ◆ emergency plans | ◆ system upgrading |
| ◆ employee training | ◆ tapping and purging |
| ◆ excavation damage prevention programs | ◆ testing requirements |
| ◆ facility identification line markers | ◆ unaccounted-for gas audit |
| ◆ leak surveys and repairs | ◆ mapping, locating, and one-call |
| ◆ value maintenance | |

Along with the annual safety evaluations, the engineers examine new natural gas pipelines in various stages of construction. Plans and specifications are reviewed during these evaluations to assure the correct design factors are used for all pipeline components. These checks also verify that the pipeline materials meet the required standards and quality.

In 1998, the Commission's safety engineers issued 24 safety violation notifications and corrected 40 deficiencies. For details of the violation categories, see **Table R (page 61)**.

All noncompliance conditions have either been corrected or corrective actions are being monitored according to the Commission's approved enforcement procedures. Upon detection of a

violation, the safety engineer issues a report to the operator describing the deficiency and states the applicable rule violated. The operator is given a limited time to correct the deficiency.

The Commission's safety engineers also investigate natural gas-related accidents and incidents. Each natural gas operator is required to report all of the following incidents: \$2,500 or more in damage; an injury or death caused by an accident; a natural gas outage involving either 500 or 10 percent of a natural gas operator's customers; and the unintentional ignition of natural gas.

Significant Natural Gas Safety Activities

On August 14, 1998, a fire and explosion caused by lightning resulted in the rupture and loss of service of the 24-inch, 30-inch and 36-inch pipelines that are the sole natural gas supply to peninsular Florida. The failure occurred at a key gas compressor station near the city of Perry that is used to move gas through the pipeline system. The explosion caused extensive damage to the compressors and related facilities.

Without the availability of natural gas, several electrical generating plants could not operate and others had to reduce output levels. Both the electrical and gas utilities had to curtail some industrial and commercial customers. Florida utilities were under a capacity advisory alert until the 30-inch pipeline was restored to service on the evening of August 16. The 36-inch and 24-inch pipelines were restored to service by August 18. The compressors remained out of service and under repair, but because of operational changes to the system, deliveries could be made up to 97 percent of normal capacity.

Several studies are under way to prevent a recurrence of the natural gas supply outage by lightning and other causes. Independent lightning studies have been made, along with a critical-points review. The recommendations made for changes, hardening of facilities and bypass of critical areas are under consideration and implementation at this time.

Operator Qualification Requirement

Congress directed the U.S. Department of Transportation (USDOT) to require that "all individuals responsible for the operation and maintenance of natural gas pipeline facilities be tested for qualifications and certified to operate and maintain those facilities." It appears that a rule drafted by the federal Negotiated Rulemaking Committee and the USDOT will become final this year. The rule will be a non-prescriptive, performance-based regulation requiring each natural system operator in Florida to develop a written program for the qualification of individuals. This would allow each operator to customize a program to the unique operations and practices. This requirement will cover all operation and maintenance employees of natural gas systems, contractors, and subcontractors or any other entities performing covered tasks for the system operator. The gas utilities will have 18 months to develop the procedures and three years to qualify their personnel.

Excess Flow Valves

Operators of natural gas distribution systems were required to notify customers of the availability of excess flow valves (EFVs) for installation beginning February 2, 1999. EFVs restrict the flow of gas by closing automatically when a gas service line is severed, mitigating the hazard of service line failures. Operators are not required to install EFVs, only to inform customers of their availability. Notification must detail the safety benefits and the cost of installation, if any, that the customer may bear.

Gas Safety Rules Update

Commission staff has completed a review of new amendments to the federal pipeline safety code and has recommended adoption by rule. The docket updating the Commission's gas safety rules should be completed in 1999.

Brittle Cracking in Plastic Pipe

The USDOT has issued an advisory bulletin (ADB-99-02) to the operators of natural gas systems regarding the potential vulnerability of older plastic gas pipe to brittle-like cracking. The National Transportation Safety Board recently issued a Special Investigation Report (NTSB/SIR-98/01), Brittle-Like Cracking in Plastic Pipe for Gas Service; the bulletin describes how plastic pipe installed in natural gas systems from the 1960s through the early 1980s may be vulnerable to brittle-like cracking, resulting in gas leakage and threats to life and property.

The USDOT has also issued an additional advisory bulletin (ADB-99-01) reminding natural gas systems operators of the potential poor resistance to brittle-like cracking of certain polyethylene pipe manufactured by Century Utility Products, Inc.

It is being recommended that all operators of natural gas systems identify all pre-1982 plastic pipe, analyze leak histories, and evaluate any conditions that may impose high stresses on the pipe. Appropriate and prompt remedial action, including replacement, must be taken to mitigate any risks to public safety detected. Commission gas safety engineers are working closely with all gas systems to identify any potential plastic pipe problems before they become hazards.

Prevention of Damage to Pipelines by Excavators

Damage to natural gas pipelines by dig-ins (pipelines cut or damaged by others engaged in excavation activities), about 3,200 last year, continues to be the leading gas safety issue in Florida and in the rest of the United States. In 1993, the Florida Legislature enacted Chapter 566, titled "Underground Facility Damage Prevention and Safety." The purpose was to aid the public by preventing injury to persons or property and the interruption of services resulting from damage to an underground facility caused by excavation or demolition operations.

The act created a not-for-profit corporation consisting of operators of underground facilities in Florida to administer the provisions of the act. The corporation was named Sunshine State One-Call of Florida, Inc. The act required the corporation to establish a one-call, toll-free telephone notification system by June 1, 1994. The purpose of the telephone system is to receive notification of planned excavation or demolition activities and to notify member operations of such planned excavation or demolitions. In 1997, the Florida Legislature amended certain sections of Chapter 556, Florida Statutes. Because of the amendments, municipalities that operate buried utility facilities that have a population greater than 10,000 persons now must participate in the Sunshine One-Call System.

In November 1997, the USDOT issued its final rule regarding "Mandatory Participation in Qualified One-Call Systems by Pipeline Operators." The rule took effect on May 18, 1998. This rule requires operators of onshore gas pipelines to participate in qualified one-call systems as part of the required excavation damage prevention program.

Conservation Activities for Electric and Natural Gas Utilities

In 1980, the Commission required the larger electric utilities and natural gas utilities to adopt cost-effective conservation, or demand-side management (DSM) programs, to meet the requirements of the Florida Energy Efficiency and Conservation Act (FEECA). Since that time, Florida's utilities have implemented a wide array of conservation programs, primarily targeted at reducing the growth rate of peak demand and the state's dependence on oil as a generator fuel.

Utility conservation programs that are cost-effective benefit all customers. For example, a customer receives a rebate to install a higher-efficiency air conditioner than what he or she would otherwise have had installed, absent the rebate. The general body of customers pays for the conservation program costs, which include the rebate. However, the general body of customers also benefits because the Commission screens all utility-proposed programs to ensure that the savings in avoided power plants, fuel for the plants, and any wholesale power purchases exceed the cost of the conservation program, making the program cost-effective. The result is that electric rates are lower than what they otherwise would have been, absent the rebate program.

Major electric utilities offer some form of energy conservation education, as well as free audits, which are mandated by Florida law. Educational programs and announcements provide consumers with basic information on techniques to conserve energy, and information on energy programs available through the utility. Energy audits provide the cornerstone of energy conservation by helping customers determine which utility-sponsored conservation programs may be appropriate for their needs. Free audits are available to all classes of customers – commercial, industrial, and residential. Many utilities will provide more comprehensive (paid) audits at the customer's re-

quest. Some of the major utilities also educate the construction industry on the Florida Energy Efficiency Code for Building Construction.

A variety of specific conservation programs are offered by the utilities. Programs for repairs or improvements, such as low-cost fix-up, weatherization, heating/air conditioning tune-up and duct leak testing programs, are offered, with the utility paying a portion of repairs or improvements. Programs in which equipment is purchased for new installations or retrofit, such as heating, air cooling, water heating and lighting equipment, are offered by the utility with cash incentives for the purchase of high-efficiency equipment. Incentives are also provided for improvements such as ceiling insulation and window treatments. Several utilities offer incentives to commercial and industrial customers to support their investments in capital equipment with the potential for substantial energy and demand savings.

Load management is a growing part of the utilities' energy conservation plans. Participants are paid for allowing the utility to control when certain electric appliances are available for their use. The few hours the appliances are not available occur during peak hours; however, these few hours translate into savings for the utilities in terms of avoiding high-cost peak generation. Time-of-use rates also discourage customers from using electricity during peak hours. Charging higher rates for electricity used during peak hours accurately reflects the higher cost to the utility of generating that electricity and sends appropriate price signals to the customer.

A Green Pricing program, offered by Florida Power & Light Company (FPL), debuted in April 1998. The program's goal is to raise approximately \$70,000 in customer contributions to fund a ten-kilowatt photovoltaic (PV) installation. PV cells convert sunlight into electricity. FPL plans to construct the PV facility at its Martin plant near Lake Okeechobee. The primary purpose of the program is to gauge customer interest in "environmentally sensitive" sources of electricity. FPL plans to file a final report, including interviews, with a sample group of donors in July 1999.

Florida's natural gas utilities provide service to residential customers for cooking, space conditioning, and water heating. Technology has increased the efficiency of natural gas appliances, helping to conserve natural gas and make the appliances more competitive with alternate fuel appliances. Advances have been made in the area of commercial and residential cooling applications. Improvements in the design and production of natural gas-fired cooling appliances have led to a reduction in the initial and operating costs. Because cooling applications are primarily used during the summer months when residential and commercial gas usage is typically low, the additional gas load improves the load factor of the gas utilities, resulting in a lower cost of gas.

An important part of conservation is research and development (R&D). Several of the larger utilities are expanding their R&D efforts. Promising technologies currently being investigated are photovoltaic and additional uses of thermal storage. The next generation of approved conservation programs in Florida will come in large measure from the investments utilities are making today in research and development.

Conservation Cost Recovery

Investor-owned electric utilities (IOUs) are permitted to recover prudent and reasonable expenses for Commission-approved conservation and DSM programs (see Conservation Activities for Electric and Gas Utilities on page 48). Actual conservation expenditures over a 12-month period may be recovered through the Energy Conservation Cost Recovery (ECCR) Clause. Since the enactment of the FEECA, Florida's investor-owned electric utilities have spent \$2.7 billion on programs designed to help consumers save on their electricity bills.

Table S summarizes the conservation expenditures of Florida's investor-owned electric and gas utilities in 1998:

T A B L E S

ESTIMATED CONSERVATION COST RECOVERY FOR 1998

Company Name	Expenditures*
Florida Power Corporation	\$ 75,656,654
Florida Power & Light	164,161,388
Florida Public Utilities	260,825
Gulf Power Company	2,529,778
Tampa Electric Company	19,421,194
Chesapeake Utilities	302,235
City Gas Company	1,927,740
Peoples Gas System	5,839,190
St. Joe Natural Gas	23,175
TOTAL	\$ 270,122,179

Consumer Inquiries and Complaint Resolution

Electric Industry - Inquiry Activity

The FPSC is committed to providing assistance and protection to consumers of regulated utilities. Consumers may contact the Commission to file complaints, or to inquire about any regulated utility company, via the toll-free telephone and fax numbers, 1-800-342-3552 and 1-800-511-0809, respectively; by mail at 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850; by e-mail at contact@psc.state.fl.us; or through the Internet at <http://www.floridapsc.com>. The Commission resolves consumer complaints through the following mechanisms:

- ◆ Investigating the facts and circumstances of the case with the customer and the company;
- Researching service provisioning issues and interpreting applicable statutes, rules and tariffs;
- ◆ Specifying corrective action and ensuring compliance;
- ◆ Advising the consumer, and serving as facilitator where necessary.

Table T (page 67) illustrates that, for fiscal year 1998-99, the most frequent consumer complaint addressed “Florida Administrative Code rules and utility tariff filings,” followed by “high bills.” For fiscal year 1998-99, the electric industry had a total of 644 logged inquiries. Florida Power & Light had the most logged inquiries by an electric utility, with 469. Florida Power Corporation had the next largest number with 121 logged inquiries, followed by Tampa Electric with 35 logged inquiries, Gulf Power with 18 logged inquiries and Florida Public Utilities with one.

For the fiscal year, 23 complaints were closed as apparent infractions for the entire industry. The major infraction types were: service improperly disconnected; inaccurate readings; payments not posted; and billing the wrong customer, which accounted for 61 percent of the total apparent infractions for the industry. **Table U (page 68)** indicates that the 23 apparent rule infractions resulted in a 0.004 percentage index per 1,000 customers for the entire electric industry. On a company-specific basis, Florida Power & Light had the most apparent infractions with 12, followed by Florida Power Corp. with 9. Tampa Electric had 2 apparent infractions.

As a result of staff’s investigations, the total savings to consumers for the entire electric industry was \$127,093.78 for the fiscal year.

In response to an increase in complaints over the last several years, the Commission ordered a comprehensive study of the service quality and reliability of investor-owned electric companies. The Electric Service Quality and Reliability report, presented to the Commission in January 1998, reviewed the distribution service quality and reliability of Florida’s four major investor-owned electric utilities and highlighted the need for more-intensive oversight of customer reliability complaints.

In response to recommendations in the reliability study, FPL and FPC have submitted detailed goals for improving service quality, which will be audited by Commission staff. Because the analysis of TECO and Gulf did not indicate significant reliability or service quality issues, these two utilities were not required to submit goals for improvement. To better monitor the level of service quality provided by IOUs, the utilities will provide four new reliability indicators for PSC review beginning in March 1999. The new indicators will measure outage duration and frequency on a systemwide basis, duration of outages from a customer perspective, and frequency of momentary outages caused by substation breaker operations. The data will be collected for three years. At the end of three years, the Commission will review the situation and determine if rules are necessary to enhance service reliability improvements.

In addition to requirements placed on utilities by the reliability study, engineers in the field offices in Orlando, Tampa, and Miami are providing a comprehensive review of each complaint. Technical analysts familiar with utility tariffs and Commission rules work with safety engineers who provide on-site contacts for customers experiencing service quality problems. The safety engineers not only interact with individual customers, but also participate in community meetings with utility officials to discuss problems and explore solutions that may affect neighborhoods. This interaction reinforces the Commission's dedication to safe, reliable electric service. In most cases, inquiries resulted in expedited actions to remedy service quality complaints.

Complaints and inquiries typically handled by Division of Auditing and Financial Analysis staff include concerns about equity ratios, cost of equity, dividend policies, changes in stock prices, and the comparative financial positions of companies subject to regulation and those in the competitive market. Additional areas typically covered are the base to which taxes and fees are applied on bills, the rates at which the taxes and fees are calculated, the authority to charge the tax or fee, the taxes and fees applicable to services that are anticipated to be provided in Florida, tax and fee variations between companies and locations within Florida, the tax and fee forms required (their source, filing location, and due dates), comparisons of Florida's tax and fee burden to that of other states, and the impact of potential competition on state and local revenues. Other inquiry areas include the depreciation practices of regulated versus non-regulated companies; the effect of competition on depreciation rates, cost of removal, salvage, and capitalization policies; the effect of potentially stranded investment on competition; and the effect of proposed legislation, rules, and regulations on both regulated operations and competitive operations.

Gas Industry - Inquiry Activity

Table V (page 69) illustrates the inquiries received by the Commission for fiscal year 1998-99. There were 89 inquiries logged against the gas industry. "High bills" was the major area of concern for consumers, followed by "rules and tariffs." City Gas and Peoples Gas had the largest number of logged inquiries, with 51 and 31, respectively.

In total, 17 inquiries were closed as apparent rule infractions for the entire gas industry for the fiscal year. The major infraction types were "improper billing calculation" and "service not disconnected on request." These apparent rule infractions accounted for 41 percent of the total number of infractions. **Table W (page 70)** highlights that those 17 apparent rule infractions resulted in a 0.04 percentage infraction per 1,000 customers for fiscal year 1998-99. City Gas had the highest number of apparent infractions with 11.

As a result of the Commission's investigations, total savings to consumers was \$9,545.92 for the fiscal year.

Natural-gas-related complaints and inquiries most frequently handled by the Division of Auditing and Financial Analysis staff include the effect of competition on state and local revenues; the tax effect of contributions in aid of construction, demand side management strategies, the effect of competition on depreciation, and capitalization policies; and the effect of proposed legislation, rules, and regulations on both regulated operations and competitive operations.

Major Consumer Complaints

Since assuming responsibility for service quality complaints, the Division of Electric and Gas has investigated more than 170 consumer complaints. In almost all instances, FPSC intervention has resulted in faster, more comprehensive responses to consumer outage complaints. For example, a mid-sized, computer-intensive business in a Miami industrial park experienced numerous outages for several years. The repeated outages were having a significant negative effect on the company's ability to conduct business by disrupting computer and phone services. FPSC staff visited the location in mid-1997, and put the serving utility on notice that more-aggressive steps needed to be taken to provide acceptable service to the customer.

In response to constant Commission monitoring of the situation, a new feeder line was finished ahead of schedule to reduce line loading, all facilities serving the customer starting at the substation were inspected, and alternative service routes were investigated. A comprehensive impact study of the neighborhood is also being conducted to determine if the physical characteristics of the customer's location along an unpaved road merit special, more-expensive distribution construction practices.

In another instance, a customer called to complain about a utility's proposed damage settlement resulting from a utility error. While the FPSC cannot order a utility to pay claims or intervene directly in the amount paid, staff did investigate the outage that led to the damage claim. After FPSC intervention, the utility offered the customer a settlement greater than the customer's origi-

nal claim. The customer was a resident of an apartment complex seriously damaged by early spring storms. Several apartments were significantly damaged and unable to receive electric power. While investigating which units could still safely receive power, a utility representative incorrectly locked out the customer's meter, indicating that power should not be restored. Repeated complaints to the utility were required before the utility acknowledged its error and restored power. The customer filed a claim for spoiled food resulting from the incorrect power block as well as for the cost of the electrician the utility required be called to establish that meter and wiring were not damaged. The utility originally agreed to pay only the cost of the electrician. After FPSC intervention and the establishment of utility error in delaying service restoration, the utility offered a settlement covering not only the electrician fees but all the spoiled food.

A third example highlights the importance of utilizing the safety engineers at the complaint site. A builder called to discuss relocating a power pole which was blocking access to a proposed driveway on a residential lot. The utility insisted that the builder pay to relocate the pole. An FPSC engineer was sent to the location and discussed the issue with both the developer and the utility. As a result of several days of intense negotiation, including review of site plans and utility records on original pole location, an alternate site was agreed upon and the pole was relocated at no charge to the builder.

Monitoring Federal Energy Activities

Ensuring that the interests and concerns of the State of Florida and its consumers are considered in federal policy making is an important Commission activity. Therefore, the Commission provides comments to federal agencies, such as the Federal Energy Regulatory Commission (FERC), on energy matters that may affect Florida. On February 4, 1999, the Commission filed comments with the FERC in response to the FERC's Notice of Intent to Consult with State Commissions over the FERC's possible use of authority under Section 202(a) of the Federal Power Act (FPA) to divide the country into regional districts for development of independent regional transmission organizations (RTOs). Since the Commission saw many parallels between independent system operator (ISO) formation and the development of RTOs, the Commission's February 1999 comments reiterated three points made in prior comments to FERC with regard to ISO formation. These points were:

(1) The FERC should not mandate ISO formation as a one-size-fits-all solution to market power or market efficiency. Rather, the FERC should maintain flexibility in the formation and application of its ISO policy and continue to provide guidance for the ongoing evolution of the electric utility industry;

(2) Any FERC authority to address market power issues should be exercised on a case-by-case basis, including the formation of ISOs. This authority should be exercised in cooperation with and with deference to affected state regulatory authorities; and

(3) The FERC should not pursue any policy that would interfere with or contravene a state's authority to adopt or refrain from adopting direct retail access.

On March 31, 1999, the Commission responded to follow-up questions posed by FERC Chairman Hoecker and FERC Commissioner Hebert regarding RTOs. Then, on May 13, 1999, the FERC issued a Notice of Proposed Rulemaking (NOPR) that proposes to amend the FERC's regulations under the FPA to facilitate the formation of RTOs. The Commission plans to file comments on this NOPR in August 1999.

In addition, the FPSC is one of eight state commissions challenging FERC's Order 888 on open transmission access. We believe the order intrudes on states' authority and states' ability to protect retail ratepayers. The case is in the D.C. Circuit Court of Appeals.

The Commission also actively represents Florida's ratepayers in the implementation of certain provisions in the Nuclear Waste Policy Act of 1982. This act requires ratepayers who receive the benefit of nuclear generation to fund nuclear waste disposal costs. In return, the act requires the U.S. Department of Energy (DOE) to physically provide for the acceptance, storage, and permanent disposal of the nuclear waste (spent nuclear fuel) from nuclear power plant sites. In fact, DOE was to begin waste acceptance by January 31, 1998. Although no waste has been removed from the nuclear plants in the state, Florida's customers have contributed over \$500 million into the Nuclear Waste Fund for this purpose. On behalf of the state's ratepayers, the Commission actively supports federal legislation to establish an interim storage facility to get nuclear waste moved off utility plant sites. The Commission also actively participates in litigation against the DOE for the default of its obligation to begin moving spent nuclear fuel by January 31, 1998. (For more details regarding nuclear waste concerns, see page 58.)

FPSC staff is also monitoring the following developments:

- ◆ The FERC's proposed rulemaking on depreciation accounting;
- ◆ The Financial Accounting Standards Board's (FASB) projects on asset impairment and disposal and asset retirement obligations;
- ◆ HB 2464, a bill that would make contributions in aid of construction non-taxable to electric and gas companies when certain conditions are met. The bills would also address the treatment of service laterals and meters;

- ◆ Bills SB 1308 and HB 2038, which would amend the Internal Revenue Code to ensure that decommissioning costs -- the costs associated with taking a nuclear facility out of service -- do not increase during transition to or in a competitive environment.

Continuing Surveillance

The Commission has developed an earnings surveillance report (ESR) program designed to monitor the earnings of rate-base-regulated companies. The ESR program involves the review of the companies' periodically filed ESRs. Through its monitoring, the Commission's staff can better anticipate potential changes in companies' earnings. Projecting how a company is expected to perform helps the Commission to regulate and to protect Florida's ratepayers against company overearnings.

As a result of this procedure, overearnings have been identified and refunds to customers, or other dispositions, have been ordered by the Commission. Specifically, in the case of Florida Power & Light Company, the Commission has approved an annual rate reduction of \$350 million. Tampa Electric Company refunded a total of \$50 million through December 1998. And Florida Public Utilities Company's Fernandina Beach electric division was ordered to place an additional \$248,000 into its Property Damage Reserve account to better prepare the company in the event of a hurricane.

Cost Allocation Manual

In order to better protect the ratepayer from subsidizing any unregulated operations of the companies, the Commission has initiated a project to develop a cost allocation manual (CAM) for use by the companies. The purpose of the CAM is to establish and document the procedures to be utilized for allocating expenses from the regulated companies to their unregulated, affiliated companies, and vice versa. The CAM will assist the staff in evaluating the appropriateness of the type and amount of expenses that are being allocated.

Other Reviews and Reports

Annual Report to the Florida Legislature on Activities Pursuant to the Florida Energy Efficiency and Conservation Act -- In addition to quantifying energy and demand savings of electricity conservation in the state of Florida, this report provides a review of conservation activities for both electric and gas, conservation education, conservation cost recovery, conservation programs, loan programs, ten-year site plans, cogeneration and small power production, power plant need determination proceedings, transmission line need determination and the economy energy broker.

Review of the Ten-Year Site Plans -- A review of the long-range generation and transmission plans of Florida's electric utilities. A public workshop is held to solicit comments on each utility's

ten-year site plan. The issues outlined include integrated resource planning, load forecasts, reliability requirements, fuel forecasts, type of generation selected and the various risks affecting future energy forecasts for the state of Florida. These are important issues in guaranteeing the availability of reasonably priced electricity to Florida's growing population.

Report on Economic Development Rates Offered by Florida Electric Utilities -- Economic development rates, or EDRs, are discounted rates offered to large industrial and commercial customers for the purpose of retaining large customers or stimulating job creation. As the opportunity for these customers to shop for alternative electrical service increases, these types of rates become more important for load retention and community economic development. This report reviews the EDRs offered by investor-owned, municipal, and cooperative electric utilities in the state of Florida.

Review of Florida Public Utilities Company, Work Orders and Continuing Property Records for Electric Operations -- A regulated utility is allowed to earn a return on its plant investment. This is a major portion of what a customer pays for in electric service. Therefore, the method in which a company records an expense or investment affects the rates a customer pays. This audit reviewed the company's compliance with Commission rules, internal auditing controls, and the adequacy of employee training with regards to recording of plant investment.

Composition of the Board of Directors of Selected Regulated Utilities -- This report provides information on the membership of boards of directors of nine of the largest local exchange and electric companies in the state of Florida. The report also includes information on the membership of the parent companies' board of directors.

A Comparative Review of Underground Residential Distribution Tariff Differentials -- Underground residential distribution (URD) tariffs specify the allowed charges to customers for the cost differential between underground electric service versus overhead wires in new residential construction. This review will examine the URD tariff differentials for the four major investor owned electric utilities, and the underlying costs submitted with tariff filings. Further, this review will document the engineering and construction design philosophy for tariffs applying to three standard URD subdivision types. The results of this review will benefit ratepayers by comparing electric utility designs and costs for new residential overhead and underground construction and by assuring they reflect tariff submissions.

Review of Electric Power Plant Ratings and Availability -- This report will examine and document the basis for actual and projected generating capacity increases, including power plant physical upgrades and methods of measuring and reporting current generating capacity. The report will

also examine past and current ten-year site plan capacity projections. Examination of current and projected generating resources is crucial to ensuring that adequate power generation is available to Florida ratepayers both now and in the future.

Electric Service Quality and Reliability Follow-up Review -- This report will review the progress FPL and FPC have made in improving distribution service quality and reliability from year-end 1997 through mid-year 1999. The benchmark for measuring the two IOU's results over the eighteen-month period will be the Commission's 1997 report "Review of Electric Service Quality and Reliability." Issues and recommendations presented in the 1997 report will be revisited for the two companies, along with those regarding Commission rules and annual utility reporting requirements. The report is anticipated to be published by October 1999.

I S S U E S

Electric Industry Restructuring

The Commission is aware that, nationwide, the electric industry is feeling the impact of the 1992 Energy Policy Act, subsequent FERC actions, and technological advancements. These factors have resulted in consideration, and in some cases, adoption, of various structural and regulatory proposals by a number of states. There are numerous concerns that need to be addressed to ensure all consumers have safe, reliable, and affordable electricity service in a more competitive market structure.

In an effort to continue to address what is best for Florida and its consumers, the Commission formed a work group called the Electric Industry Work Group, which is responsible for evaluating actions taken by other states to restructure their electric utility industries. The diversity of approaches taken by those states that have already ventured down the path of restructuring may offer important lessons if Florida pursues restructuring of its electric industry. These lessons provide Florida with an opportunity to evaluate the various merits of each approach, assess its applicability to Florida, and identify the emerging issues and the types of competitive structures that can best meet the needs of the residents of the state.

Nuclear Waste Disposal

There are five nuclear power plants in the state of Florida. As these plants generate electricity, they produce a form of radioactive waste called spent nuclear fuel. Spent nuclear fuel is temporarily stored at the utility plant sites to allow it to cool properly before transporting it to a site for permanent disposal. The Nuclear Waste Policy Act of 1982 (NWPA) established the Nuclear Waste Fund, a separate fund in the U.S. Treasury, to provide the U.S. Department of Energy (DOE)

with the financial ability to administer a program for the acceptance of this waste from nuclear power plants across the nation. Ratepayers receiving the benefit of nuclear generation are billed for the costs of the federal nuclear waste disposal program through a charge on their electric bills. The utility submits these ratepayer payments to the Nuclear Waste Fund. Floridians have been paying this surcharge on electricity consumption for more than 16 years, and these contributions total more than \$500 million. This figure grows with each additional kilowatt-hour of electricity consumed by the affected customers. In return for these payments, the NWPA obligated the DOE to begin acceptance of nuclear waste from utility plant sites by January 31, 1998. In addition to the statutory obligation, the DOE also has a contractual obligation to move spent nuclear fuel. The DOE signed standard contracts, calling for utility payment of fees in return for nuclear waste disposal by the DOE, with each nuclear utility. Despite its obligation, the DOE missed the January 1998 deadline, and it now appears that the DOE will not begin moving spent nuclear fuel until 2010 at the earliest.

In response to the DOE's inactivity, the Commission, along with numerous other state commissions and attorneys general, has participated in a number of lawsuits against the DOE regarding the DOE's delay in accepting this high-level radioactive waste. On August 3, 1998, a group of 48 state agencies, including the Commission, petitioned the U.S. Supreme Court for a writ of certiorari to enforce federal law requiring the DOE to remove the spent nuclear fuel from nuclear power plants across the nation. In September 1998, the DOE also petitioned for a writ of certiorari with the U.S. Supreme Court to review the judgment of the U.S. Court of Appeals, D.C. Circuit, in order "to restore the proper division of jurisdiction in contract cases between the regional courts of appeals and the Court of Federal Claims, and to prevent disruption of an important national program." On December 1, 1998, the Supreme Court issued an order reflecting its decision that it would not consider either petition for writ of certiorari, leaving in place the earlier Court of Appeals decisions in the Indiana Michigan Power Company v. DOE and Northern States Power v. DOE cases.

The Commission has also been closely following several lawsuits filed with the U.S. Court of Federal Claims by nuclear utilities seeking damages for DOE's failure to perform its duties under the Standard Contracts. On October 29, 1998, in the Yankee Atomic Electric Co. v. United States case, the Court of Claims ruled that the DOE had breached its contractual obligation to begin disposing of Yankee Atomic's spent nuclear fuel by January 31, 1998. Then, on April 6, 1999, in the Northern States Power v. United States case before a different judge, the court ruled that under Northern States Power's (NSP) Standard Contract with the DOE for disposal, NSP must first exhaust its administrative remedies before the DOE's Contracting Officer and Board of Contract Appeals before it could maintain an action for damages in the Court of Claims. NSP filed a notice of appeal of this decision on May 20, 1999 with the Federal Circuit Court of Appeals in Washington, D.C. The Florida PSC plans to join with other states in filing an *amicus curiae* brief in support of NSP's appeal.

Through ties with the National Association of Regulatory Utility Commissioners and the Nuclear Waste Strategy Coalition, the Commission is actively participating in the move to get federal legislation passed that will succeed in getting waste removed from utility plant sites by an enforceable date certain. In the 106th Congress, two bills to construct a federal interim storage facility were introduced. On January 6, 1999, the House introduced its version, H.R. 45. On March 15, 1999, the companion bill, S. 608, was introduced in the Senate. Both bills initially provided for interim storage to begin in 2003 and for permanent disposal by 2010. Since introduction, both bills have been amended considerably, and it remains to be seen whether the legislation will include an interim storage provision and whether the Commission will be able to support its passage.

T A B L E R

Gas Pipeline Safety Violation Categories

Fiscal Year July 1, 1998 - June 30, 1999

The operator failed to:

- ◆ repair Grade 2 and 3 leaks within 90 days from the date the leaks were originally discovered.
- ◆ update gas emergency response procedures.
- ◆ provide for after-hour leak complaint response.
- ◆ include contractor employees in the "Alcohol Misuse Prevention Program."
- ◆ inspect and service valves that may be necessary for the safe operation of the gas system.
- ◆ provide training for the managing personnel for the alcohol-use testing program.
- ◆ provide a public education program for reporting gas emergencies and call-before-digging requirements.
- ◆ take remedial conditioning to a corroding pipeline attached to a bridge crossing.
- ◆ provide odorant for gas to a small distribution system.
- ◆ test over pressure relief valves.
- ◆ conduct random drug testing.
- ◆ mark sectionalizing valves to identify them in an emergency.
- ◆ inspect rectifiers to prevent corrosion every two months.
- ◆ have construction inspectors check pipeline construction by contractors.
- ◆ grade the level of hazard of gas leaks.
- ◆ test odorant levels to assure the gas delivered contains the required concentration.
- ◆ provide protective barricades to protect piping from vehicular damage.
- ◆ mark multi-meter installations to assure proper identification in an emergency.
- ◆ assure that plastic pipe fusions were made with qualified joining procedures.
- ◆ retire and physically abandon all customer service lines that remain inactive for five consecutive years.
- ◆ remove or repair damage that would impair the safety of plastic or steel pipe.
- ◆ place pipeline markers to warn excavators that a pipeline was near.
- ◆ take remedial action to correct deficiencies indicated by monitoring of cathodic protection to stop corrosion.
- ◆ assure that pipe components are manufactured to require safety standards.
- ◆ identify and provide adequate notification of persons normally engaged in excavation activities to make sure that they are aware of the Damage Prevention Program of the gas system.
- ◆ ensure that the maximum allowable operating pressure was not exceeded on the gas system.
- ◆ provide safe clearance from other structures during construction.
- ◆ provide for pressure testing of all installed facilities.

Examples of the Most Common Variances from the National Electric Safety Code



◀ Vines growing on this power pole are in contact with the open secondary conductors, transformer, and communication cables.



◀ A building contractor constructed this driveway around a power pole.

The pole is approximately three feet within the driveway.

Examples of the Most Common Variances from the National Electric Safety Code



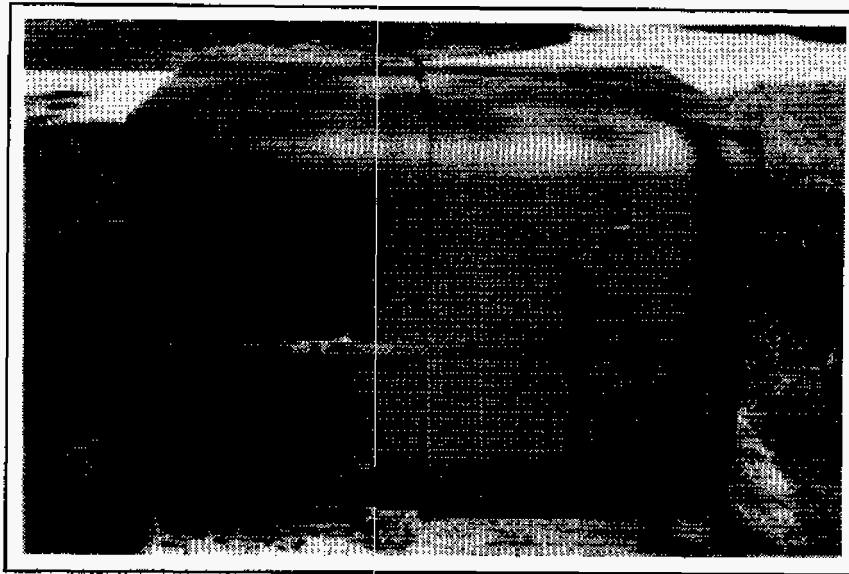
This trench for underground cable has not been filled. It should be filled, compacted, and level with the ground surface.

A pole ground wire is not attached to a ground rod.

It should be attached to the rod below the surface of the ground.



Examples of the Most Common Variances from the National Electric Safety Code



A pad-mounted transformer has several large holes corroded through the case.

The front cover is held in place with a metal band.



A palm tree is growing into open secondary conductors and communication cables.

Examples of Natural Gas Accidents



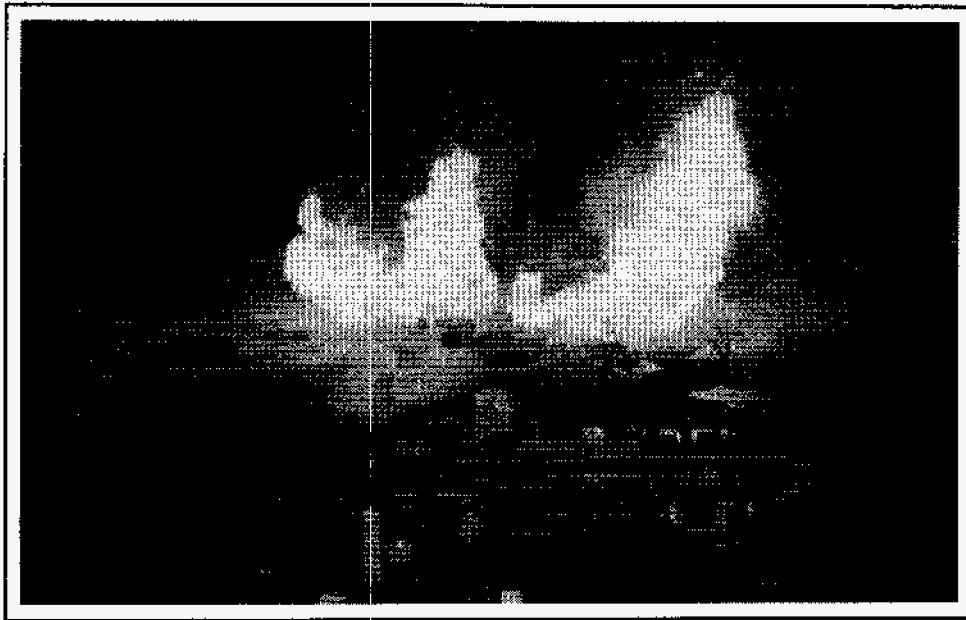
This house was destroyed when a leak caused an explosion at a gas meter.

A faulty electric meter was located above the gas meter, causing the spark that ignited the blaze.

A phone contractor ignited this gas fire by using a torch. The resulting blaze melted a plastic gas main.



Examples of Natural Gas Accidents



- ▲ Lightning caused an explosion and fire at a natural gas pipeline in Perry on August 14, 1998, interrupting all gas flow into peninsular Florida. The fire caused major damage to high pressure gas transmission piping.



- ▲ Houses were demolished and trees burned near the fence line of the compressor station in Perry after lightning struck.

INVESTOR-OWNED
Electric Companies



TABLE T
ELECTRIC INDUSTRY

Inquiry Activity*/Consumer Savings

COMPANY	INQUIRIES LOGGED			MAJOR TYPE*	INQUIRIES CLOSED			CONSUMER SAVINGS
	Service*	Billing*	TOTAL		Apparent Non-Infractions*	Apparent Infractions*	TOTAL	
Florida Power Corp.	62	59	121	Rules & Tariffs (50)	146	9	155	\$ 13,955.66
FPL	189	280	469	Rules & Tariffs (220)	583	12	595	105,576.44
FPUC	1	0	1	Right of Way (1)	1	0	1	0
Gulf Power	4	14	18	High Bill (20)	19	0	19	4,075.13
Tampa Electric	7	28	35	High Bill (12)	34	2	36	3,486.55
Industry Total	263	381	644	Rules & Tariffs (270)	783	23	806	\$127,093.78

* Please see index of definitions on page 81.

TOTAL SAVINGS TO CONSUMERS: \$127,093.78

INVESTOR-OWNED
Electric Companies

TABLE U
ELECTRIC INDUSTRY

Number of Customers/Apparent Infraction Indices

COMPANY	Total* Customer Base	Fiscal Year Apparent Infractions	Apparent Infractions** Per 1,000 Customers	Fiscal Year*** Apparent Infraction Index
Florida Power Corp.	1,349,000	9	0.0067	1.73
FPL	3,712,700	12	0.0032	0.84
FPUC	24,200	0	0	0
Gulf Power	354,000	0	0	0
Tampa Electric	537,100	2	0.0037	0.97
Industry Total	5,977,000	23	0.0038	

* Source - Florida Public Service Commission 1998 Annual Report.
 Total customer base for each company as of January 1997.

** Note - Infractions per 1,000 customers is defined as follows: Each company total is based on the company's total infractions divided by its customer base. The industry total is based on total year-to-date infractions for the industry divided by the total industry customer base.

*** Please see index of definitions on page 81.

INVESTOR-OWNED
Gas Companies



TABLE V

Inquiry Activity*/Consumer Savings

69

COMPANY	INQUIRIES LOGGED			MAJOR TYPE*	INQUIRIES CLOSED			CONSUMER SAVINGS
	Service*	Billing*	TOTAL		Apparent Non-Infractions*	Apparent Infractions*	TOTAL	
Chesapeake	1	1	2	Rules & Tariffs (1)	2	0	2	\$ 0
City Gas	12	39	51	High Bill (20)	56	11	67	5,204.02
FPUC	3	2	5	- - -	4	2	6	31.00
Indiantown	0	0	0	- - -	0	0	0	0
Peoples	8	23	31	Rules & Tariffs (15)	38	4	42	4,310.90
St. Joe	0	0	0	- - -	0	0	0	0
Sebring	0	0	0	- - -	0	0	0	0
South Florida	0	0	0	- - -	0	0	0	0
Industry Total	24	65	89	High Bill (20)	100	17	117	\$ 9,545.92

*Please see index of definitions on page 81.

TOTAL SAVINGS TO CONSUMERS: \$9,545.92

INVESTOR-OWNED
Gas Companies



TABLE W

Number of Customers/Apparent Infraction Indices

COMPANY	Number of * Customers	Fiscal Year Apparent Infractions	Apparent Infractions ** Per 1,000 Customers	Fiscal Year *** Apparent Infraction Index
Chesapeake	9,654	0	0	0
City Gas	99,574	11	1.000	2.62
FPUC	37,416	2	0.053	1.27
Indiantown	657	0	0	0
Peoples	246,998	4	0.016	0.38
St. Joe	3,419	0	0	0
Sebring	700	0	0	0
South Florida	4,270	0	0	0
Industry Total	402,688	17	0.042	

* Source: Florida Public Service Commission Bureau of Natural Gas Regulation, January 1999.

** Note - Apparent infractions per 1,000 customers is defined as follows: Each company total is based on the company's total apparent infractions divided by its customer base. The industry total is based on total year-to-date (fiscal year) apparent infractions for the industry divided by the total industry customer base.

*** Please see index of definitions on page 81.



WATER & WASTEWATER

THE WATER and WASTEWATER INDUSTRIES

The Florida PSC basically has authority for economic regulation of investor-owned water and wastewater utilities operating in counties that have opted to give such jurisdiction to the Commission. The map on page 79 shows the jurisdictional counties. These utilities provide an essential service in a natural monopoly environment. Therefore, rate-of-return regulation is the dominant method of economic oversight by the Commission.

In order to meet increasing demands for water associated with population growth in the state of Florida, the cost of water service has increased. In addition, compliance with the federal standards in the Safe Drinking Water Act (SDWA) and the Clean Water Act (CWA) has also increased the costs of providing water and wastewater services to the public. The Florida Department of Environmental Protection (DEP) is the state agency responsible for implementing SDWA and CWA standards. The Commission works closely with the DEP in assuring that the costs associated with safety and environmental compliance are prudently incurred. Compared to the other utility industries, the WAW utilities generally have smaller customer bases over which these costs can be spread. This means the impact of increased costs may be greater for the individual WAW customer than for customers of other utility services.

The Commission has historically tried to soften the impact of these higher costs by providing regulatory options that add little, if any, financial burdens. In addition, consumer awareness and education continue to be important tools in keeping customers aware of the potential impact of water and wastewater proceedings before the Commission. The issues of price and access have been an ongoing Commission concern, as reflected in the programs and activities described in this section.

PROGRAMS and ACTIVITIES

Consumer Awareness and Education

The Commission's consumer education program has several operational goals, including: (1) disseminating consumer information about regulatory matters to the media; (2) establishing the Commission's presence and increasing its visibility as a consumer education agent; and (3) maintaining an outreach plan for FPSC hearings and workshops held across the state.

An educational tool that is increasingly being utilized is the World Wide Web. The FPSC's Internet home page, located at <http://www.floridapsc.com>, has been expanded to supply consumers with more information about the industries we regulate and about specific issues before the Commission. Press releases, current television public service announcements, and most FPSC publications are among the items that can be accessed there. Consumers are also able to file online

complaints regarding their utility services via the home page. In addition, FPSC customer hearings are frequently accessible online as live audio broadcasts. (To access a hearing, a consumer must have a computer equipped with a soundboard and speakers; the necessary helper application software may be downloaded from the home page.)

The Commission's bimonthly newsletter, *From The PSC Agenda*, is published to highlight recent decisions and specific issues before the Commission. Water and wastewater topics are among those that have been featured in the newsletter during the past fiscal year.

To assist Florida legislators whose constituents may be affected by a case before the FPSC, the Commission produces the *Legislative Bulletin*. The *Bulletin* is designed to provide a case background and to assist legislators in fielding inquiries from their constituents. One recent example was an application for a staff-assisted rate case in Orange County by Tangerine Water Company, Inc., that was mailed to legislators from the affected region.

FPSC staff also attend customer hearings held in conjunction with water and wastewater cases. For each such hearing, a *PSC Special Report* is prepared to give customers a factual, historical narrative on the case at hand.

The Commission has produced a number of brochures designed to help consumers become more knowledgeable about their rights and options as users of water and wastewater services:

- ◆ *Conserve Your World* -- Provides information and tips on water conservation for the bathroom, kitchen, laundry and outdoor water usage, as well as information on xeriscape design. (Also available in Spanish.)
- ◆ *If You Have A Problem With Utility Service Or Rates* -- Provides information about what types of utility companies are regulated by the Commission, how to file a complaint with the Commission, and what to expect after the complaint is filed.
- ◆ *Rate Case Procedures for Water and Wastewater Utilities* -- Provides a more detailed explanation of the various types of rate case proceedings specific to the water and wastewater industries. This is important to consumers in understanding how their rates can be affected.
- ◆ *Utility Ratemaking in Florida* -- Provides Florida's consumers with information about how their rates can be changed and how they are represented in the regulatory process. Also provides an overview of the process of setting rates, and includes a summary of the regulatory process, the participants and the responsibilities of the Commission in this process. A

rate-case process time line summarizing actions by the utility, the Commission, and the Office of Public Counsel is also provided.

- *Where To Find Help in Florida* -- Provides basic information regarding no-cost and low-cost hints for conserving water. An extensive list, with contact phone numbers of community organizations that administer various programs, is provided.
- ◆ *Your Water and Wastewater Service* -- Provides explanations of some of the policies and procedures regarding specific customer issues, such as initiation of service, customer deposits, rate structure, billing practices, meter problems and service interruptions.

In addition, a display unit is set up and brochures are distributed at some consumer events in which the Commission participates. At such events, Commission employees are available to provide additional information and answer questions from consumers.

FPSC and Florida Energy Office brochures are also distributed through the Library Outreach Program. The program's objective is to maintain a supply of FPSC brochures in every public library in Florida.

To inform the news media about the latest trends and changes in the industries we regulate, Commissioners participate in editorial board visits with major newspapers around the state. Commission staff also take part in television, radio, newspaper and other print media interviews.

Finally, the Commission assisted the U.S. Environmental Protection Agency in writing the publication *Safe Drinking Water, Health/Safety Requirements and Resulting Costs*. This publication provides consumers with information regarding threats to water supplies, compliance with the Safe Drinking Water Act Amendments of 1996, and the associated financial impacts of compliance.

Customer Meetings and Hearings

Commission staff attends all customer meetings and hearings, and is available to assist consumers and answer questions. A portion of each technical hearing is dedicated to giving consumers an opportunity to comment on the case at hand. *Special Reports* are prepared to give consumers a factual background on the specific case, and include a pre-addressed mailer to allow consumers to write their comments and return them to the Commission. There were 19 water and wastewater hearings/meetings held during the fiscal year.

Certification

Water and wastewater utilities subject to FPSC regulation are required to obtain a certificate of service from the Commission. Staff processed 60 certificate cases during the fiscal year. With original and grandfather certificates, considerable time is spent encouraging potential utility applicants to obtain service from an existing utility, thereby avoiding the establishment of a small utility without the benefits of economies of scale. Staff also spends time teaching new utilities about FPSC rules on customer relations and customer service requirements. In certificate amendment cases, customers benefit by having service available when the need is present. Customer savings also result from the avoidance of duplication of service from competing utilities. In certificate transfer cases, acquisition adjustments are reviewed so that customers do not end up paying higher rates simply because a utility was sold.

Proposed Agency Action

Considerable expenses are incurred by the utility in the litigation of a rate case. By law, reasonable rate case expense is passed on to the customers. In an effort to reduce these expenses, the Commission offers a Proposed Agency Action (PAA) filing process. Under the PAA process, a case is not set for formal hearing unless a timely protest to the PAA order is filed. Affected parties can address the staff recommendation at the Commission's agenda conference, and subsequent to the Commission's vote, a PAA order is issued. The order becomes final if a substantially affected person does not protest within the 21-day protest period. This process takes about five months (if no protest is filed), as compared to the eight months it takes to typically process a standard rate case. By avoiding a formal hearing and reducing the filings that would be required in the standard rate case process, there are substantial savings in the company's rate case expense.

Staff-Assisted Rate Cases

The Commission has developed a staff-assisted rate case (SARC) program, in which utilities with annual water or wastewater revenues of less than \$150,000 (or combined annual revenues of \$300,000) can request that the Commission staff develop the information required to file a rate case. The primary purpose of this program is to avoid passing on to the customer, through higher rates, the substantial costs of having outside consultants develop the rate case data. Historically, this type of expense has been considered a part of doing business and, therefore, passed along to the ratepayer. During this fiscal year, approximately \$236,103 in rate case expenses were saved and not passed along to customers of the smaller companies.

Price Index and Pass-Through Adjustments

To avoid the costly expense of filing full rate cases, the Commission issues an annual index for major categories of operating expenses. Companies are allowed, once every twelve months, to adjust their rates based on the index, in lieu of a full rate case proceeding. In addition, Florida

statutes allow for the companies to automatically pass-through cost increases or decreases associated with such items as purchased water, ad valorem taxes and Department of Environmental Protection (DEP) mandated testing. By avoiding the need for formal hearings and full rate proceedings, there are substantial savings in the company's rate case expenses. These additional expenses would have been passed along to ratepayers, resulting in higher rates.

Water and Wastewater Utility Leverage Formula

One of the most expensive aspects of a formal rate proceeding is testimony and analysis involved in determining the cost of equity. The leverage formula gives the Commission a standard methodology for determining the cost equity that can be applied to all water and wastewater utilities and avoids the expense of litigating this issue in the formal proceeding. PSC rules provide for annual Commission approval of a leverage formula for this use. This additional expense would have been passed along to the ratepayer, resulting in higher rates.

Due to the nature of the water and wastewater industry, no equity return may have been established for a company or the current return on equity may be dated. In those cases, the leverage formula is used to streamline the process and avoid the cost of additional proceedings. It can be used to test the reasonableness of equity returns in other industries when the companies have similar characteristics.

FPSC staff monitors the leverage formula to determine if changes are required.

Commission Noticing Requirements

In an effort to keep the customer and affected parties informed about water and wastewater activities and provide opportunities for public input, the Commission has extensive notice requirements for the water and wastewater utilities it regulates.

In cases dealing with applications for original transfer of or amendments to certificates of service, a utility must send notice to municipalities, counties, regional planning councils, the Office of Public Counsel (OPC), the DEP, water management districts and privately owned water and wastewater facilities within the relevant counties within seven days of filing the request with the Commission. In addition, no sooner than 21 days before the filing, and no later than seven days after the filing, the utility must hand-deliver a copy of the notice to the customers of the system to be served, added, deleted or transferred. There is a 30-day objection period from the date of the notice.

In larger water and wastewater cases and PAA proceedings, when filing an application for a case, the utility mails a copy of the application to the chief executive officer of the governing body of each county within the service area. Within 30 days after the official date of filing, the utility

places detailed minimum filing requirements (MFRs), a rate case synopsis, and the petition in its official headquarters and in any utility business office in the service area. The affected municipality and county are mailed the rate case synopsis within 30 days. Within 50 days after the official filing, the utility is required to send an initial customer notice to all customers within the service area advising them of the filing.

In a PAA proceeding, the utility must provide notice of a customer meeting no less than 14 days, and no more than 30 days, before the meeting date. In larger water and wastewater cases, or protested PAA proceedings, the utility must provide a notice of formal hearing no less than 14 days, and no more than 30 days, prior to the date of the hearing. In addition, the utility is required to provide notice in a newspaper of general circulation in its service area, no less than 14 days, and no more than 30 days, prior to the hearing date.

In either type of proceeding, after the Commission issues an order denying or granting the rate change request, the company is required to notify the customers no later than with the first bills containing any revised rates.

In SARCs, upon receiving the reports developed by staff, the utility places two copies of the engineering and accounting reports in its business office. The utilities are required to provide notice of customer meetings no less than 14 days, and no more than 30 days, prior to the date of the meeting. After the Commission issues an order denying or granting the rate change request, the company is required to notify the customers no later than with the first bills containing any revised rates.

Consumer Inquiries and Complaint Resolution

The FPSC is committed to providing assistance and protection to consumers of regulated utilities. Consumers may contact the Commission to file complaints, or to inquire about any regulated utility company, via the toll-free telephone and fax numbers, 1-800-342-3552 and 1-800-511-0809, respectively; by mail at 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850; by e-mail at contact@psc.state.fl.us; and through the Internet at <http://www.floridapsc.com>. The Commission resolves consumer complaints through the following mechanisms:

- ◆ Investigating the facts and circumstances of the case with the customer and the company;
- ◆ Researching service provisioning issues and interpreting applicable statutes, rules and tariffs;
- ◆ Specifying corrective action and ensuring compliance;
- ◆ Advising the consumer, and serving as facilitator where necessary.

Table X (page 80) shows a total of 148 logged inquiries in the water and wastewater industries. The major area of concern was “rules and tariffs.” Inquiries were logged against 58 companies. The company with the largest number of logged inquiries was Florida Water Services Corp. (formerly Southern Sates Utilities), with 47. United Water Florida, Inc. had the next largest amount with 16.

Staff closed 199 inquiries during the fiscal year. Of these inquiries, 19 were closed as apparent rule infractions. The major infraction type levied against the industries was for a “failure to respond to consumers.” This infraction type accounted for 43 percent of the total apparent rule infractions for the industries. On a company-specific basis, Florida Water Services Corp. had the highest number of apparent rule infractions with 5.

As a result of the Commission’s investigations, total savings to consumers were \$14,015.33 for the fiscal year.

In August 1996, President Clinton signed into law a bill that amends the Safe Drinking Water Act. This law significantly increases money available for repairing deteriorating water systems; requires water providers to issue annual, written water quality reports to their customers; requires water providers to provide 24-hour public notification when a contaminant poses a health risk; and provides guidelines for states to develop source water assessment programs, with several provisions to assist small water systems. In some instances, water rates may go up to cover the costs of assuring safe drinking water.

The water and wastewater industry complaints or inquiries most frequently dealt with by the Division of Auditing and Financial Analysis staff deal with capital structure, cost of debt and equity, reuse water, the taxation of contributions in aid of construction, and the appropriate depreciation for new technologies.

Federal and State Matters

At the federal and state levels, the Commission is monitoring and assisting in the implementation of several aspects of the Safe Drinking Water Act Amendments of 1996. The act provides funding for a State Revolving Loan Fund for water utilities. The 1997 Florida Legislature created the Florida State Revolving Loan Fund program that is administered by the Department of Environmental Protection. FPSC staff is currently assisting the DEP in the formulation of the rules that will govern the loan program. The FPSC’s primary focus in this endeavor is to assure that Commission-regulated water utilities are eligible for the funding.

The Commission is also assisting and advising the DEP in the development of the state's Capacity Development Program, which is another feature of the Safe Drinking Water Act amendments of

1996. On behalf of the National Association of Regulatory Utility Commissioners' Water Committee, FPSC staff has provided training on ratemaking issues to staff at the U. S. Environmental Protection Agency in the area of capacity development.

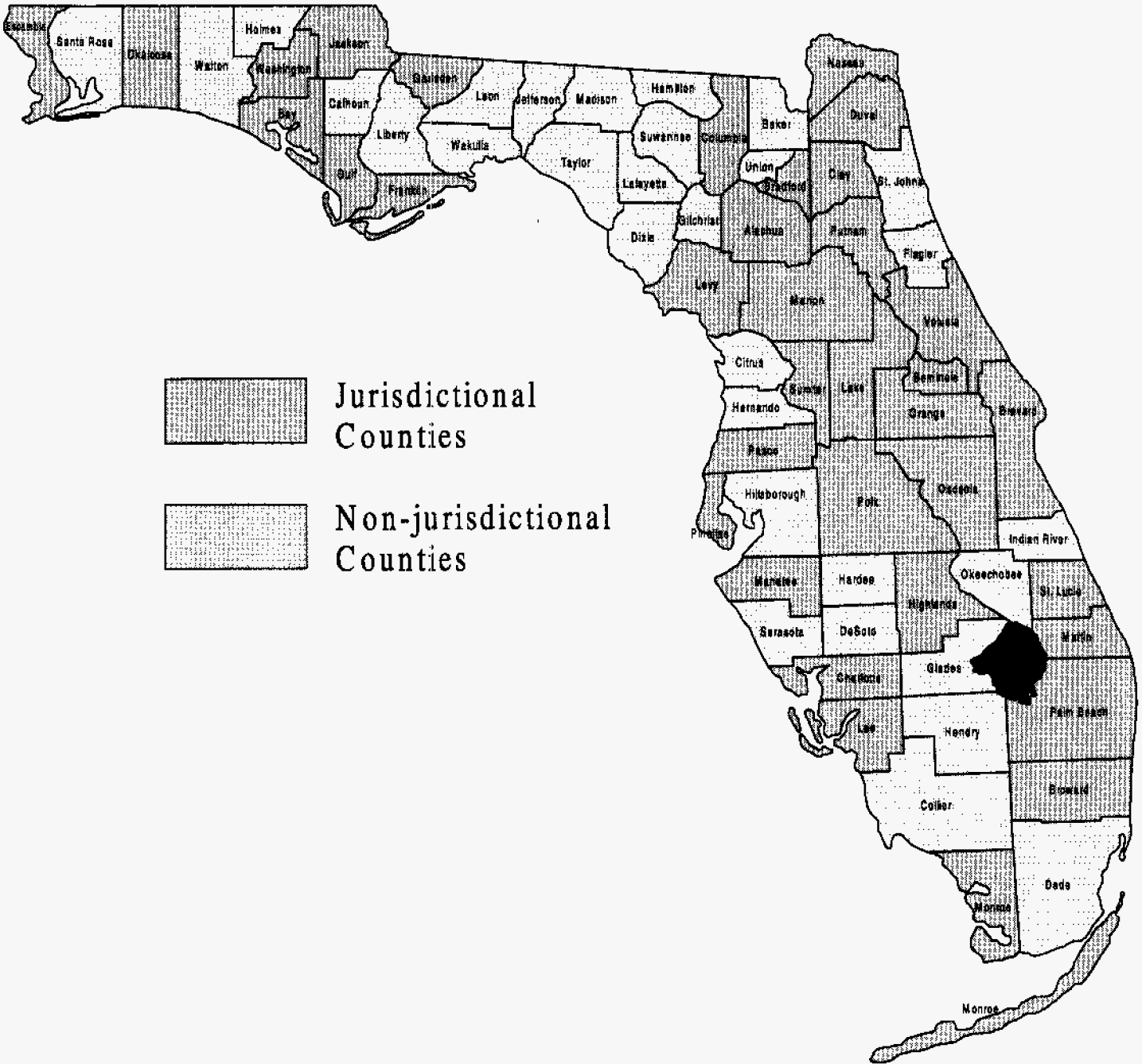
Looking forward, the next significant federal issue will be the reauthorization of the Clean Water Act, which sets the federal environmental standards for wastewater utilities.

FPSC staff is monitoring the proposed regulations process at the IRS to ensure that this Commission has input into the contribution in aid of construction (CIAC) regulations with the goal that they are reasonable and do not go beyond the provisions of the statutes. Although not all CIACs are nontaxable under current law, it is possible that additional CIACs will not be automatically nontaxable under the regulations. It is also possible that identical contributions may be taxable in one case and not in another because of the way the contribution was treated by the recipient prior to issuance of the regulations. The regulations will probably be retroactive.

I S S U E S

As previously outlined in the Introduction of this section, the issues in the water and wastewater industries are basically price and accessibility to the regulatory process. The Commission's regulatory authority is a surrogate for competition. The regulatory process should be designed to minimize the cost of regulation and therefore its effect on the prices charged to the customer. The Commission's regulatory process provides options for limiting this effect on customers. Certification, PAAs, SARCs, price index and pass-through adjustments and the previously mentioned leverage formula are examples of Commission efforts to limit price impacts. Consumer education and protection and Commission noticing requirements are examples of Commission efforts to make the process more accessible to the public.

Water and Wastewater 36 Jurisdictional Counties



INVESTOR-OWNED
Water and Wastewater Companies



Inquiry Activity*/Consumer Savings

08

COMPANY	INQUIRIES LOGGED			INQUIRIES CLOSED			CONSUMER SAVINGS
	Service*	Billing*	TOTAL	Apparent Non-Infractions*	Apparent Infractions*	TOTAL	
Aloha Utilities, Inc.	2	4	6	10	0	10	\$ 13.28
Broadview Park Water Co.	0	6	6	6	1	7	0
Consolidated Water Works, Inc.	1	4	5	4	0	4	0
Florida Water Services Corp.	18	29	47	51	5	56	957.32
Jasmine Lakes Utilities Corp.	3	3	6	6	0	6	20.00
Peoples Water Service Co.	0	5	5	4	0	4	0
United Water Florida, Inc.	7	9	16	19	1	20	1,559.76
Utilities, Inc. of Florida	2	4	6	4	0	4	137.34
50 Other Companies	21	30	51	76	12	88	11,327.63
Industry Total	54	94	148	180	19	199	\$ 14,015.33

* Please see index of definitions on page 81.

TOTAL SAVINGS TO CONSUMERS: \$14,015.33

INDEX OF DEFINITIONS

Billing - An inquiry having to do with the amount a customer has been billed or any rule or tariff having to do specifically with the billing of the customer's account.

Consumer Activity Tracking System (CATS) - A database system that tracks inquiries filed with the FPSC's Division of Consumer Affairs.

External Contact - Written communications (letter, facsimile, or e-mail message) received from consumers; utility representatives; federal, state, or local government officials; representatives of professional organizations; or the news media that require a written response.

External Contact Tracking System (ECTS) - A database system into which all external contacts are entered by one designated person within each division.

Fiscal Year - July 1, 1998, to June 30, 1999.

Infraction - If the FPSC staff believes that the utility has apparently violated an FPSC rule, the company's tariff, or its stated company policy, the FPSC staff will close the inquiry as an apparent infraction.

Inquiry - If a customer contacts the FPSC concerning a problem with a regulated utility and the FPSC staff has reason to believe that there may have been an apparent infraction, the FPSC staff will file an inquiry with the utility, in which the utility must respond to the customer's allegations.

Inquiry Activity - The total number of inquiries logged with regulated utilities or closed within a given period of time.

Inquiries Closed - The number of inquiries handled by the FPSC staff, making a determination as to whether the utility is in apparent violation of rules or tariffs. Staff works with the consumer and the utility to ensure proper resolution.

Inquiries Logged - The number of inquiries received from customers and filed with the utilities.

Non-Infraction - If the FPSC staff believes that a utility is not in apparent violation of any rule or tariff, the inquiry will be closed and assigned a code for tracking purposes.

Service - An inquiry having to do with the delivery of the service provided by the utility, exclusive of billing concerns.

Tariff - Description of all rate schedules, as well as a schedule of charges, rules, and regulations of a utility company.

CONSUMER CONTACTS

Per Division*

TRACKING METHOD	DIVISIONS					
	Auditing and Financial Analysis	Telecommunications	Consumer Affairs	Electric and Gas	Water and Wastewater	Legal
TAS						
ECTS			66			
TELEPHONE CALLS - ACD/MIS**			43,229			
WRITTEN CORRESPONDENCE - CATS***	7	209	1,942	180	771	193
REFERENCE CASES - CATS		200	5,625	190	3	
INQUIRIES - CATS		462	8,374	87	5	
Industry Total	7	871	59,236	457	779	193

* Numbers supplied by divisions of the Florida Public Service Commission.

** ACD/MIS - Automatic Call Distribution / Management Information System.

*** CATS - Consumer Activity Tracking System.