BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 000694-WU

In the Matter of:

PETITION BY WATER MANAGEMENT SERVICES, INC. FOR LIMITED PROCEEDING TO INCREASE WATER RATES IN FRANKLIN COUNTY.
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PROCEEDINGS: AGENDA CONFERENCE
ITEM NO. 14

BEFORE: CHAIRMAN BRAULIO L. BAEZ
COMMISSIONER J. TERRY DEASON
COMMISSIONER RUDOLPH "RUDY" BRADLEY
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER ISILIO ARRIAGA

DATE: Tuesday, November 1, 2005

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: LINDA BOLES, RPR, CRR
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PARTICIPATING:

STEPHEN C. REILLY, ESQUIRE, Office of Public Counsel, representing the citizens of the State of Florida.

KENNETH HOFFMAN, ESQUIRE, and FRANK SEIDMAN, representing Water Management Service, Inc.

ADRIENNE VINING, ESQUIRE; JAN KYLE; JENNIE LINGO; and MARSHALL WILLIS, representing the Florida Public Service Commission Staff.

P R O C E E D I N G S

CHAIRMAN BAEZ: Commissioners, that leaves us Item 14.

MR. KYLE: Good afternoon, Commissioners. I'm Jan Kyle of the Division of Economic Regulation. Item 14 is Docket 000694-WU, petition by Water Management Services, Inc. for a limited proceeding to increase water rates on St. George Island in Franklin County. Staff is available to answer any questions you may have.

CHAIRMAN BAEZ: Thank you, Mr. Kyle. Commissioners, do we have -- Public Counsel is here, as well as counsel for Water Management Services. Did you all have presentations or comments to make or are you here to answer questions?

MR. HOFFMAN: Mr. Chairman, for the record, my name is Ken Hoffman. With me is Frank Seidman. We're here appearing on behalf of Water Management Services. Just to fill you in, I've spoken with Mr. Reilly and with staff, and Mr. Reilly and I basically reached an agreement that we would not make presentations today and we would essentially dedicate our efforts toward trying to reach a settlement of the case. So we're certainly here to answer any questions that the Commissioners may have, but it is not my intention to speak to any specific issues, essentially reserve our rights if we can't settle.

CHAIRMAN BAEZ: Very well. Mr. Reilly, you can go ahead and enter an appearance for yourself.

MR. REILLY: Steve Reilly, Office of Public Counsel, on behalf of the ratepayers. His statement is correct and that's the posture we're in today.

CHAIRMAN BAEZ: Perfect. Commissioners, questions.

COMMISSIONER DEASON: Well, I have a question. Do the parties wish for us to go ahead and issue a PAA and then you all will negotiate based upon the PAA?

MR. HOFFMAN: Yes, sir.

MR. REILLY: That's right.

COMMISSIONER DEASON: Mr. Chairman, I have a few questions for staff.

CHAIRMAN BAEZ: Go ahead, Commissioner.

COMMISSIONER DEASON: Okay. I'm looking at Page 6 of the recommendation under the heading, "Depreciation Expense for Retired Supply Main." I'm looking at the bottom of the third paragraph. In all honesty, I read that and I just have some question in my mind as to exactly what staff was doing here. So if somebody could just kind of orally explain that, and then I'll pick up with more questions, if needed.

MR. KYLE: Commissioner Deason, the intent there, I believe, was just to recognize that the, over the course of time the utility has grown. We believe that the Class A guidelines would be more applicable in recalculating the depreciation amounts because that is the --

COMMISSIONER DEASON: So is the issue here just the change in the life of this, of this particular asset for depreciation purposes, is that the crux of the issue?

MR. KYLE: With respect to the offset -- the crux of the issue is an offset of depreciation for a supply main that was retired, and this is just an explanation of how we recalculated that amount using the 35 --

COMMISSIONER DEASON: How is the depreciation expense on the retired main, how is that being treated?

MR. KYLE: As an offset against the incremental additional depreciation from the new main.

COMMISSIONER DEASON: And so since this basically is an incremental cost of service determination, I guess is the crux of the case, you just made that offset in determining that incremental amount?

MR. KYLE: Yes, sir.

COMMISSIONER DEASON: Okay. Okay. I need -- on Issue 2, which is found on Pages 12 and 13 and 14 of the recommendation, staff, it's your position that the reserve -- just explain to me once again how you're, what you're recommending for the treatment of the reserve.

MR. KYLE: Okay, sir. We are recommending that the, the final rates be reduced by 10 percent across the board for the first year after they go into effect. This is a true-up --

COMMISSIONER DEASON: I mean, but the reserve is --

the true-up amount is affected by the treatment of the reserve; correct? The -- I'm looking at the bottom of the middle paragraph on Page 13. I'm talking about the reserve as a separate cost for purposes of calculating a true-up and the amortization of the reserve.

MR. KYLE: That's correct. Staff is recommending that the reserve not be included in the costs incurred by the utility during the first two phases of the proceeding.

COMMISSIONER DEASON: The reserve was an amount paid to secure a loan; is that correct?

MR. KYLE: That's correct.

COMMISSIONER DEASON: And what is, what is the purpose and the ultimate, the ultimate resolution of the reserve? How is it going to be treated once -- is it just to be held until the, until the loan is repaid? What is the accounting treatment of this --

MR. KYLE: That is my understanding, that it is essentially a, sort of like a deposit, I guess you could say, or it's --

COMMISSIONER DEASON: Now and it's Water Management's position that that payment of that reserve amount should be included in determining whether they're in the offset of the -- as to whether there should be an amount to be refunded with this 10 percent reduction or not; is that correct?

MR. KYLE: They, the utility believed that it should have been included in that calculation, which would have actually resulted in an undercollection, and they requested that a surcharge be applied for a 12-month period. Removing the reserve resulted in an overcollection, which staff is recommending be returned to the taxpayers by means of a 10 percent reduction for 12 months.

COMMISSIONER DEASON: But is -- well, how are the carrying costs on that amount calculated? I mean, there is a cost of money, time value of money associated with having the reserve on deposit, is there not?

MR. KYLE: Yes, sir. And the reserve is included in the utility's calculation of the effective interest rate on the loan.

COMMISSIONER DEASON: Okay. Mr. Chairman, I have a few questions on Issue 4, which is the rate structure.

How did we determine that the base facility charge cost recovery percentage to be set at 40 percent?

MS. LINGO: Sir, what we did is we first looked at the current breakdown of base facility versus gallonage charge cost recovery, which is 58 percent. In order to design --

COMMISSIONER DEASON: And this is under current rates?

MS. LINGO: Yes, sir. Yes, sir. And --

COMMISSIONER DEASON: So this is -- the amount of costs which would be eligible for recovery under a base facilities charge is currently being collected at 58 percent under the current rate structure?

MS. LINGO: Yes, sir, that's correct.

COMMISSIONER DEASON: Okay.

MS. LINGO: In order to design a meaningful inclining block rate structure, some money had to be moved from the base facility charge cost recovery to the gallonage charge cost recovery. We moved varying amounts such that the base facility charge might be set at differing percentages ranging from 45 percent down to 30 percent.

We're recommending 40 percent, Commissioner, because we believe that a meaningful three-tier inclining block rate structure can be designed, while not designing one that's so overly aggressive that it may put the utility in harm's way in terms of revenue stability.

We designed Attachments C and D to try to convey our belief that despite moving some money over from the base facility charge to the gallonage charge in terms of cost recovery, that the utility would still be more than recovering its necessary revenues in terms of revenues on a fixed stream basis.

COMMISSIONER DEASON: Now it's your position that you cannot have an effective inclining block rate structure with keeping the 58 percent recovery of fixed costs as it currently exists? Why must there be a shift of those costs into the gallonage charge?

MS. LINGO: Commissioner, for example -- there's a table. And if you'll bear with me, sir, I can find that table.

Sir, it's Table 6 on Page 34. It's Table 6. And this table was designed to demonstrate that at levels of high usage, and that would be, let's say, usage of 15,000 gallons or greater, which is where you're going to find most of, most of the usage is, going to be discretionary versus nondiscretionary and forward and increasing in gallonage above 15,000. At 15,000 gallons, sir, under the rate structure at 40 percent, at 15,000 gallons that person would receive a price increase of about 12 percent. And under a 58 percent allocation, sir, the person would still be receiving a price decrease.

At 30,000 gallons, which is the approximate level of average usage in the third tier, under a 40 percent base facility charge allocation the customer would receive about a 42 percent increase as opposed to an 11 percent increase. Looking at this information, it's our recommendation that the 50 percent allocation will not incent the amount of conservation that could otherwise be encouraged were the base facility charge set at 40.

COMMISSIONER DEASON: Is there a requirement under the Consumptive Use Permit to have a certain percentage of the fixed costs recovered in gallonage charge or is that just up for us to decide?

MS. LINGO: There's no, there's no requirement in the Consumptive Use Permit, no, sir. There's a general guideline that's been accepted by the five Water Management Districts, and that has been a practice of the Commission for some years to not set the base facility charge at greater than 40 percent, provided we can make sure the utility maintains its revenue stability, which, again, is what we had designed Attachments C and D to convey to you.

COMMISSIONER DEASON: Has the utility expressed concern for the revenue stability with this rate structure?

MS. LINGO: Yes, sir. They -- yes, sir, they did, and we prepared Attachment D to respond to their concerns. They had provided us a letter in response to staff's initial recommendation which was filed back in June. And if you will look, sir, on Page 38, in Part A, it's entitled "Utility's Fixed Cost Recovery Analysis," the utility provided information, and in their letter that said their fixed costs are actually around $2.15 million, which would equate to $104,000 on a monthly basis. And if we're looking to only recover $66,000 in terms of fixed recovery, there would be a deficit of $38,000 per month. We adjusted -- staff made some adjustments that were consistent with the audit and to also be consistent with items that should and should not be included in revenue requirement, and what we actually show, Commissioner, is in the bottom portion, in Section B, the fixed recovery stream for revenues is $88,000 compared to $74,000 in Column C that's based on the company's own numbers. Once we adjusted for, as I said, the things in the audit report and to remove debt principal and interest that are not included in terms of revenue requirement calculations. We did, however, recognize that taxes other than income is something that they hadn't included in their analysis at all, but we recognize it as certainly something that's going to be of a fixed nature, so we included that. And we also recognized that depreciation should be considered because it's used to pay the principal on the debt. So making those adjustments to be consistent with what's shown and what is used in calculation of revenue requirements, once we restate what the company has provided us, we actually show that we more than cover what the utility said were their fixed costs based on their analysis restated by staff.

COMMISSIONER DEASON: So it's staff's position that the principal and interest payments on the debt is not a fixed obligation?

MS. LINGO: It's something that's not included in terms of the revenue requirement calculation, and that's how we design rates is based on the revenue requirement. Whether it should or shouldn't be included in revenue requirement is something I'll defer to other staff.

COMMISSIONER DEASON: Well, I beg to -- it is part of revenue requirements. It's just a question of whether it's --

I mean, the calculation of net operating income it's not, as I understand it, but then it is part of the overall revenue requirement when it comes to setting rates. So it is an amount that has to be recovered.

I see Mr. Willis shaking his head. I guess I must be saying something right. He's in agreement, it appears.

So the question is as to whether -- obviously it is a cost that has to be paid, and that the bondholders, regardless of what rate structure we implement here, they expect that monthly, quarterly or semiannual, whatever the payment schedule is, they expect it to be made. And if it's not made, there is the chance of default. Correct, Mr. Willis?

MR. WILLIS: That's correct. The cost is also included in the rate of return calculation, but it's included as part of the return percentage.

COMMISSIONER DEASON: Okay. Now have -- Mr. Willis, historically have we treated the, the interest, just put aside the principal for right now, but just the interest expense amount, the interest, have we ever treated that as part of the fixed cost recovery in a traditional base facility charge structure or has that always been part of a gallonage recovery?

MR. WILLIS: No, Commissioner, we haven't. Actually in the past from my recollection we have split the actual return for interest and return on equity between the base charge and the gallonage charge at times.

COMMISSIONER DEASON: Do we try to allocate that based upon the fixed assets or what -- if we try to allocate it, what basis do we do that?

MR. WILLIS: Not being a rate design person in the past, I'm not real sure exactly what basis we originally came up with it before, but I have seen it split 40/60, 50/50 in the past, and I think it was strictly in trying to come up with an adequate rate structure.

COMMISSIONER BRADLEY: While we're on ROE and all that, what is the return on the interest -- what's the return on equity and what's the interest being paid on the bond?

COMMISSIONER DEASON: I don't believe this company has any equity, if I'm --

MR. KYLE: Yes, sir. The company has no equity. The overall --

COMMISSIONER BRADLEY: What's the rate on the ROE?

MR. KYLE: The overall rate on, on the cost of this project is 3.48 percent.

COMMISSIONER BRADLEY: 3.4?

MR. KYLE: 3.48 percent, sir.

COMMISSIONER BRADLEY: And how much is, is being -- what's the interest that's being paid on the, on the bond, ROI?

MR. KYLE: What the utility provided and what we used in our calculation is sort of a weighted average of all the costs which began with some preliminary borrowing at a much higher rate. And I believe that the, the effective rate on the loan, the final financing through DEP was calculated as 3.32 percent, sir.

COMMISSIONER BRADLEY: 3 point --

MR. KYLE: Three two percent, sir -- 3.32 percent.

CHAIRMAN BAEZ: Commissioner Deason.

COMMISSIONER DEASON: Yes. If, if we were to just include half of the principal and interest on debt and add it to the $888,000 which you've calculated, that's going to put it pretty much right back up there to the, about the $1.25 million of recovery that you show in the top half of, of that schedule, is that correct, give or take a few thousand dollars? What would that calculation be?

MS. LINGO: Sir, if we were to add half of the principal and interest on debt that's listed as $710,000 and add that to the $888,000, that would be $1.43 million. I'm sorry. $1.24 million.

COMMISSIONER DEASON: 1.24.

MS. LINGO: So we -- so, yes, sir, you're correct. We would be close.

COMMISSIONER DEASON: And if we were going to design rates to recover the $1.24 million, what percentage -- your schedule shows a deficit of some $38,000, correct, under your proposed rate structure?

MS. LINGO: Based on, based on the analysis they provided originally, yes, sir. But, again, that was -- it was our belief that the principal and interest on debt should be removed from the calculation and something else provided in its place. And we've also put in taxes other than income where they haven't. We tried to restate what they filed to more closely recognize what goes into the revenue requirement calculation as possible.

COMMISSIONER BRADLEY: Question. What -- explain the deficit.

MS. LINGO: Sir, in our original recommendation that was filed back in June there was, there was an attachment that compared fixed cost recovery versus what might be recovered under revenue streams. The -- and where the deficit comes from is the comparison of what is needed to be recovered based on fixed costs versus the fixed, what we are purporting to be recovering as fixed costs under our rate design.

What we are really purporting to recover as a fixed revenue stream under our rate design is found in Part B. It's the $88,000. The $66,000 that's shown in the utility's analysis is based on a misreading or a misunderstanding of the schedule that we had included in our June recommendation. So the deficit is really just the monthly fixed cost obligations that fall out from the utility's analysis of $104,000 that's shown in Column C of Part A, minus the $66,000 that showed up in staff's June recommendation, to come up with a $38,000 deficit.

COMMISSIONER DEASON: The deficit is the difference between your proposed and the company's requested 58 percent of fixed recovery? Exactly what does that deficit represent?

MS. LINGO: Sir, well, it depends on whether you're looking at Part A or Part B.

COMMISSIONER DEASON: Let's look at Part A for right now.

MS. LINGO: Okay. Thank you, sir. In Part A, as I said, we had a schedule that was attached to the June recommendation in which we took the monthly revenue requirement of the utility and multiplied that by 58 percent because we said, well, this would be the fixed revenue stream amount that we would need to recover, which is the $66,000. In Part A, the utility's contention is based on their fixed costs of $104,000; there would be a deficit of $38,000 per month based on a, based on a 58 percent cost recovery. As we explained in, I believe, Attachment B, there was a misunderstanding in terms of, of what our original schedule was supposed to show.

The original schedule said fixed cost recovery analysis, and the utility read that to mean fixed cost recovery or the recovery of fixed costs. We intended it to mean fixed cost recovery or the cost recovery through a fixed stream. We redid Attachment C to reword that a little bit better to hopefully clear up the confusion.

Our analysis on Attachment C did not change from the analysis that we provided in the original recommendation. But there was a misunderstanding regarding how we worded it, and we reworded Attachment C in this case to try to make it more clear.

COMMISSIONER DEASON: And the concern, Commissioners, the concern that I have is setting a rate structure gives the opportunity for the company to be able to reasonably recover on a fairly constant, consistent basis a relatively large proportion of fixed costs so that the company's revenue requirement is not subject to wide fluctuations or the recovery of those revenue requirements are not subject to wide fluctuations in usage. Obviously the more of the cost recovery you put on the gallonage component, the more risk there is that for any given month or quarter or whatever period of time that there's not going to be sufficient revenue stream to provide for that cost recovery. There's that concern.

Then on the other side is trying to develop a rate structure that gives enough of an incentive to actually have a strong conservation effect. To some extent those two goals are mutually exclusive or else they're in conflict with each other, and I suppose it's a question of reaching the right balance.

Right now we, we have a base facility charge rate recovery, a rate structure for this company which is designed for approximately a 58 percent recovery. We're changing that to 40 percent. And then, of course, there is the question about whether you include principal and interest on that as a fixed cost or not.

You know, if I'm the banker holding that note, I'd say, yeah, I expect my payment and it's fixed. I'm not going to change it just because your gallonage consumption goes down. So to that extent it's fixed.

Commissioners, you know, I don't, I don't -- I would like some input. I have that concern. My concern is going all the way from 58 to 40 at this particular time. It seems to me that maybe if we try to design something that's more in the line of about 50 percent fixed cost recovery, that maybe we can walk that line and still give strong conservation incentive and still try to protect the fixed cost revenue recovery, the revenue designed to recover the fixed costs on a relatively constant and consistent basis to minimize that risk. So, I mean, that's, that's the issue. Any input would be helpful.

COMMISSIONER BRADLEY: I tell you what, what's been going through my mind. Do you want to go first, Mr. Chairman?

CHAIRMAN BAEZ: I just had a question.

COMMISSIONER BRADLEY: Okay. Ask your question and maybe --

CHAIRMAN BAEZ: To staff, is it your -- to your knowledge is this an issue of contention between Public Counsel and the company, the level of fixed cost recovery?

MS. LINGO: I know the level of fixed cost recovery is --

CHAIRMAN BAEZ: Or the base, base charge.

MS. LINGO: Yes, sir. It would be an area of concern between the company and us, but I'm not sure that it would be of concern between the utility and Public Counsel since Public Counsel tends not to get involved in the rate, rate issues.

CHAIRMAN BAEZ: Structure. Okay. All right.

MS. LINGO: Yes, sir. Commissioner Deason, just as some alternatives, sir, if we make the cost recovery percentage 50 percent instead of 40 percent, we can place about $132,000 more into fixed cost recovery. If we place the percentage at 45,000 -- I mean at 45 percent instead of the 40 percent, we put $64,000 more into fixed cost recovery.

CHAIRMAN BAEZ: Commissioner Bradley. Go ahead, Commissioner.

COMMISSIONER BRADLEY: Yeah. And I think I share the same concern as Commissioner Deason. You know, for sure we don't want to have a situation where the company is overcapitalized, but undercapitalization is very detrimental to its ability to serve its native load. And I'm just trying to figure out what the economic incentive is for this company to continue to stay in business if it looks like it's being undercapitalized in my opinion. Maybe I'm offbeat here or off base.

And I was reading some of what was previously put forth as it relates to this particular docketed matter, and I guess the concern then was that the company was, was 200 percent, was overcapitalized by 200 percent. And what we've done is to reduce it, after we got the correct figures, staff is recommending that they be capitalized at a rate of 40 percent?

MS. LINGO: That the base facility charge cost recovery percentage be set at 40 percent.

Commissioners, if we look at -- just to give you an order of magnitude in terms of what the utility believes are its fixed costs, in Column B of Part A the --

COMMISSIONER DEASON: What page is that on?

MS. LINGO: Oh, I apologize, sir. It's Page 39. We're looking at the $1.25 million that the utility asserts is its fixed costs. If we divide that by the revenue requirement that staff is recommending in this case, that's a little over 90 percent. So looking at that as a guideline, there would be no way we could design rates that based on their analysis could, could eliminate a deficit. Again, sir, if we, if --

COMMISSIONER BRADLEY: Doesn't the deficit put the customers at risk? I mean, the company if it's operating at a deficit at some point is going to go out of business, isn't it?

MS. LINGO: A deficit could place the customers at risk in terms of deferred maintenance and quality of service issues. That's possible, sir.

COMMISSIONER BRADLEY: Okay. How do we reconcile the situation? I mean, basically what we have here is a water utility company that's bringing water from the mainland over to St. George Island. And I think that it was, initially the pipeline was connected to a bridge that was demolished and that created a situation of them having to build a new pipeline; correct?

MS. LINGO: Yes, sir.

COMMISSIONER BRADLEY: Okay. Now how do we reconcile this situation so that we have one that's balanced, balanced from the perspective of them having adequate capitalization in order to reconstruct the pipeline, service their debt, but still have a balanced situation as it relates to the ROE? A 3.8 ROE seems, seems somewhat out of line if, if -- I'm just wondering how they're going to hold their investors with an ROE of this type when there are other ROEs out there that an investor could gravitate towards and have a better, a more ideal situation for themselves an as an investor. And I don't know how we get to where we need to be. It sounds like we need to do some --

CHAIRMAN BAEZ: Mr. Willis, you had a response?

MR. WILLIS: I just wanted to mention, Commissioner Bradley, that the low percentage rate is actually due to the fact that the company got a low interest loan from the

Department of Environmental Protection to actually bring the supply main, that's why the interest rate is so low on that, which reduces the ROE significantly because it's a huge, huge chunk of their rate base. So it does, in fact, reduce that down that low.

COMMISSIONER BRADLEY: So that loan is the one that we referred to as 3.32 percent?

MR. WILLIS: Yes, Commissioner. That's part of it. That's one of the reasons it brings it down so low.

I'd also point out that this company has no equity. It's predominantly all debt. So you're dealing with a company who doesn't have much of an operating margin, and I'm sure that's what worries Commissioner Deason at this point, just to throw that out.

COMMISSIONER BRADLEY: Well, that, that not only bothers me, but their ability to serve also troubles me if, if there's no financial economic incentive in order for them to, to continue on.

MS. LINGO: Commissioners, as an alternative, again, getting back to our suggestion that perhaps we go to a 50 percent -- Commissioner Deason, that was your suggestion. At $132,000 additional in fixed cost recovery, that would eliminate or reduce the deficit, again based on the utility's analysis, by $11,000 per month. Sir, I believe that that certainly goes closer toward eliminating some of your concerns.

If we -- another alternative would be 45 percent, but obviously that would, that would reduce the perceived deficit even less. So we would, we would suggest then, sir, that perhaps we go 50 percent as you suggested, because I believe we could still design a conservation rate structure that would be meaningful; not as meaningful as one with 40 percent, but --

CHAIRMAN BAEZ: But you're striking a balance.

MS. LINGO: Yes, sir. Yes, sir. And certainly, Commissioner Deason, we understand your concerns.

COMMISSIONER DEASON: Would there be -- if we were to go to a 50 percent cost recovery, fixed cost recovery structure, will there be an effect on the repression adjustment?

MS. LINGO: Yes, sir, probably so, but it would probably be minimal.

COMMISSIONER DEASON: Minimal?

MS. LINGO: Yes, sir.

COMMISSIONER DEASON: Would it be worth recalculating or not? I mean, it seems to be a fairly involved process, but you may have it all computerized and --

MS. LINGO: It isn't as tortured as it once was.

COMMISSIONER BRADLEY: So if we go to 50 percent, what does, what does all of this look like in terms of -- does that change the ROE?

COMMISSIONER DEASON: Commissioner, it wouldn't change the cost of capital, the rate of return. It would just, it would change the percentage of costs that are recovered under a fixed basis, which would give some added stability to the revenue stream, which is my concern.

COMMISSIONER BRADLEY: Uh-huh. Okay. That's fine.

CHAIRMAN BAEZ: Commissioner Deason, I think, given Ms. Lingo's answers, I'm not uncomfortable with your suggestion at this point.

COMMISSIONER DEASON: Okay.

CHAIRMAN BAEZ: And, also, you know, keeping in mind that it is PAA, I think certainly Mr. Hoffman is completely at liberty to address that going forward as well.

COMMISSIONER DEASON: Those are all my questions, Mr. Chairman.

CHAIRMAN BAEZ: Commissioners, any other questions or a motion?

COMMISSIONER DEASON: I can -- if there are no other questions, I can make a motion, Mr. Chairman.

CHAIRMAN BAEZ: Okay.

COMMISSIONER DEASON: And instead of going issue by issue, I would just move staff's recommendation in its entirety with two exceptions. One is that we would design the rate, the inclining block rate structure with a target of 50 percent fixed cost recovery. And to the effect that change has any effect on the repression adjustment, that that calculation be made as well.

MS. LINGO: Yes, sir.

COMMISSIONER BRADLEY: And I'll second the motion.

CHAIRMAN BAEZ: There's a motion and a second. And, Commissioners, just for those of you following along, that would be a modification of Issue 4, the recommendation in Issue 4. There's a motion and a second. All those in favor, say aye.

(Unanimous affirmative vote.)

CHAIRMAN BAEZ: Thank you, Commissioners. Thank you, Ms. Lingo, and thank you, staff.

COMMISSIONER BRADLEY: Was that the last item?

CHAIRMAN BAEZ: A little bird tells me that that was our last item, Commissioners. We are adjourned. Thank you.

(Agenda adjourned at 2:30 p.m.)

STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, LINDA BOLES, RPR, CRR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 7TH DAY OF OCTOBER, 2005.

Linda Boles

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