

# FLORIDA PUBLIC SERVICE COMMISSION

## COMMISSION CONFERENCE AGENDA

**CONFERENCE DATE AND TIME:** January 23, 2007, 9:30 a.m.

**LOCATION:** Room 148, Betty Easley Conference Center

**DATE ISSUED:** January 11, 2007

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### NOTICE

Persons affected by Commission action on certain items on this agenda for which a hearing has not been held (other than actions on interim rates in file and suspend rate cases) may be allowed to address the Commission when those items are taken up for discussion at this conference. These items are designated by double asterisks (\*\*\*) next to the agenda item number.

Included in the above category are items brought before the Commission for tentative or proposed action which will be subject to requests for hearing before becoming final. These actions include all tariff filings, items identified as proposed agency action (PAA), show cause actions and certain others.

To obtain a copy of staff's recommendation for any item on this agenda, contact the Division of the Commission Clerk and Administrative Services at (850) 413-6770. There may be a charge for the copy. The agenda and recommendations are also accessible on the PSC Homepage, at <http://www.floridapsc.com>, at no charge.

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**CASE**

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1\*\*

**Consent Agenda**

PAA                    A) Request for cancellation of competitive local exchange telecommunications certificates.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>EFFECTIVE DATE</u>
060704-TP	Universal Access, Inc. d/b/a UAI of Florida, Inc.	10/31/2006
060724-TP	Industry Retail Group, Inc.	11/3/2006
060750-TX	Qwest Interprise America, Inc.	11/15/2006

PAA                    B) Request for cancellation of a shared tenant services certificate.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>EFFECTIVE DATE</u>
060765-TP	MCI Communications Services, Inc.	11/22/2006

PAA                    C) Applications for certificates to provide competitive local exchange telecommunications service.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
060697-TX	Infotelecom, LLC
060766-TX	Cost Plus Communications, LLC
060770-TX	E-Z Family Connection, Corp.
060771-TX	First Communications, LLC
060823-TX	Telcentrex, LLC

CASE

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Consent Agenda

(Continued from previous page)

PAA                      D) Application for certificate to provide pay telephone service.

**DOCKET NO.**    **COMPANY NAME**

060778-TC            D.C. TeleSystems, LLC

**Recommendation:** The Commission should approve the action requested in the dockets referenced above and close these dockets.

CASE

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2\*\*PAA

**Docket No. 060732-TL** – Complaint regarding BellSouth Telecommunications, Inc.'s failure to provide service on request in accordance with Section 364.025(1), F.S., and Rule 25-4.091(1), F.A.C., by Lennar Homes, Inc.

d:

GCL: Fudge

CMP: Buys, Kennedy

**Issue 1:** What action should the Commission take regarding Lennar's Complaint against BellSouth Telecommunications, Inc. for failure to provide services in accordance with Section 364.025(1), Florida Statutes?

**Recommendation:** The Commission should require BellSouth to comply with 364.025, Florida Statutes, and provide service to Lennar's homes at Echo Lake and other similarly situated Lennar developments.

**Issue 2:** Is BellSouth's letter of engagement in compliance with 364.025, Florida Statutes?

**Recommendation:** No. BellSouth impermissibly conditions its compliance with its COLR obligation with restrictions on the Developer's ability to contract for data and/or video services. Any letter of engagement provided by BellSouth in connection with its COLR obligation should only deal with the provision of basic local telecommunications service. In addition, BellSouth should notify the Commission that the letter has been revised and should provide this revised letter to any Developer that has received previous letters.

**Issue 3:** Should this docket be closed?

**Recommendation:** Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.

CASE

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3\*\*PAA

**Docket No. 000121B-TP** – Investigation into the establishment of operations support systems permanent performance measures for incumbent local exchange telecommunications companies. (EMBARQ FLORIDA TRACK)

d:

CMP: Harvey, Hallenstein

GCL: Fudge

**Issue 1:** Should the Commission approve Embarq's proposed revisions to its Florida wholesale Performance Measurement Plan presented in Attachment 1 of staff's January 10, 2007, memorandum?

**Recommendation:** Yes. Staff recommends that the Commission approve Embarq's Florida revisions to the Performance Measurement Plan as summarized in Attachment 1 of staff's memorandum and detailed in Embarq's redline version filed in Docket No. 000121B-TP on October 6, 2006. Staff further recommends that implementation of the revisions to Embarq's Florida Performance Measurement Plan become effective beginning with the January 2007 data month to enable simultaneous implementation of changes with Embarq's Nevada Performance Measurement Plan.

**Issue 2:** Should this docket be closed?

**Recommendation:** No. If no person whose substantial interests are affected files a protest within 21 days of the issuance date of the Order, the Order will become final upon the issuance of a Consummating Order. Any protest of the Commission's decision in this matter should identify with specificity the item or measure being protested, and any such protest should not prevent the remainder of the Order from becoming final and effective. Thereafter, this docket should remain open for the Commission to conduct periodic reviews of Embarq's Performance Measurement Plan and to complete any initial third-party audit outlined in Order No. PSC-03-0067-PAA-TP.

CASE

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4\*\*PAA

**Docket No. 060581-TP** – Petition of Alltel Communications, Inc. for designation as eligible telecommunications carrier (ETC) in certain rural telephone company study areas located partially in Alltel's licensed area and for redefinition of those study areas.  
**Docket No. 060582-TP** – Petition of Alltel Communications, Inc. for designation as eligible telecommunications carrier (ETC) in certain rural telephone company study areas located entirely in Alltel's licensed area.

d:

CMP: Casey

GCL: Teitzman, Scott

**Issue 1:** Does the Commission have authority to designate a commercial mobile radio service provider as an eligible telecommunications carrier?

**Recommendation:** Yes. Staff believes with the enactment of Section 364.011, Florida Statutes, the legislature has granted the Commission limited authority over CMRS providers to those matters specifically authorized by federal law. Because pursuant to §214(e)(2) of the Act, states are authorized to designate eligible telecommunications carrier status on CMRS providers, staff believes the Commission has authority to consider applications by CMRS providers for ETC designation.

CASE

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4\*\*PAA

**Docket No. 060581-TP** – Petition of Alltel Communications, Inc. for designation as eligible telecommunications carrier (ETC) in certain rural telephone company study areas located partially in Alltel's licensed area and for redefinition of those study areas. **Docket No. 060582-TP** – Petition of Alltel Communications, Inc. for designation as eligible telecommunications carrier (ETC) in certain rural telephone company study areas located entirely in Alltel's licensed area.

(Continued from previous page)

**Issue 2:** Should these dockets be closed?

**Recommendation:** No. If the Commission approves staff's recommendation in Issue 1, then the dockets should remain open for further proceedings relating to Alltel Wireless' Application. A person whose substantial interests are affected may file a protest within 21 days of the Commission Order. If no protest is filed by a person whose interests are substantially affected within 21 days of the Commission order, the Commission order shall become final upon the issuance of a consummating order.

If the Commission denies staff's recommendation in Issue 1 and no protest is filed by a person whose interests are substantially affected within 21 days of the Commission order, the dockets should be closed upon the issuance of a consummating order. If a timely protest is filed by a person whose substantial interests are affected within 21 days of the Commission Order, the dockets should remain open pending the resolution of the protest.



CASE

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5\*\*PAA

**Docket No. 060496-GU** – Application for approval of new depreciation rates effective January 1, 2007, by Peoples Gas System.

d:

ECR: Gardner, Bulecza-Banks, Kyle, Marsh

GCL: Brown

**Issue 1:** Should currently prescribed depreciation rates of Peoples Gas System be changed?

**Recommendation:** Yes. A comprehensive review of Peoples' planning and activity since its prior depreciation filing indicates a need for a revision to the currently prescribed depreciation rates.

**Issue 2:** How should the Commission change the depreciation rates?

**Recommendation:** The Commission should approve the change in the lives, net salvages, reserves, and resulting depreciation rates as shown on Attachment A of staff's January 10, 2007, memorandum. These rates result in an increase in annual depreciation expense of approximately \$1.9 million based on a January 1, 2007, investment date.

**Issue 3:** Should any corrective reserve allocations between accounts be made?

**Recommendation:** Yes. Staff recommends the reserve allocations as shown below. These allocations bring each account more in line with its theoretically correct reserve level.

**Issue 4:** What should be the implementation date for the new depreciation rates?

**Recommendation:** January 1, 2007, should be the implementation date for Peoples' new depreciation rates as shown on Attachments A and B of staff's memorandum.

CASE

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5\*\*PAA

**Docket No. 060496-GU** – Application for approval of new depreciation rates effective January 1, 2007, by Peoples Gas System.

(Continued from previous page)

**Issue 5:** Should the current amortization of investment tax credits and the flowback of excess deferred income taxes be revised to reflect the approved depreciation rates and recovery schedules?

**Recommendation:** Yes. The current amortization of investment tax credits (ITC) and the flowback of excess deferred income taxes (EDIT) should be revised to match the actual recovery periods for the related property. The utility should file detailed calculations of the revised ITC amortization and flowback of EDIT at the same time it files its surveillance report covering the period ending December 31, 2006.

**Issue 6:** Should this docket be closed?

**Recommendation:** If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.

CASE

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6\*\*PAA

**Docket No. 060746-EG** – Petition for approval of modifications to approved energy conservation programs, by Florida City Gas.

d:

ECR: Brown

GCL: Fleming

**Issue 1:** Should the Commission approve Florida City Gas' Petition for Approval of Modifications to Approved Energy Conservation Programs?

**Recommendation:** Yes. Each of the proposed residential programs are cost effective. The proposed increase in cost allowances could decrease the cost to customers when purchasing new appliances. Also, as a result of the higher appliance allowances, it is possible to see an increase in customer participation resulting in more customer savings.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If Issue 1 is approved, the program modifications should become effective March 8, 2007. If a protest is filed within 21 days of the issuance of the proposed agency action order, the modifications should not be implemented until after the resolution of the protest. If no timely protest is filed, the docket should be closed upon the issuance of a consummating order.

CASE

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7\*\*PAA

**Docket No. 060254-SU** – Application for increase in wastewater rates in Pinellas County by Mid-County Services, Inc.

ve date - extended by utility - PAA Rate Case)

d:

ECR: Revell, Massoudi, Rendell, Bulecza-Banks, Fletcher, Springer, Kyle

GCL: Gervasi

**(All issues proposed agency action except Issues 20 and 21.)**

**Issue 1:** Is the quality of service provided by Mid-County Services, Inc. satisfactory?

**Recommendation:** Staff recommends that the utility's overall quality of service is marginal. The utility should be required to complete any and all improvements to the wastewater system that are necessary to satisfy the standards set by the Department of Environmental Protection (DEP).

**Issue 2:** Should the audit rate base adjustments to which the utility agrees be made?

**Recommendation:** Yes. Based on audit adjustments which the utility agrees with, land should be reduced by \$200, and accumulated depreciation should be increased by \$23,111. In addition, accumulated amortization of Contributions in Aid of Construction (CIAC) should be increased by \$ 4,407.

**Issue 3:** What is the appropriate Water Service Corporation (WSC) and Utilities, Inc. of Florida (UIF) rate base allocations for Mid-County?

**Recommendation:** The appropriate WSC net rate base allocation for Mid-County is \$27,596. This represents an increase of \$11,015. WSC depreciation expense should be reduced by \$765. Further, the appropriate UIF rate base allocation for Mid-County is \$80,532. This represents wastewater plant and accumulated depreciation increases of \$76,124 and \$22,539, respectively. In addition, depreciation expense should be decreased by \$1,193.

**Issue 4:** Should other rate base adjustments be made in calculating final rates?

**Recommendation:** Yes. Pro forma plant should be reduced by \$65,139, and accumulated depreciation and depreciation expense should be reduced by \$1,631.

CASE

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7\*\*PAA

**Docket No. 060254-SU** – Application for increase in wastewater rates in Pinellas County by Mid-County Services, Inc.

(Continued from previous page)

**Issue 5:** What is the used and useful percentage of the utility's wastewater treatment plant?

**Recommendation:** The utility's wastewater treatment plant should be considered 92% used and useful. The wastewater collection system, with the exception of Account 354, should be considered 100% used and useful. As a result of the above adjustments, net rate base should be reduced by \$128,974. Corresponding adjustments should also be made to reduce depreciation expense by \$10,087 and property taxes by \$520.

**Issue 6:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance is \$220,788 using the balance sheet method. As a result, working capital allowance has been increased by \$32,993.

**Issue 7:** What is the appropriate rate base?

**Recommendation:** The appropriate rate base for the test year ending December 31, 2005, is \$2,577,579.

**Issue 8:** What is the appropriate return on common equity?

**Recommendation:** The appropriate return on common equity is 11.46% based on the Commission leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

**Issue 9:** What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2005?

**Recommendation:** The appropriate weighted average cost of capital for the test year ended December 31, 2005, is 8.00%.

**Issue 10:** Should audit net operating income adjustments be made?

**Recommendation:** Yes. Operations and Maintenance (O&M) expense should be reduced by \$13,299, depreciation expense should be increased by \$23,111, CIAC amortization expense should be increased by \$4,407 and taxes other than income should be decreased by \$7,441.

CASE

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7\*\*PAA

**Docket No. 060254-SU** – Application for increase in wastewater rates in Pinellas County by Mid-County Services, Inc.

(Continued from previous page)

**Issue 11:** What is the appropriate amount of allocated WSC and UIF expenses for Mid-County?

**Recommendation:** Based on the audit adjustments and the ERC-only methodology, the appropriate WSC operation and maintenance (O&M) expenses and taxes other than income for Mid-County are \$93,604 and \$4,214, respectively. As such, O&M expenses and taxes other than income should be increased by \$13,171 and \$975, respectively. Further, the appropriate UIF O&M expenses for Mid-County is \$9,769. As such, O&M expense should be increased by \$2,349.

**Issue 12:** Should adjustments be made to employee salaries and benefits?

**Recommendation:** Yes. Mid-County's salaries and wages should be reduced by \$23,657. Accordingly, pensions and benefits should be reduced by \$6,193, and payroll taxes should be reduced by \$1,336.

**Issue 13:** Should an adjustment be made to pro forma amortization expense?

**Recommendation:** Yes. Pro forma amortization expense should be reduced by \$16,930.

**Issue 14:** Should additional adjustments be made to Taxes Other Than Income?

**Recommendation:** Yes. Taxes other than income (TOTI) should be reduced by \$1,338 for the reduction of real estate and personal property taxes.

**Issue 15:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate rate case expense for the current docket is \$83,794. This expense should be recovered over four years for an annual expense of \$20,949, or \$19,332 less than requested. Rate case expense should be reduced by a total of \$32,472 (\$13,140 to correct inclusion of prior rate case expense + \$19,332 to adjust current rate case expense).

**Issue 16:** What is the test year operating income before any revenue increase?

**Recommendation:** Based on the adjustments discussed in previous issues, the test year operating income before any provision for increased revenues is \$29,064.

CASE

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7\*\*PAA

**Docket No. 060254-SU** – Application for increase in wastewater rates in Pinellas County by Mid-County Services, Inc.

(Continued from previous page)

**Issue 17:** What is the appropriate revenue requirement?

**Recommendation:** The following revenue requirement should be approved:

	<u>Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Wastewater	\$1,392,117	\$297,304	\$1,689,421	21.36%

**Issue 18:** What are the appropriate wastewater rates for this utility?

**Recommendation:** The appropriate monthly rates are shown on Schedule No. 4 of staff's January 10, 2007, memorandum. Staff's recommended rates are designed to produce revenues of \$1,688,822 excluding miscellaneous service charge revenues. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

**Issue 19:** Should the utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

**Recommendation:** Yes. The utility should be authorized to revise its miscellaneous service charges. The appropriate charges are reflected in the analysis portion of staff's January 10, 2007, memorandum. The utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. Within 10 days of the date the order is final, the utility should be required to provide notice of the tariff changes to all customers. The utility should provide proof that customers have received notice within 10 days after the date that the notice was sent.

CASE

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7\*\*PAA

**Docket No. 060254-SU** – Application for increase in wastewater rates in Pinellas County by Mid-County Services, Inc.

(Continued from previous page)

**Issue 20:** In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

**Recommendation:** The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Using these principles, staff recommends that no interim refund is required.

**Issue 21:** What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

**Recommendation:** The rates should be reduced as shown on Schedule No. 4 of staff's January 10, 2007, memorandum to remove \$21,936 of rate case expense, grossed up for regulatory assessment fees, which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction.

**Issue 22:** Should the utility be required to provide proof that it has adjusted its books for all Commission approved adjustments?

**Recommendation:** Yes. To ensure that the utility adjusts its books in accordance with the Commission's decision, Mid-County should provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

**Issue 23:** Should this docket be closed?

**Recommendation:** Yes. If no timely protest is filed by a substantially affected person within 21 days of the Proposed Agency Action Order, a Consummating Order should be issued and the docket should be closed.



CASE

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8\*\*PAA

**Docket No. 060256-SU** – Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.

ve date - PAA Rate Case)

d:

ECR: Fletcher, Kyle, Redemann, Rendell, Springer

GCL: Jaeger

**(All issues proposed agency action except for Issues 26, 28, 29 and 30.)**

**Issue 1:** Is the quality of service provided by Alafaya Utilities, Inc. satisfactory?

**Recommendation:** Yes. The utility's overall quality of wastewater service is satisfactory. The reuse service is marginal; although, significant improvements are underway. The utility should be required to meter all existing and new reuse customers by December 31, 2007. The utility should be required to provide quarterly reports beginning March 31, 2007, and ending December 31, 2007, on the reuse improvements, including the progress on metering, the ground storage system, the augmentation wells, and any steps taken to obtain additional reuse from the City of Oviedo.

**Issue 2:** Should the audit rate base, net operating income and capital structure adjustments, to which the utility agrees, be made?

**Recommendation:** Yes. Based on audit adjustments agreed to by the utility and staff, plant should be decreased by \$76,749; accumulated depreciation should be increased by \$7,495; net depreciation expense should be decreased by \$694; accumulated amortization of contributions in aid of construction (CIAC) should be increased by \$29,621; working capital be increased by \$85,228; operation and maintenance (O&M) expenses should be decreased by \$49,104; taxes other than income taxes (TOTI) should be increased by \$10,778; short-term debt should be decreased by \$119,308; common equity should be increased by \$3,093,004; long-term debt cost rate should be decreased by 0.07%; and short-term debt cost rate should be decreased by 1.48%.

CASE

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8\*\*PAA

**Docket No. 060256-SU** – Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.

(Continued from previous page)

**Issue 3:** What are the appropriate Water Service Corporation (WSC) and Utilities, Inc. of Florida (UIF) rate base allocations for Alafaya?

**Recommendation:** The appropriate WSC net rate base allocation for Alafaya is \$56,853, which represents an increase of \$56,853. WSC depreciation expense should also be increased by \$9,213. Further, the appropriate UIF rate base allocation for Alafaya is \$70,910. This represents plant and accumulated depreciation increases of \$81,966 and \$25,629, respectively. In addition, depreciation expense should be decreased by \$5,430.

**Issue 4:** Should adjustments be made to the utility's pro forma plant additions?

**Recommendation:** Yes. Plant should be decreased by \$892,520, and accumulated depreciation should be increased by \$355,866. In addition, CIAC and accumulated amortization of CIAC should be increased by \$128,582 and \$2,990, respectively. Further, net depreciation expense should be decreased by \$43,466.

**Issue 5:** What are the used and useful percentages of the utility's reuse and wastewater systems?

**Recommendation:** Alafaya's wastewater treatment plant should be considered to be 94% used and useful (U&U), the collection system to be 100% U&U, and the reuse system to be 100% U&U. The appropriate non-U&U rate base component, depreciation expense, and property taxes should be \$170,298, \$7,702, and \$4,407, respectively. Accordingly, rate base and property taxes should be decreased by \$94,730 and \$4,407, respectively, and depreciation expense should be increased by \$8,467.

**Issue 6:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance is \$517,906. As such, working capital should be increased by \$207,944.

**Issue 7:** What is the appropriate rate base for the December 31, 2005, test year?

**Recommendation:** Consistent with other previously recommended adjustments and the accumulated deferred income taxes adjustment to include \$116,251 in rate base as discussed in Issue 9, the appropriate 13-month average rate base for the test year ending December 31, 2005, is \$7,953,473. Staff's rate base recommended is shown on Schedules 1-A of staff's January 10, 2007, memorandum, with the adjustments shown on Schedule 1-B of staff's memorandum.

CASE

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8\*\*PAA

**Docket No. 060256-SU** – Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.

(Continued from previous page)

**Issue 8:** What is the appropriate return on common equity?

**Recommendation:** The appropriate return on common equity is 11.46% based on the Commission leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

**Issue 9:** What is the appropriate treatment of deferred taxes for Alafaya?

**Recommendation:** Deferred taxes should be adjusted by a debit of \$137,084, and the resulting deferred tax asset of \$116,251 should be removed from the capital structure and included as a line item in the calculation of rate base.

**Issue 10:** What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2005?

**Recommendation:** The appropriate weighted average cost of capital for the test year ended December 31, 2005, is 8.50%.

**Issue 11:** Should a pro forma miscellaneous service charge revenue adjustment be made to test year revenues?

**Recommendation:** Yes. Using the incremental increase from the recommended charges and the historical connections, reconnections, and premise visits, miscellaneous service revenues of \$2,118 should be imputed. Accordingly, regulatory assessment fees (RAFs) should be increased by \$95.

**Issue 12:** Should a pro forma reuse revenue adjustment be made to test year revenues?

**Recommendation:** Yes. Consistent with staff's recommended reuse charges, the test year reuse revenues should be increased by \$22,638. Accordingly, RAFs should be increased by \$1,019.

**Issue 13:** What is the appropriate amount of allocated WSC and UIF expenses for Alafaya?

**Recommendation:** Based on the audit adjustments and the ERC-only methodology, the appropriate WSC O&M expenses and taxes other than income for Alafaya are \$153,841 and \$7,297, respectively. As such, O&M expenses and taxes other than income should be decreased by \$37,053 and \$2,461, respectively. Further, the appropriate UIF O&M expenses for Alafaya is \$12,885, which results in an O&M expense reduction of \$3,950.

CASE

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8\*\*PAA

**Docket No. 060256-SU** – Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.

(Continued from previous page)

**Issue 14:** Should an adjustment be made to the utility's pro forma salaries and wages, pensions and benefits, and payroll taxes?

**Recommendation:** Yes. Alafaya's salaries and wages should be decreased by \$12,344. Accordingly, pensions and benefits should be reduced by \$6,332, and payroll taxes should be reduced by \$4,389.

**Issue 15:** Should an adjustment be made to the test year sludge removal expense?

**Recommendation:** Yes. Due to a unit disposal cost reduction and a reduction of the annual sludge hauling volume due to the installation of the new digester, sludge removal expense should be decreased by \$300,000.

**Issue 16:** Should any further adjustments be made to the test year O&M expenses?

**Recommendation:** Yes. O&M expenses should be decreased by \$20,396 to reflect the appropriate Rental of Building/Real Property expense based on the lease escalation provisions and to remove settlement damage costs from Insurance – Other expense resulting from the utility's failure to timely reopen an elder valve.

**Issue 17:** Should an adjustment be made to the utility's pro forma expense adjustments?

**Recommendation:** Yes. O&M expenses should be decreased by \$32,336 in order to reflect the removal of the utility's CPI adjustments and to reflect the appropriate amortization amount for tank and equipment painting.

**Issue 18:** What is the appropriate amount of rate case expense?

**Recommendation:** Consistent with the Commission's previous decision in the utility's last rate proceeding, Regulatory Commission Expense – Rate Case Amortization should be decreased by \$27,977. The appropriate rate case expense for the current docket is \$111,961. This expense should be recovered over four years for an annual expense of \$27,990. Thus, rate case expense should be reduced by \$18,254.

**Issue 19:** Should any adjustments be made to property taxes?

**Recommendation:** Yes. In order to reflect the recommended adjustments to pro forma plant, property taxes should be decreased by \$18,120.

**Issue 20:** What is the test year wastewater operating income or loss before any revenue increase?

**Recommendation:** Based on adjustments discussed in previous issues, the test year operating income before any provision for increased revenues is \$357,493.

CASE

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8\*\*PAA

**Docket No. 060256-SU** – Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.

(Continued from previous page)

**Issue 21:** What is the appropriate wastewater revenue requirement for the December 31, 2005, test year?

**Recommendation:** The following wastewater revenue requirement should be approved:

	<u>Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Wastewater	\$2,882,842	\$535,309	\$3,418,151	18.57%

**Issue 22:** What are the appropriate monthly wastewater rates?

**Recommendation:** The appropriate wastewater monthly rates are shown on Schedule No. 4 of staff's January 10, 2007, memorandum. Excluding miscellaneous service charge and reuse revenues, the recommended wastewater rates produce revenues of \$3,251,036. The utility should file revised wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the wastewater system. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

**Issue 23:** What are the appropriate reuse rates for this utility?

**Recommendation:** The appropriate residential reuse rate structure is a BFC of \$3.65 and gallonage charge of \$0.39 per thousand gallons. Alafaya's current flat rate should be assessed to all unmetered reuse customers pending the completion of their meter installation. Once the utility has completed all meter installations on or before December 31, 2007, the flat rate should be discontinued. Further, the utility's reuse availability fee should be eliminated and its general service reuse rate should be \$0.60 per thousand gallons.

CASE

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8\*\*PAA

**Docket No. 060256-SU** – Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.

(Continued from previous page)

**Issue 24:** Should the utility be authorized to assess miscellaneous service charges, and, if so, what are the appropriate charges?

**Recommendation:** Yes. There should be no refund for the utility's collection of miscellaneous service charges without a tariff. Further, the utility should be authorized to collect miscellaneous service charges as reflected in the analysis portion of staff's January 10, 2007, memorandum. The utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. Within 10 days of the date the order is final, the utility should be required to provide notice of the tariff changes to all customers. The utility should provide proof the customers have received notice within 10 days after the date that the notice was sent.

**Issue 25:** In determining whether any portion for the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

**Recommendation:** The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Based on this calculation, no refund is required. Further, upon issuance of the Consummating Order in this docket, the corporate undertaking should be released.

CASE

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8\*\*PAA

**Docket No. 060256-SU** – Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.

(Continued from previous page)

**Issue 26:** What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

**Recommendation:** The wastewater rates should be reduced as shown on Schedule No. 4 of staff's January 10, 2007, memorandum to remove \$29,309 of rate case expense, grossed up for regulatory assessment fees, which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than 30 days prior to the actual date of the required rate reduction. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than ten days after the date of the notice.

CASE

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8\*\*PAA

**Docket No. 060256-SU** – Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.

(Continued from previous page)

**Issue 27:** What are the appropriate service availability charges and/or policy for the utility?

**Recommendation:** Consistent with guidelines set forth in Rule 25-30.580, F.A.C., the appropriate plant capacity and meter installation charges are \$1,762 and \$150, respectively, for this utility. If there is no timely protest to the Commission's Proposed Agency Action by a substantially affected person, the utility should file the appropriate revised tariff sheets within 10 days of the issuance of the Consummating Order for the Commission-approved tariff changes. Staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariff is consistent with the Commission's decision. If the revised tariff sheets are filed and approved, the tariff sheets should become effective on or after the stamped approval date. Within 10 days of the issuance of the Consummating Order for the Commission-approved tariff changes, the utility shall also provide notice of the Commission's decision to all persons in the service area who are affected by the recommended plant capacity charges and the authorization to collect donated property. The notice should be approved by Commission staff prior to distribution. The utility should provide proof that the appropriate customers or developers have received notice within 10 days of the date of the notice.

**Issue 28:** Should the utility be required to show cause, in writing within 21 days, why it should not be fined for its apparent failure to: (1) comply with the requirements of Order No. PSC-04-0363-PAA-WS to adjust its books to reflect the adjustments to all the applicable primary accounts required by that Order, and to provide proof within 90 days that such adjustments were made; and, (2) comply with the requirements of Rule 25-30.110(2), F.A.C., in that it appears that schedules provided in the minimum filing requirements are not consistent with and reconcilable with the utility's annual report to the Commission?

**Recommendation:** Yes. Alafaya Utilities, Inc. should be ordered to show cause in writing, within 21 days, why it should not be fined a total of \$3,000 for its apparent failure to timely comply with the requirements of Order No. PSC-04-0363-PAA-SU, and for its apparent violation of Rule 25-30.110(2), F.A.C. The order to show cause should incorporate the conditions stated in the analysis portion of staff's January 10, 2007, memorandum.



CASE

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8\*\*PAA

**Docket No. 060256-SU** – Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.

(Continued from previous page)

**Issue 29:** Should the utility be required to show cause, in writing within 21 days, why it should not be fined \$1,200 for assessing customers miscellaneous service charges without an authorized tariff?

**Recommendation:** Yes. Alafaya Utilities, Inc. should be ordered to show cause in writing, within 21 days, why it should not be fined a total of \$1,200 for assessing miscellaneous service charges without an approved tariff. The order to show cause should incorporate the conditions stated in the staff analysis.

**Issue 30:** Should the utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC USOA primary accounts associated with the Commission approved adjustments?

**Recommendation:** Yes. To ensure that the utility adjusts its books in accordance with the Commission's decision, Alafaya should provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

**Issue 31:** Should this docket be closed?

**Recommendation:** Yes. If no person whose substantial interests are affected by the proposed agency action issues files a protest within 21 days of the issuance of the order, a consummating order will be issued. If Alafaya pays the \$4,200 in fines, the docket should be closed administratively upon staff's verification of the above items. If the utility timely responds in writing to the Order to show cause, the docket should remain open to allow for the appropriate processing of the response, and this docket should be closed.

CASE

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9\*\*PAA

**Docket No. 060262-WS** – Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

ve date - PAA Rate Case)

d:

ECR: Joyce, Edwards, Lingo, Rendell

GCL: Jaeger

**(All issues proposed agency action except Issue 4.)**

**Issue 1:** Should Labrador's request for a rate increase be approved?

**Recommendation:** No. The data supplied by Labrador is insufficient to determine a revenue requirement and set reasonable rates. The burden of proof is upon the utility to show that its present rates are unreasonable, fail to compensate the utility for its prudently incurred expenses and fail to produce a reasonable return on its investment. Labrador has not presented credible evidence regarding the number of kgal actually sold during the 2005 test year, and that its 2005 and 2006 kgal sold data are irreparably flawed. Because the utility has not met its burden to prove that a rate increase is warranted, staff recommends that the utility's request for a rate increase in the instant case should be denied.

**Issue 2:** What are the appropriate water and wastewater rates?

**Recommendation:** Labrador's appropriate rates should be the rates in effect prior to the approval of interim rates. The utility should file tariff sheets to reflect the appropriate rates. The appropriate rates are listed in staff's analysis portion of the January 10, 2007, memorandum.

**Issue 3:** Should Labrador be required to refund any interim revenues collected?

**Recommendation:** Yes. The interim revenue increase granted in Order No. PSC-06-0668-FOF-WS, should be refunded with interest, pursuant to Rule 25-30.360, Florida Administrative Code (F.A.C.).

CASE

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9\*\*PAA

**Docket No. 060262-WS** – Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

(Continued from previous page)

**Issue 4:** Should Labrador Utilities, Inc. be ordered to show cause in writing, within 21 days, why it should not be fined for its apparent failure to comply with the requirements of Order No. PSC-04-1281-PAA-WS to: (1) adjust its books to reflect the adjustments to all the applicable primary accounts required by that Order; and, (2) to test all of its meters by June 30, 2005, make any necessary repairs or adjustments, maintain a log of all meters tested, and file quarterly reports?

**Recommendation:** Yes. Labrador Utilities, Inc. should be ordered to show cause in writing, within 21 days, why it should not be fined a total of \$3,500 for its apparent failure to timely comply with the requirements of Order No. PSC-04-1281-PAA-WS. The order to show cause should incorporate the conditions stated in the staff analysis.

**Issue 5:** Should this docket be closed?

**Recommendation:** No. If no person whose substantial interests are affected by the proposed agency action issues files a protest within 21 days of the issuance of the order, a consummating order will be issued for the proposed agency action issues. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff, and that the interim refund has been completed and verified by staff. If Labrador pays the \$3,500 in fines, the docket should be closed administratively upon staff's verification of the above items. If the utility timely responds in writing to the Order to show cause, the docket should remain open to allow for the appropriate processing of the response.

CASE

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10\*\*PAA

**Docket No. 070005-WS** – Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.

Establishment deadline)

ed:

ECR: Biggins, Rendell

GCL: Jaeger

**Issue 1:** Which index should be used to determine price level adjustments?

**Recommendation:** The Gross Domestic Product Implicit Price Deflator Index is recommended for use in calculating price level adjustments. Staff recommends calculating the 2007 price index by using a fiscal year, four quarter comparison of the Implicit Price Deflator Index ending with the third quarter 2006.

**Issue 2:** What percentage should be used by water and wastewater utilities for the 2007 Price Index?

**Recommendation:** The 2007 Price Index for water and wastewater utilities should be 3.09%.

CASE

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10\*\*PAA

**Docket No. 070005-WS** – Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.

(Continued from previous page)

**Issue 3:** How should the utilities be informed of the indexing requirements?

**Recommendation:** Pursuant to Rule 25-30.420(1), Florida Administrative Code, the Division of the Commission Clerk and Administrative Services, after the expiration of the Proposed Agency Action (PAA) protest period, should mail each regulated water and wastewater utility a copy of the PAA order establishing the index containing the information presented in Form PSC/WAW 15 (4/99) and Appendix A (Attachment 1 of staff's January 10, 2007, memorandum). A cover letter from the Director of the Division of Economic Regulation should be included with the mailing of the order (Attachment 2 of staff's January 10, 2007, memorandum). If a protest is filed and a hearing is held, the Division of the Commission Clerk and Administrative Services should mail each regulated water and wastewater utility a copy of the final order establishing the index which should contain the information presented in Form PSC/WAW 15 (4/99) and Appendix A (Attachment 1). A cover letter from the Director of the Division of Economic Regulation should be included with the mailing of the order (Attachment 2).

**Issue 4:** Should this docket be closed?

**Recommendation:** Yes. This docket should be closed upon the issuance of the Consummating Order if no substantially affected person files a timely protest within the 14-day protest period after issuance of the PAA Order. Any party filing a protest should be required to prefile testimony with the protest.

CASE

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11\*\*PAA

**Docket No. 060753-SU** – Request for waiver of 2005 annual report penalty for Highlands Utilities Corporation.

d:

ECR: Kaproth

GCL: Gervasi

**Issue 1:** Should the Commission grant Highlands Utilities Corporation's request for waiver of the remainder of its 2005 annual report penalties?

**Recommendation:** Yes. The Commission should waive the remainder of Highlands Utilities Corporation's 2005 annual report penalties.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If no protest to a proposed agency action issue is filed by a person whose interests are substantially affected within 21 days of the Order arising from this recommendation, the docket should be closed upon the issuance of a Consummating Order. If a timely protest to a proposed agency action issue is filed by a person whose substantial interests are affected within 21 days of the Commission Order, the docket should remain open pending the resolution of the protest.

CASE

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12\*\*

**Docket No. 060352-WS** – Application for transfer of majority organizational control of Country Club of Sebring, Inc. in Highlands County and for name change on Certificate Nos. 540-W and 468-S to Country Club Utilities, Inc.

d:

ECR: Johnson

GCL: Bennett

**Issue 1:** Should Country Club Utilities, Inc. be ordered to show cause in writing, within 21 days, why it should not be fined for its failure to notify the Commission prior to its transfer and name change, pursuant to the requirements of Sections 367.071 and 367.1214, Florida Statutes?

**Recommendation:** No. Country Club should not be ordered to show cause.

**Issue 2:** Should the Commission approve the corporate reorganization and name change of Country Club of Sebring, Inc. to Country Club Utilities, Inc.?

**Recommendation:** Yes. The corporate reorganization and name change of Country Club of Sebring, Inc. to Country Club Utilities, Inc. should be approved effective the date of the Commission's vote. The subsequent order will serve as the utility's water and wastewater certificates and should be retained by the utility. The utility has submitted tariff sheets reflecting the name change.

CASE

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12\*\*

**Docket No. 060352-WS** – Application for transfer of majority organizational control of Country Club of Sebring, Inc. in Highlands County and for name change on Certificate Nos. 540-W and 468-S to Country Club Utilities, Inc.

(Continued from previous page)

**Issue 3:** Should the transfer of majority organizational control of Country Club Utilities, Inc. from Mr. R. A. Harris to Mr. R. Greg Harris be approved?

**Recommendation:** Yes. The transfer of majority organizational control of Country Club Utilities, Inc. from Mr. R. A. Harris to Mr. R. Greg Harris is in the public interest and should be approved effective the date of the Commission's vote. The subsequent order will serve as the utility's water and wastewater certificates and should be retained by the utility. Pursuant to Rule 25-9.044(1), Florida Administrative Code, the rates and charges approved for Country Club should be continued until authorized to change by the Commission in a subsequent proceeding. Country Club is responsible for all regulatory assessment fees and annual reports for 2006 and into the future. A description of the territory being transferred is appended to staff's January 10, 2007, recommendation as Attachment A.

**Issue 4:** Should this docket be closed?

**Recommendation:** Yes. Because no further action is necessary, this docket should be closed.



CASE

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13                    **Docket No. 060644-TL** – Petition to recover 2005 tropical system related costs and expenses, by Embarq Florida, Inc.

ry deadline for Commission action)

d:

CMP: Wright, Beard, Broussard, Lee, Mann, Ollila, Watts

GCL: Fudge

**(Post-hearing decision - participation is limited to Commissioners and staff.)**

**Issue 1:** What is the appropriate amount of intrastate costs and expenses related to damage caused during the 2005 tropical system season, if any, that should be recovered by Embarq, pursuant to Section 364.051(4), Florida Statutes?

**Stipulated Language:** For the sole purpose of this case, and without any party conceding its position on any other disputed issue in this docket, the maximum amount of intrastate costs and expenses related to the damage caused during the 2005 tropical storm season that Embarq incurred and is entitled to recover is \$13 million.

**Issue 2(a):** What is the appropriate type and number of retail access lines, basic and nonbasic, to which any storm damage recovery may be assessed?

**Recommendation:** Staff recommends that for the purpose of assessing a line-item storm recovery charge to Embarq, Florida Inc.'s access lines, each retail residential (excluding Lifeline), business, payphone, key system, Centrex, and ISDN BRI line should be assessed one line-item storm recovery charge. Staff recommends that each PBX trunk line should be assessed two line-item storm recovery charges and that each ISDN PRI and DS1 should be assessed five line-item storm recovery charges. This recommendation excludes resold lines, as they will be discussed in the legal analysis part of Issue 2(b) of staff's January 16, 2007, memorandum. Staff recommends that the number of retail-only line-item storm recovery charges using Embarq's average monthly forecast is approximately 1.620 million.

CASE

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13

**Docket No. 060644-TL** – Petition to recover 2005 tropical system related costs and expenses, by Embarq Florida, Inc.

(Continued from previous page)

**Issue 2(b):** Is a line-item charge on Embarq's wholesale UNE loop appropriate, pursuant to Section 364.051(4)(b)6, Florida Statutes and Federal Law? If yes, on which types of lines should the charge be assessed and how should the lines be counted? What is the total number of UNE loops to be assessed, if any?

**Recommendation:** Yes. Staff recommends that the Commission find it appropriate for Embarq to impose a line-item charge on wholesale UNE loop customers. A line-item charge on resale lines is not authorized under § 364.051, Florida Statutes. Whether a charge should be imposed on commercial agreement customers is solely governed by the agreement's language. If agreements exist that provide for storm cost recovery from resale or local platform services, the amounts generated should be counted toward the total amount of storm cost recovery approved in Issue 1 for true-up purposes.

Staff recommends a single line-item storm recovery charge be applied to each of the following UNE loop types:

- DS0 Unbundled Digital Loop
- DS1 Unbundled Digital Loop
- DS3 Unbundled Digital Loop
- DS1 and DS3 loops in EEL Combinations

Staff recommends that DS0 loops be assessed one charge, DS1 loops be assessed five charges, and DS3 loops be assessed 30 charges. The number of line-item storm recovery charges (or loop equivalents) to be assessed monthly during the anticipated recovery period of February 2007 through January 2008 is approximately 16,646.

**Issue 3:** What is the appropriate line-item charge per access line, if any?

**Recommendation:** Staff recommends that the appropriate monthly line-item charge per access line is \$0.50 per month for 12 months.

CASE

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13

**Docket No. 060644-TL** – Petition to recover 2005 tropical system related costs and expenses, by Embarq Florida, Inc.

(Continued from previous page)

**Issue 4:** If a line-item charge is approved in Issue 3, on what date should the charge become effective and on what date should the charge end?

**Recommendation:** If a charge is approved in Issue 3, the charge may be assessed at Embarq's earliest convenience, but no earlier than 30 days from the date of the Commission vote. The charge should be effective for 12 consecutive months. Embarq should provide staff the wording to be used on its bills regarding the storm charge prior to issuance.

**Issue 5:** Should this docket be closed?

**Recommendation:** No. Staff recommends that this docket remain open until after the end of the collection period, at which time Embarq shall file a report on the amount collected. Staff will verify that the amounts collected by Embarq do not exceed the amount authorized by this Commission. If no refund is necessary, the docket will be closed administratively.

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13

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**Docket No. 060644-TL** – Petition to recover 2005 tropical system related costs and expenses, by Embarq Florida, Inc.

(Continued from previous page)