

FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION CONFERENCE AGENDA

CONFERENCE DATE AND TIME: Tuesday, April 22, 2008, 9:30 a.m.

LOCATION: Betty Easley Conference Center, Joseph P. Cresse Hearing Room 148

DATE ISSUED: April 11, 2008

NOTICE

Persons affected by Commission action on certain items on this agenda may be allowed to address the Commission, either informally or by oral argument, when those items are taken up for discussion at this conference. These items are designated by double asterisks (**) next to the agenda item number.

To participate informally, affected persons need only appear at the agenda conference and request the opportunity to address the Commission on an item listed on agenda. Informal participation is not permitted: (1) on dispositive motions and motions for reconsideration; (2) when a recommended order is taken up by the Commission; (3) in a rulemaking proceeding after the record has been closed; or (4) when the Commission considers a post-hearing recommendation on the merits of a case after the close of the record. The Commission allows informal participation at its discretion in certain types of cases (such as declaratory statements and interim rate orders) in which an order is issued based on a given set of facts without hearing.

See Rule 25-22.0021, F.A.C., concerning Agenda Conference participation and Rule 25-22.0022, F.A.C., concerning oral argument.

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<u>ITEM NO.</u>	<u>CASE</u>						
1	<p>Approval of Minutes March 18, 2008 Commission Conference</p>						
2**	<p>Consent Agenda</p>						
PAA	<p>A) Application for certificate to provide competitive local exchange telecommunications service.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>DOCKET NO.</u></th> <th style="text-align: left;"><u>COMPANY NAME</u></th> </tr> </thead> <tbody> <tr> <td>080173-TX</td> <td>Preferred Long Distance, Inc.</td> </tr> </tbody> </table>	<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	080173-TX	Preferred Long Distance, Inc.		
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080173-TX	Preferred Long Distance, Inc.						
PAA	<p>B) Application for certificate to provide pay telephone service.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>DOCKET NO.</u></th> <th style="text-align: left;"><u>COMPANY NAME</u></th> </tr> </thead> <tbody> <tr> <td>080172-TC</td> <td>Buddy's Cafe</td> </tr> </tbody> </table>	<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	080172-TC	Buddy's Cafe		
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PAA	<p>C) Request for cancellation of a competitive local exchange telecommunications certificate.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>DOCKET NO.</u></th> <th style="text-align: left;"><u>COMPANY NAME</u></th> <th style="text-align: left;"><u>EFFECTIVE DATE</u></th> </tr> </thead> <tbody> <tr> <td>080126-TP</td> <td>Time Warner Telecom of Florida, L.P.</td> <td>12/31/2007</td> </tr> </tbody> </table>	<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>EFFECTIVE DATE</u>	080126-TP	Time Warner Telecom of Florida, L.P.	12/31/2007
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080126-TP	Time Warner Telecom of Florida, L.P.	12/31/2007					
PAA	<p>D) Request for two-year exemption from requirement of Rule 25-24.515(13), F.A.C., that each pay telephone station shall allow incoming calls.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>DOCKET NO.</u></th> <th style="text-align: left;"><u>COMPANY NAME</u></th> <th style="text-align: left;"><u>PHONE # & LOCATION</u></th> </tr> </thead> <tbody> <tr> <td>080140-TC</td> <td>Embarq Payphone Services, Inc.</td> <td>850-833-3025 Big Moma's Soul Food Café 7 NE Gipson Place Fort Walton Beach, FL 32548</td> </tr> </tbody> </table>	<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>PHONE # & LOCATION</u>	080140-TC	Embarq Payphone Services, Inc.	850-833-3025 Big Moma's Soul Food Café 7 NE Gipson Place Fort Walton Beach, FL 32548
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080140-TC	Embarq Payphone Services, Inc.	850-833-3025 Big Moma's Soul Food Café 7 NE Gipson Place Fort Walton Beach, FL 32548					

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

ITEM NO.

CASE

3**PAA

Docket No. 080108-TL – Petition to permit use of federal subscriber line charge to identify interstate end user charge on customers' bills by BellSouth Telecommunications, Inc. d/b/a AT&T Florida.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: CMP: Barrett

GCL: Tan

Issue 1: Should the Commission approve AT&T's Petition to change the text on customer bills that identifies the interstate end user charge?

Recommendation: Yes. The Commission should approve AT&T's Petition, and permit it to use "Federal Subscriber Line Charge" to identify the interstate end user charge on customers' bills.

Issue 2: 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.

ITEM NO.

CASE

4**PAA

Docket No. 080162-TI – Acknowledgment of registration as intrastate interexchange telecommunications company, effective March 18, 2008, by NCOM Networks, LLC.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: CMP: Curry

GCL: McKay, Poblete

Issue 1: Should the Commission accept NCOM Networks, LLC's proposed settlement offer to make a voluntary contribution in the amount of \$7,500 to resolve the apparent violation of Rule 25-24.470, F.A.C., and acknowledge the company's registration as an intrastate interexchange telecommunications company, effective March 18, 2008?

Recommendation: Yes, the Commission should accept NCOM Networks, LLC's proposed settlement offer to make a voluntary contribution in the amount of \$7,500 to resolve the apparent violation of Rule 25-24.470, F.A.C., and acknowledge the company's registration as an intrastate interexchange telecommunications company, effective March 18, 2008.

Issue 2: Should this docket be closed?

Recommendation: If the Commission approves staff's recommendation in Issue 1, this docket should remain open pending the receipt by the Commission of the four monthly payments of \$1,875, for a total of \$7,500. The payments should be made payable to the Florida Public Service Commission and should identify the docket number and the company's name. Upon receipt of each payment, the Commission shall forward the contribution to the Division of Financial Services to be deposited into the General Revenue Fund. NCOM Networks, LLC shall submit the first payment of \$1,875 no later than May 1, 2008. Each subsequent payment shall be due on the 1st day of each month thereafter until the balance is paid in full. If the 1st of a given month is on a weekend or holiday, the payment shall be due on the next business day. If the company fails to submit one of its payments, the company's IXC Registration No. TK196 shall be removed from the registry and the company's tariff shall be cancelled. If the company's IXC Registration No. TK196 is removed from the registry and the company's tariff is cancelled the company should be required to immediately cease and desist providing telecommunications services in Florida. This docket should be closed administratively if NCOM Networks, LLC timely submits all payments and pays the \$7,500 settlement in full or upon the removal of the company's registration and cancellation of its tariff.

ITEM NO.

CASE

5**

Docket No. 070729-EI – Petition for approval of three performance guaranty agreements by Tampa Electric Company.

Critical Date(s): 08/17/08 (8-Month Effective Date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECR: Draper

GCL: Bennett

Issue 1: Should the Commission approve TECO's proposed Performance Guaranty Agreement (Tariff Sheet Nos. 7.880-7.910)?

Recommendation: Yes, the proposed tariff should be approved, provided TECO files monitoring reports as described in the analysis portion of staff's memorandum dated April 10, 2008.

Issue 2: Should the Commission approve TECO's proposed Performance Guaranty Agreement for mining facilities (Tariff Sheet Nos. 7.915-7.945)?

Recommendation: Yes, the proposed tariff should be approved, provided TECO files monitoring reports as described in the analysis portion of staff's memorandum dated April 10, 2008.

Issue 3: Should the Commission approve TECO's Performance Guaranty Agreement for residential subdivision development (Tariff Sheet Nos. 7.950-7.970)?

Recommendation: Yes.

Issue 4: Should this docket be closed?

Recommendation: Yes. If Issues 1, 2, and 3 are approved, these three tariffs should become effective on April 22, 2008. If a protest is filed within 21 days of the issuance of the order for one or more of these tariffs, the protested tariff(s) should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

ITEM NO.

CASE

6**PAA

Docket No. 080001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: McMurrian

Staff: ECR: Lester, Matlock, Maurey, McNulty, Slemkewicz, Springer

GCL: Bennett, Young

Issue 1: Should the Commission clarify the Hedging Order with regard to prudence reviews of current year hedging results?

Recommendation: Yes. To facilitate such reviews, the Commission should require each IOU to file a Hedging Information Report by August 15 of each year detailing its hedging transactions during the months of January through July of that year. The Hedging Information Report should provide the same hedging information identified through July of the actual/estimated year (i.e. the current year) as is required for the final true-up year (i.e. the prior year) per Section 5 of the “Proposed Resolution of Issues” of the Hedging Order.

Issue 2: Should the Commission approve FPL's proposed Volatility Mitigation Mechanism to replace FPL's use of physical and financial hedging to mitigate volatility in the prices FPL pays for fuel, commencing January 1, 2009?

Recommendation: No. The Commission should deny FPL's proposed VMM at this time for the following reasons: (1) FPL's petition is premature because the Commission is conducting management and financial audits of FPL's hedging program. (2) FPL has not shown that the VMM is superior to FPL's current hedging practices. (3) The routine of spreading under-recoveries of fuel costs over two years will compromise the Commission's traditional consideration of deferrals of recovery of fuel costs on a case-by-case basis. (4) As addressed in Issue 1, FPL's concern regarding the timing of prudence reviews can be alleviated by extending the period of review for hedging transactions through July 31st of the current year contingent on sufficient and timely filing of hedging information. FPL should continue to manage fuel price risk according to the direction provided by Order No. PSC-02-1484-FOF-EI (the Hedging Order) until such time that the stipulated policy stated in that order is modified. The flexibility extended by the Hedging Order allows FPL to revise its hedging program to affect any changes it deems necessary in addressing fuel price volatility.

Issue 3: Should the Commission approve FPL's alternative proposal to the Volatility Mitigation Mechanism to reduce alleged regulatory risk associated with the current hedging program, including the hedging guidelines appearing in Exhibit 3 of its petition and revised procedures for review of FPL's hedging results set forth in Paragraph 19 of its petition?

ITEM NO.

CASE

6**PAA

Docket No. 080001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

(Continued from previous page)

Recommendation: No. The Commission should not approve FPL’s proposed hedging guidelines because FPL’s alternative proposal is premature and too constraining. FPL should continue to manage fuel price risk according to the general direction provided by Order No. PSC-02-1484-FOF-EI (the Hedging Order), until such time as the Commission modifies that order. FPL’s proposal for revising the procedures for reviewing its hedging results should not be approved. Regarding the review period for FPL’s hedging transactions, as discussed in Issue 1, the Commission should review hedging transactions for determination of prudence through July 31 of the current year contingent on sufficient and timely filing of hedging information.

Issue 4: Should this docket be closed?

Recommendation: No. This docket is an on-going docket and should remain open.

ITEM NO.

CASE

7

Docket No. 070300-EI – Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company.
Docket No. 070304-EI – Petition for rate increase by Florida Public Utilities Company.

Critical Date(s): 04/30/08 (8-Month Effective Date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Argenziano

Staff: ECR: Slemkewicz, Baxter, Bulecza-Banks, Colson, Dickens, Draper, Gardner, Kaproth, Kummer, Kyle, Lee, Marsh, Maurey, Springer, Stallcup
GCL: Brown, Fleming, Young
RCA: Hicks

(Post Hearing Decision - Participation is Limited to Commissioners and Staff)

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

APPROVED STIPULATION

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

Position: Yes, the plan complies with NESC requirements, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and Ten Initiatives issues.

APPROVED STIPULATION

Issue 2: Does the Company's Plan address the extent to which the EWL standards specified by Figure 250-2(d) of the 2007 edition of the NESC are adopted for new distribution facility construction? [Rule 25-6.0342(3)(b)1]

Position: Yes, the plan complies with NESC requirements, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and Ten Initiatives (Per p. 6.) issues.

APPROVED STIPULATION

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

Position: Yes, the plan addresses EWL standards, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and Ten Initiatives issues

ITEM NO.

CASE

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Docket No. 070300-EI – Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company.
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APPROVED STIPULATION

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

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

APPROVED STIPULATION

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

Position: Yes, the plan addresses mitigation of damage to underground and supporting overhead facilities due to flooding and storm surge, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and Ten Initiatives issues.

APPROVED STIPULATION

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

Position: Yes, the plan addresses the placement or replacement of distribution facilities, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and Ten Initiatives issues.

APPROVED STIPULATION

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

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Docket No. 070300-EI – Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company.
Docket No. 070304-EI – Petition for rate increase by Florida Public Utilities Company.

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

APPROVED STIPULATION

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

Position: Yes, the Plan addresses the areas affected by infrastructure improvements, subject to the appropriate modifications, if necessary, resulting from the resolution of the cost recovery for storm hardening and Ten Initiatives issues and subject to the approval and implementation of the Process to Engage Third Party Attachers.

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Docket No. 070300-EI – Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company.
Docket No. 070304-EI – Petition for rate increase by Florida Public Utilities Company.

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APPROVED STIPULATION

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

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

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

Recommendation: Yes, FPUC has provided detailed cost estimates related to the storm hardening initiatives, and has provided support for its projections by using expert estimates and bids to support those estimates.

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

Recommendation: Yes. Staff recommends that FPUC has met the requirements of Rule 25- 6.0342(4)(e), F.A.C., to provide an estimate of the costs and benefits for third-party attachers affected by planned electric infrastructure improvements, including the effect on reducing storm restoration costs and customer outages realized by third-party attachers.

APPROVED STIPULATION

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

ITEM NO.

CASE

7

Docket No. 070300-EI – Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company.
Docket No. 070304-EI – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

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

10 POINT STORM PREPAREDNESS INITIATIVES

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

Recommendation: Yes. FPUC's Plan meets the desired objectives of enhancing reliability and reducing restoration costs and outage times and, therefore, the Plan should be approved.

APPROVED STIPULATION

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

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

Issue 15: Has FPUC complied with the Commission's Ten Initiatives?

Recommendation: Yes. FPUC's Plan filed and approved in Docket No. 060198-EI and as subsequently amended in this proceeding complies with the Commission's Ten Initiatives.

COSTS FOR STORM HARDENING AND 10 POINT INITIATIVES

APPROVED STIPULATION

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

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

ITEM NO.

CASE

7

Docket No. 070300-EI – Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company.
Docket No. 070304-EI – Petition for rate increase by Florida Public Utilities Company.

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APPROVED STIPULATION

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

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

APPROVED STIPULATION

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

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

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

Recommendation: Yes. Three contractors provided bids to allow FPUC to comply with an eight year inspection cycle on all wooden distribution poles required by the Commission's Ten Initiatives Order. The amount of \$141,367 submitted by Osmose Utility Services, Inc. should be the cost estimate for FPUC's wood pole inspections.

ITEM NO.

CASE

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Docket No. 070300-EI – Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company.
Docket No. 070304-EI – Petition for rate increase by Florida Public Utilities Company.

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

Recommendation: Yes. Staff recommends that FPUC's request to increase Account 593, Maintenance of Overhead Lines, and Account 588, Distribution Maps, by a combined total of \$99,375 for an additional employee and related travel expenses to handle joint use audits and pole inspections should be approved.

APPROVED STIPULATION

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

Position: No. Test year O&M expenses in Account 593, Maintenance of Overhead Lines, shall be decreased by \$27,000. Any additional expense associated with post-storm data collection and forensic review shall be accounted for in compliance with Rule 25-6.0143(1), F.A.C.

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

Recommendation: Yes. FPUC's request for contractor expense of \$18,540 in Account 566, for an additional expense for transmission inspections should be approved.

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

Recommendation: Yes. Staff recommends that the expense for an additional employee to handle joint use audits be approved.

Issue 24: DROPPED. Number retained for continuity.

ITEM NO.

CASE

7

Docket No. 070300-EI – Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company.
Docket No. 070304-EI – Petition for rate increase by Florida Public Utilities Company.

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APPROVED STIPULATION

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

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

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

Recommendation: No. FPUC's PURC costs for the utility's collaborative research projects should be increased by \$870.

Issue 27: What adjustments, if any, should be made to rate base associated with the storm hardening Rule 25-6.0342 and Ten Initiatives requirements?

Recommendation: The adjustments to rate base associated with the storm hardening Rule 25-6.0342, F.A.C., and Ten Initiatives requirements should be made as stipulated in Issues 16, 17, 18, 21, 25, and as recommended by staff.

Issue 28: What adjustments, if any, should be made to operating expenses associated with the Storm Hardening Rule 25-6.0342, F.A.C., and Ten Initiatives requirements?

Recommendation: The adjustments to operating expenses associated with the storm hardening Rule 25-6.0342, F.A.C., and Ten Initiatives requirements should be made as stipulated in Issues 16, 17, 18, 21, 25, and as recommended by staff.

TEST PERIOD

APPROVED STIPULATION

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

Position: Yes, with appropriate adjustments.

APPROVED STIPULATION

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

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

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QUALITY OF SERVICE

APPROVED STIPULATION

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

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

RATE BASE

Issue 32: DROPPED. Number retained for continuity.

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

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

Issue 34: DROPPED. Number retained for continuity.

APPROVED STIPULATION

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

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

APPROVED STIPULATION

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

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

APPROVED STIPULATION

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

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

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

Recommendation: No. The appropriate level of Plant in Service is \$79,663,822 for 2008. The appropriate level of total plant in service is \$81,459,754 which includes \$1,853,396 for Common Plant.

Issue 39: DROPPED. Number retained for continuity.

APPROVED STIPULATION

Issue 40: Should an adjustment be made for Plant Retirements for the projected test year?

Position: No adjustment for 2008 retirements is needed.

APPROVED STIPULATION

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

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

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

Recommendation: The 13-month average 2008 accumulated depreciation reserve should be increased by \$58,292 for the results of the FPUC 2007 depreciation study in Docket No. 070382-EI.

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

Recommendation: No. The appropriate level of accumulated depreciation for Plant in Service and Common Plant is \$37,241,015 for 2008.

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APPROVED STIPULATION

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

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

Issue 45: DROPPED. Number retained for continuity.

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

Recommendation: The appropriate projection methodology to be used in the calculation of the 2008 working capital requirement is the 13-month average. Staff recommends that the requested amount of \$70,678 is the appropriate cash to be included in 2008 working capital.

APPROVED STIPULATION

Issue 47: What is the appropriate balance of special deposits to be included in the 2008 Working Capital requirement?

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

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

Recommendation: The appropriate balance of accounts receivable to be included in working capital is \$4,011,791. The 2008 balance of accounts receivable should be reduced by \$1,030,667.

APPROVED STIPULATION

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

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

APPROVED STIPULATION

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

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

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APPROVED STIPULATION

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

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

APPROVED STIPULATION

Issue 52: What is the appropriate allocation methodology and amount for prepaid insurance to be included in Working Capital for electric operations?

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

Issue 53: What is the appropriate balance of unbilled revenue to be included in Working Capital?

Recommendation: The appropriate balance of unbilled revenue to be included in working capital is \$459,586. This is an \$88,808 reduction to the 2008 balance for unbilled revenue.

Issue 54: What is the appropriate balance of temporary services to be included in Working Capital?

Recommendation: The appropriate balance of temporary services to be included in Working Capital is zero. Also, the 2008 balance of temporary services should be reduced by \$26,961 and the miscellaneous services revenue should not be increased by \$27,150.

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

Recommendation: No. Staff recommends the removal of \$1,143,777 for under recovery of fuel from Working Capital Allowance.

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APPROVED STIPULATION

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

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

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

Recommendation: No. The appropriate balance of Accrued Interest on Customer Deposits for the 2008 projected test year 13-month average should be \$77,133. This is an increase in the amount of \$10,178 for the 2008 balance of Accrued Interest on Customer Deposits.

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

Recommendation: The appropriate balance of deferred debit rate case expense to be included in working capital is \$303,400. Therefore, the balance of deferred debit rate case expense should be reduced by \$304,836.

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

Recommendation: No. The projected 2008 balance for the storm damage reserve should be decreased by a net amount of \$32,259.

APPROVED STIPULATION

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

Position: The appropriate level of Working Capital is subject to the resolution of the issues impacting Working Capital (a fall-out issue).

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

Recommendation: No. The appropriate amount of rate base for the projected test year is \$40,046,916.

COST OF CAPITAL

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

Recommendation: The appropriate return on common equity for the projected test year is 10.25 percent with a range of plus or minus 100 basis points.

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

Recommendation: The appropriate capital structure is detailed on Attachment 2. Staff recommends the implementation of a 13-month average capital structure, consistent with prior Commission practice.

APPROVED STIPULATION

Issue 64: What is the appropriate projected cost rate for long-term debt?

Position: The appropriate projected cost rate for long-term debt is 7.96 percent.

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

Recommendation: The appropriate projected cost rate for short-term debt is 4.08 percent.

Issue 66: DROPPED. Number retained for continuity.

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

Recommendation: The appropriate amount of accumulated deferred taxes to include in the capital structure for the projected test year is \$6,078,743.

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

Recommendation: The appropriate amount and cost rate of unamortized investment tax credits to include in the capital structure is \$81,965 and 8.88 percent, respectively.

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

Recommendation: The appropriate weighted average cost of capital for the test year is 7.35 percent. This is a calculation based upon decisions in preceding issues. (Schedule 2 of staff's memorandum dated April 14, 2008)

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NET OPERATING INCOME

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

Recommendation: Yes. The additional \$73,050 expense to inspect and test substation equipment should be approved. No adjustment is necessary because the \$73,050 is already included in FPUC's filing.

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

Recommendation: No. The forfeited discount amount (late charges) should be increased by \$5,825.

APPROVED STIPULATION

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

Position: Yes, the Company has appropriately excluded fuel revenue and expenses recoverable through the Fuel Adjustment Clause.

APPROVED STIPULATION

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

Position: Yes, the Company has appropriately excluded conservation revenue and expenses recoverable through the Conservation Cost Recovery Clause.

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

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Recommendation: No adjustment is necessary as explained in Issue 54 because the cost of temporary services, in Issue 127, is increased from \$44 to \$52 on a going forward basis.

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

Recommendation: Yes. FPUC's projected level of Total Operating Revenues in the amount of \$17,192,790 for the December 2008 projected test year is appropriate.

Issue 76: What are the appropriate escalation factors and trend rates for use in forecasting the test year projected Operation and Maintenance (O&M) Expenses?

Recommendation: O&M expenses should be increased by \$16,812 because of the breakdown of account balances between payroll and non-payroll expenses. The projection factor (payroll times customer growth) should be used to trend up the payroll expenses, and the projection factor (inflation times customer growth) should be used to trend up the non-payroll costs. Also, staff recommends that the Commission grant staff administrative authority to calculate the appropriate 2008 expenditures level as a fall-out of the Commission's decisions in the remaining issues.

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

Recommendation: Yes. The Compliance Accountant position in Corporate Accounting should be approved. An adjustment should be made to reduce Account 920 by \$2,640 for a 11 percent reduction in overhead expenses.

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

Recommendation: Yes, the Customer Relations Analyst/Coordinator position in Customer Relations should be approved. An adjustment should be made to reduce Account 920 by \$1,373 for a 11 percent reduction in overhead expenses.

APPROVED STIPULATION

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

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

APPROVED STIPULATION

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

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

APPROVED STIPULATION

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

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

APPROVED STIPULATION

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

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

APPROVED STIPULATION

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

Position: Yes, expenses shall be reduced by \$6,250 for 2008 to allow for a ten year amortization.

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APPROVED STIPULATION

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

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

APPROVED STIPULATION

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

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

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

Recommendation: No. An adjustment should be made to increase training expense for apprentice linemen by \$59,456.

APPROVED STIPULATION

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

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

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

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Recommendation: Yes the Corporate Services Administrator position in Corporate Services should be approved. An adjustment is needed to reduce the overhead expense by 11 percent or \$923 to remove an error in the calculation of overhead expense.

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

Recommendation: Yes. No adjustment is necessary to reduce travel expenses for the new position in Corporate Accounting.

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

Recommendation: Yes. An adjustment should be made to reduce Account 580 by \$1,305, Account 590 by \$1,265, and Account 901 by \$1,265, to remove moving expenses from the 2008 test year.

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

Recommendation: Yes. Account 588.2, Other Distribution Expense, should be reduced by \$773 for travel expenses for an employee’s spouse.

APPROVED STIPULATION

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

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

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

APPROVED STIPULATION

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

Position: No. The Company’s over and above increase for external and internal audit fees of \$90,675 is overstated and shall be reduced by \$42,800. This results in an over and above increase to Account 4020.9233 of \$47,875 for the 2008 test year.

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APPROVED STIPULATION

Issue 94: Should the Company's requested increase in janitorial, elevator, air conditioning, and landscaping expense be approved?

Position: No. Account 935 shall be reduced by \$6,223 for the 2008 electric allocation.

APPROVED STIPULATION

Issue 95: Should the Company's requested increase in supervisory training expenses "to keep managers informed on various issues" be approved?

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

Issue 96: DROPPED. Number retained for continuity.

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

Recommendation: No. An adjustment should be made to reduce customer informational advertising expense by \$20,886.

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

Recommendation: Yes. A reduction of \$4,161 should be made to the level of Salaries and Employee benefits.

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

Recommendation: Yes. Staff recommends that no adjustment is necessary because the executive salaries are below market for similar positions with similar responsibilities and duties.

APPROVED STIPULATION

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

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

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

Recommendation: The annual storm expense accrual should be reduced by \$82,260 to maintain the current level accrual at \$121,620.

Issue 102: DROPPED. Number retained for continuity.

APPROVED STIPULATION

Issue 103: What is the appropriate amount for projected general liability expense?

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

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

Recommendation: Yes. The projected 2008 economic development expenses (donations) should be approved. The storm reserve should be credited for unused economic development expenses.

Issue 105: DROPPED. Number retained for continuity.

APPROVED STIPULATION

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

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

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

Recommendation: The appropriate total amount of test year rate case expense is \$599,748. The amortization period was stipulated at four years. Therefore, the annual accrual should be reduced by \$35,950.

APPROVED STIPULATION

Issue 108: What is the appropriate period for the amortization of rate case expense?

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

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

Recommendation: Yes. Bad debt expense for 2006 and 2008 should be reduced by \$33,762 and \$66,436, respectively. The appropriate bad debt factor for 2006 should be 0.1360 percent and the 2008 factor should be 0.1470 percent.

APPROVED STIPULATION

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

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

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

Recommendation: An adjustment should be made to remove \$31,050 for digging and planting of low growing trees expenses because these expenses should be paid by the private property owners and not the ratepayers.

Issue 112: DROPPED. Number retained for continuity.

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

Recommendation: No. The appropriate level of O&M Expense-Other for the December 2008 projected test year is \$9,351,059.

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

Recommendation: The depreciation portion of 2008 projected test year depreciation and amortization expense should be increased by \$283,480 to reflect the results of the FPUC 2007 depreciation study in Docket No. 070382-EI.

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

Recommendation: The appropriate level of depreciation and amortization expense is \$3,350,367 for 2008.

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

Recommendation: Yes. Taxes Other Than Income should be increased by \$5,554 for additional FICA payroll taxes.

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

Recommendation: Yes. FPUC's requested current income tax expense of (\$1,360,960) should be increased by a total of \$336,011 to reflect an adjusted test year expense of (\$1,024,949). FPUC's requested deferred income tax expense of \$581,498 should be increased by \$25,769 to reflect an adjusted test year expense of \$607,267. FPUC's net investment tax credit should be (\$27,935).

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

Recommendation: No. The appropriate Net Operating Income for the December 2008 projected test year is \$643,640.

REVENUE REQUIREMENTS

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

Recommendation: The appropriate net operating income multiplier is 1.60685 using a bad debt rate of 0.1470 percent.

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

Recommendation: No. The appropriate annual operating revenue increase for the December 2008 projected test year is \$3,695,455.

COST OF SERVICE AND RATE DESIGN

APPROVED STIPULATION

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

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

ITEM NO.

CASE

7

Docket No. 070300-EI – Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company.
Docket No. 070304-EI – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

APPROVED STIPULATION

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

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

APPROVED STIPULATION

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

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

APPROVED STIPULATION

Issue 124: What are the appropriate customer charges?

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

<u>Rate Schedule</u>	<u>Customer Charge</u>
Residential Service	\$12.00
General Service – Non-Demand	\$18.00
General Service – Demand	\$52.00
General Service – Large Demand	\$100.00
General Service – Large Demand -1	\$600.00

Issue 125: What are the appropriate demand charges?

Recommendation: The appropriate demand charges are:

General Service Demand (GSD): \$2.80 per kw of billing demand

General Service – Large Demand (GSLD): \$4.00 per kw of billing demand

General Service – Large Demand-1 (GSLD-1)

Transmission Demand Charge: \$ 1.12 per kw of billing demand

Reactive Demand Charge: \$0.24 per kVar of excess reactive demand

FPUC should file revised tariffs to reflect the Commission-approved final rates and charges for administrative approval by staff within five (5) business days of issuance of the final order. Pursuant to Rule 25-22.0406(8), F.A.C., customers should be notified of the revised rates in their first bill containing the new rates. A copy of the notice should be submitted to staff for approval prior to its use.

ITEM NO.

CASE

7

Docket No. 070300-EI – Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company.
Docket No. 070304-EI – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 126: What are the appropriate energy charges?

Recommendation: The appropriate energy charges are shown below:

Residential Service: 1.925 cents per kWh
General Service – Non-Demand: 1.891 cents per kWh
General Service Demand: 0.327 cents per kWh
General Service – Large Demand: 0.129 cents per kWh

APPROVED STIPULATION

Issue 127: What are the appropriate service charges?

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

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

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

APPROVED STIPULATION

Issue 128: What are the appropriate transformer ownership discounts?

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

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

Recommendation: See Schedule 7 and 8 of staff's memorandum dated April 14, 2008 for the recommended Street and Outdoor Lighting rates. Staff also recommends approval of FPUC's request to eliminate several underutilized fixture and pole options. The company should also compile and update going forward an engineering study of the maintenance costs for each type of Street and Outdoor Lighting fixture.

APPROVED STIPULATION

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

ITEM NO.

CASE

7

Docket No. 070300-EI – Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company.
Docket No. 070304-EI – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

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

APPROVED STIPULATION

Issue 131: What are the appropriate standby rates?

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

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

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

APPROVED STIPULATION

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

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

APPROVED STIPULATION

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

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

OTHER ISSUES

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

Recommendation: No.

APPROVED STIPULATION

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

ITEM NO.

CASE

7

Docket No. 070300-EI – Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company.
Docket No. 070304-EI – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

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

APPROVED STIPULATION

Issue 136: Should this docket be closed?

Position: Yes.

ITEM NO.

CASE

8**

Docket No. 080031-WS – Application for amendment of Certificate Nos. 290-S and 340-W to add territory in Pasco County by Mad Hatter Utility, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Argenziano

Staff: ECR: Walden

GCL: Young

Issue 1: Should the Commission approve the application to amend Certificate Nos. 340-W and 297-S filed by Mad Hatter Utility, Inc.?

Recommendation: Yes, the Commission should approve the application to expand the territory of Mad Hatter Utility, Inc., and amend Certificate Nos. 340-W and 297-S. The territory amendment is described in Attachment A of staff's memorandum dated April 10, 2008. The resultant order should serve as Mad Hatter Utility, Inc.'s amended certificates and the order should be retained by the utility. Mad Hatter Utility, Inc. should charge the customer in the added territory the rates and charges contained in its tariff until authorized to change by this Commission in a subsequent proceeding.

Issue 2: Should this docket be closed?

Recommendation: Yes, no further action is required and the docket should be closed.

ITEM NO.

CASE

9

Docket No. 070693-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

Critical Date(s): 60-Day Suspension Date Waived by Company to 04/22/08

Commissioners Assigned: All Commissioners

Prehearing Officer: McMurrian

Staff: ECR: Wright, Fletcher, Springer, Walden

GCL: Young

(Decision on Suspension of Rates and on Interim Rates - Participation is at the Discretion of the Commission)

Issue 1: Should the Utility’s proposed final water and wastewater rates be suspended?

Recommendation: Yes. LUSI’s proposed final water and wastewater rates should be suspended.

Issue 2: Should any interim revenue increases be approved?

Recommendation: Yes, the Utility should be authorized to collect annual water and wastewater revenues as indicated below:

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Water	\$2,912,625	<u>\$175,071</u>	<u>\$3,087,696</u>	<u>6.01%</u>
		<u>\$189,131</u>	<u>\$3,101,756</u>	<u>6.49%</u>
Wastewater	\$869,985	<u>\$387,582</u>	<u>\$1,257,567</u>	<u>44.55%</u>
		<u>\$329,679</u>	<u>\$1,199,664</u>	<u>37.89%</u>

Issue 3: What are the appropriate interim water and wastewater rates?

Recommendation: The water and wastewater service rates for LUSI in effect as of June 30, 2007, should be increased by 6.09% ~~6.58%~~ and 45.01% ~~38.28%~~, respectively, to generate the recommended revenue increase for the interim period. The approved rates should be effective for service rendered as of the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1)(a), F.A.C. The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission decision, the proposed customer notice is adequate, and the required security has been filed. The Utility should provide proof of the date notice was given within 10 days after the date of notice.

ITEM NO.

CASE

9

Docket No. 070693-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

Issue 4: What is the appropriate security to guarantee the interim increase?

Recommendation: A corporate undertaking is acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc. (UI), and written confirmation of UI's continued attestation that it does not have any outstanding guarantees on behalf of UI-owned utilities in other states. UI should be required to file a corporate undertaking on behalf of its subsidiaries to guarantee any potential refund of revenues collected under interim conditions. UI's total guarantee should be the amount of \$330,964 ~~\$305,175~~. Pursuant to Rule 25-30.360(6), F.A.C., the Utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, F.A.C.

Issue 5: Should the docket be closed?

Recommendation: No. The docket should remain open pending the Commission's final action on the Utility's requested rate increase.

ITEM NO.

CASE

10**PAA

Docket No. 070601-WU – Application for staff-assisted rate case in Pasco County by Orangeland Water Supply.

Critical Date(s): 02/14/09 (15-Month Effective Date (SARC))

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: ECR: Deason, Bulecza-Banks, Edwards, Fletcher, Bruce
GCL: Hartman

Issue 1: Should the quality of service provided by Orangeland be considered satisfactory?

Recommendation: Yes, Orangeland’s overall quality of service should be considered satisfactory.

Issue 2: What are the used and useful percentages for the utility’s water treatment plant and distribution system?

Recommendation: Orangeland’s used and useful percentages (U&U) should be as follows:

Water Treatment Plant	100%
Water Distribution System	100%

Issue 3: What is the appropriate average test year rate base for the utility?

Recommendation: The appropriate average test year water rate base for the utility is \$8,438.

Issue 4: What is the appropriate rate of return on equity and overall rate of return for this utility?

Recommendation: The appropriate return on equity is 9.07% with a range of 8.07% to 10.07%. The appropriate overall rate of return is 9.07%.

Issue 5: What are the appropriate amount of test year revenues in this case?

Recommendation: The appropriate amount of test year revenues in this case are \$5,668.

Issue 6: What are the appropriate operating expense?

Recommendation: The appropriate amount of operating expense for the utility is \$22,151.

ITEM NO.

CASE

10**PAA

Docket No. 070601-WU – Application for staff-assisted rate case in Pasco County by Orangeland Water Supply.

(Continued from previous page)

Issue 7: Is a repression adjustment appropriate in this case, and if so, what are the appropriate adjustments to make for this utility, what are the appropriate corresponding expense adjustments to make, and what are the final revenue requirements?

Recommendation: Yes, a repression adjustment is appropriate for this utility. Test year consumption should be reduced by 3,238 kgals. Purchased power expense should be reduced by \$766, chemical expense should be reduced by \$65, and regulatory assessment fees (RAFs) should be reduced by \$39. The final post-repression revenues from monthly service, which excludes miscellaneous revenues of \$461, should be \$25,366.

In order to monitor the effect of the changes to rate structure and revenue, the utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, the reports should be prepared, by customer class and meter size. The reports should be filed with the Commission, on a quarterly basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the utility makes adjustments to consumption in any month during the reporting period, the utility should be ordered to file a revised monthly report for that month within 30 days of any revision

Issue 8: Should the utility's current water system rate structure be changed, and, if so, what the appropriate rate structure?

Recommendation: Yes, the utility's current water system rate structure, which includes a 5,000 gallons (5 kgal) water allotment in the base facility charge (BFC), should be changed to a traditional BFC/uniform gallonage charge rate structure with no usage allotments. The water system's BFC cost recovery percentage should be set at 50%.

Issue 9: What are the appropriate monthly rates for each system?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4 of staff's memorandum dated April 10, 2008. The recommended water rates produce revenues of \$25,366. 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 on the tariff sheet, 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 and the notice has been received by the customers. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

ITEM NO.

CASE

10**PAA

Docket No. 070601-WU – Application for staff-assisted rate case in Pasco County by Orangeland Water Supply.

(Continued from previous page)

Issue 10: 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 water rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated April 10, 2008, to remove rate case expense grossed up for regulatory assessment fees and amortized over a four-year period. The decrease in rates of \$271 annually 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. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 11: Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility. Prior to implementation of any temporary rates, the utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum dated April 10, 2008. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the utility should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Issue 12: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order will be issued. 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. Once staff has verified all of the above actions are complete, this docket should be closed administratively.