

# FLORIDA PUBLIC SERVICE COMMISSION

## COMMISSION CONFERENCE AGENDA

**CONFERENCE DATE AND TIME:** Tuesday, January 5, 2010, 11:00 a.m.

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

**DATE ISSUED:** December 23, 2009

---

---

### 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.

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

Any person requiring some accommodation at this conference because of a physical impairment should call the Office of Commission Clerk at (850) 413-6770 at least 48 hours before the conference. Any person who is hearing or speech impaired should contact the Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD). Assistive Listening Devices are available in the Office of Commission Clerk, Betty Easley Conference Center, Room 110.

Video and audio versions of the conference are available and can be accessed live on the PSC Website on the day of the Conference. The audio version is available through archive storage for up to three months after the conference.

Table of Contents  
Commission Conference Agenda  
January 5, 2010

1**	<b>Consent Agenda</b> .....	2
2**PAA	<b>Docket No. 080695-WU</b> – Application for general rate increase by Peoples Water Service Company of Florida, Inc. ....	3
3**	<b>Docket No. 070231-EI</b> – Petition for approval of 2007 revisions to underground residential and commercial distribution tariff, by Florida Power & Light Company. <b>Docket No. 080244-EI</b> – Petition for approval of underground conversion tariff revisions, by Florida Power & Light Company. ....	8

**ITEM NO.**

**CASE**

1\*\*

**Consent Agenda**

PAA

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

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>EFFECTIVE DATE</u>
090517-TP	Cleartel Telecommunications, Inc. d/b/a Now Communications, also d/b/a VeraNet Solutions	11/25/2009
	IDS Telecom Corp. d/b/a Cleartel Communications	11/25/2009
	nii Communications, Ltd.	11/25/2009
	Supra Telecommunications and Information Systems, Inc.	11/25/2009

PAA

B) Request for cancellation of an alternative access vendor certificate.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>EFFECTIVE DATE</u>
090534-TA	Gulf Long Distance, Inc.	12/09/2009

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

**ITEM NO.**

**CASE**

---

2\*\*PAA

**Docket No. 080695-WU** – Application for general rate increase by Peoples Water Service Company of Florida, Inc.

**Critical Date(s):** 01/05/10 (5-Month Effective Date Waived until 01/05/10)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** RAD: Casey

ECR: Lingo, Thompson, Walden

GCL: Saylor

**(Proposed Agency Action Except for Issue Nos. 15 and 17.)**

**Issue 1:** Is the quality of service provided by Peoples Water Service Company, Inc. satisfactory?

**Recommendation:** Yes. The overall quality of service is satisfactory.

**Issue 2:** What are the used and useful percentages of the Utility's water plant and distribution system?

**Recommendation:** The water plant and distribution system are 100 percent used and useful.

**Issue 3:** Should any adjustments be made to Peoples' plant-in-service and accumulated depreciation for the test year ending December 31, 2008?

**Recommendation:** Yes. Plant-in-service should be reduced by \$155,539 to remove plant with no supporting documentation, and an adjustment of \$776 should be made to reflect the appropriate 13-month average plant. Accumulated depreciation should be reduced by \$4,262, and an adjustment of (\$11,916) should be made to reflect the appropriate 13-month average accumulated depreciation.

**Issue 4:** What is the appropriate working capital allowance ?

**Recommendation:** In accordance with Rule 25-30.433(2), F.A.C., the appropriate amount of working capital should be \$108,829.

**Issue 5:** What is the appropriate rate base for the December 31, 2008 test year?

**Recommendation:** The appropriate rate base for the test year ending December 31, 2008, should be \$3,749,809.

**Issue 6:** What is the appropriate return on equity?

**Recommendation:** The appropriate return on equity (ROE) should be 9.67 percent, based on staff's recommended 2009 leverage formula and an equity ratio of 100 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

**Issue 7:** What is the weighted average cost of capital including the proper components, amounts, and cost rates associated with the appropriate capital structure?

**Recommendation:** The recommended weighted average cost of capital is 8.80 percent for the test year ended December 31, 2008.

**ITEM NO.**

**CASE**

2\*\*PAA

**Docket No. 080695-WU** – Application for general rate increase by Peoples Water Service Company of Florida, Inc.

(Continued from previous page)

**Issue 8:** Should adjustments be made to test year operation & maintenance (O&M) expenses?

**Recommendation:** Yes. Test year O&M expenses should be decreased by \$26,183 to reflect staff’s recommended test year O&M expenses.

**Issue 9:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate amount of rate case expense for this docket should be \$165,113. This expense should be recovered over four years for an annual expense of \$41,278.

**Issue 10:** What is the test year operating income or loss before any revenue increase?

**Recommendation:** Based on the operating expense and adjustments discussed in previous issues, the test year operating income should be \$112,671.

**Issue 11:** What is the appropriate revenue requirement?

**Recommendation:** Staff recommends that the following revenue requirement should be approved:

	Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
Water	\$3,063,047	\$364,620	\$3,427,667	11.90%

**Issue 12:** What are the appropriate water system rate structures to apply to the Utility’s various customer classes, what is the appropriate method of calculating equivalent residential connections (ERCs), and what is the appropriate BFC cost recovery allocation percentage?

**Recommendation:** The appropriate rate structure for the Utility’s residential customers is a three-tiered inclining-block rate structure. The appropriate usage blocks are for monthly consumption: 1) of 0-6,000 gallons (6 kgal); 2) 6.001-12 kgal; and 3) in excess of 12 kgal. The usage block rate factors should be set at 1.0, 1.5 and 2.0, respectively. **The multiple minimum billing (MMB)/uniform gallonage charge rate structure should be applied to the multi-residential customer class.** The base facility charge (BFC)/uniform gallonage charge rate structure should be applied to all other customer classes. The appropriate method of calculating ERCs for customer classes other than the multi-residential class should be based on the American Water Works Association (AWWA) meter equivalency factors. **The appropriate calculation of ERCs for the multi-residential class should be based on the number of housing units served.** The BFC cost recovery allocation should be set at 30 percent.

**ITEM NO.**

**CASE**

---

2\*\*PAA

**Docket No. 080695-WU** – Application for general rate increase by Peoples Water Service Company of Florida, Inc.

(Continued from previous page)

**Issue 13:** Is a repression adjustment to the Utility’s water system appropriate in this case, and, if so, what is the appropriate adjustment to make for this Utility?

**Recommendation:** Yes, a repression adjustment is appropriate. Residential water consumption should be reduced by 12.3 percent, resulting in a consumption reduction of approximately 64,992 kgals. Total residential water consumption for ratesetting is 462,073 kgals. Total water consumption for ratesetting is 687,541 kgals, which represents an 8.6 percent reduction in overall consumption. The resulting water system reductions to revenue requirements are \$12,908 in purchased power expense, \$3,630 in chemicals expense and \$780 in RAFs. The post-repression revenue requirement for the water system is \$3,410,350.

In order to monitor the effects of both the changes in revenues and rate structure, the Utility should be ordered to prepare monthly reports detailing the number of bills rendered, the consumption billed and the revenues billed for each system. In addition, the reports should be prepared by customer class and meter size. **The reports should be filed with staff, on a semi-annual 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 14:** What are the appropriate rates for this Utility?

**Recommendation:** The appropriate monthly water rates are shown on Schedule 4 of staff’s memorandum dated December 22, 2009. Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of \$3,410,350. 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. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given no less than 10 days after the date of the notice.

**ITEM NO.**

**CASE**

---

2\*\*PAA

**Docket No. 080695-WU** – Application for general rate increase by Peoples Water Service Company of Florida, Inc.

(Continued from previous page)

**Issue 15:** 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?

**Recommendation:** The rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated December 22, 2009, to remove the rate case expense, grossed up for regulatory assessment fees (RAFs), 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. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-40.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. Peoples should provide proof of the date notice was given no less than 10 days after the date of the notice. 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 for the reduction in the rates due to the amortized rate case expense.

**Issue 16:** 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 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 revenue requirement granted. Using these principals, staff recommends that no interim refund is required.

**Issue 17:** 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, Peoples should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts primary accounts have been made.

**ITEM NO.**

**CASE**

---

2\*\*PAA

**Docket No. 080695-WU** – Application for general rate increase by Peoples Water Service Company of Florida, Inc.

(Continued from previous page)

**Issue 18:** 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 should 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 these actions are complete, this docket should be closed administratively, and the letter of credit should be released.



**ITEM NO.**

**CASE**

---

3\*\*

**Docket No. 070231-EI** – Petition for approval of 2007 revisions to underground residential and commercial distribution tariff, by Florida Power & Light Company.

**Docket No. 080244-EI** – Petition for approval of underground conversion tariff revisions, by Florida Power & Light Company.

**Critical Date(s):** 01/20/10 (60-Day Suspension Date)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** ECR: Draper, Kummer

GCL: Jaeger, Sayler

**Issue 1:** Should the Commission suspend the tariffs associated with settlement of Docket Nos. 070231-EI and 080244-EI? (Tariff Sheet Nos. 6.100, 6.300, and 9.725)

**Recommendation:** Yes. The tariffs should be suspended to allow staff adequate time to review the settlement in its totality and bring a recommendation to the Commission.

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

**Recommendation:** No. The dockets should remain open to address the substance of the settlement.