

# FLORIDA PUBLIC SERVICE COMMISSION

## COMMISSION CONFERENCE AGENDA

**CONFERENCE DATE AND TIME:** Tuesday, March 2, 2010, 9:30 a.m.

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

**DATE ISSUED:** February 23, 2010

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### 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>
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1	<b>Approval of Minutes</b> January 13, 2010 Special Commission Conference January 26, 2010 Regular Commission Conference
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2**	<b>Consent Agenda</b>
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PAA	A) Application for certificate to provide competitive local exchange telecommunications service.
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<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
090542-TX	Comity Communications, LLC

PAA	B) 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.
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<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>PHONE NUMBER and LOCATION</u>
100052-TC	Embarq Payphone Services, Inc.	386-312-5150 Handyway/Pantry 2803 Silver Lake Road Palatka, FL 32177

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Commission Conference  
March 2, 2010

ITEM NO. CASE

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2\*\* Consent Agenda

(Continued from previous page)

PAA C) Requests for cancellation of competitive local exchange telecommunications certificates.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>EFFECTIVE DATE</u>
080708-TX	Looking Glass Networks, Inc.	9/30/2009
090533-TX	Globalcom Inc. d/b/a GCI Globalcom Inc.	12/8/2009
090549-TX	Florida Public Telecommunications Association, Inc.	12/31/2009
100058-TX	Smart Network Solutions Communications Corp.	12/31/2009

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

**ITEM NO.**

**CASE**

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3\*\*PAA

**Docket No. 040763-TP** – Request for submission of proposals for relay service, beginning in June 2005, for the hearing and speech impaired, and other implementation matters in compliance with the Florida Telecommunications Access System Act of 1991.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** RAD: Casey

GCL: Tan

SSC: Moses

**Issue 1:** Should the Commission allow Roaming or Guest Options with Florida's CapTel service?

**Recommendation:** No. The Commission should not allow Roaming or Guest Options with Florida's CapTel service.

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

**Recommendation:** No, this docket should not be closed. If the Commission approves staff's recommendation in Issue 1, the result will be a Proposed Agency Action Order, which will become final upon issuance of a Consummating Order, if no person whose substantial interests are affected timely files a protest.

**ITEM NO.**

**CASE**

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4\*\*PAA

**Docket No. 090522-GU** – Petition for extension of waiver of service line abandonment provisions of Rule 25-12.045, F.A.C., by Florida Natural Gas Association.

**Critical Date(s):** 03/02/10 (statutory deadline for rule waiver)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** GCL: Klancke

SSC: Fletcher, Mills

**Issue 1:** Should the Commission grant the Florida Natural Gas Association’s petition for extension of the waiver of the service line abandonment provisions of Rule 25-12.045, F.A.C.?

**Recommendation:** Yes. The Florida Natural Gas Association’s petition for extension of the temporary waiver of Rule 25-12.045(1)(b) and (c), F.A.C., should be granted until December 31, 2011. Upon expiration of the waiver period, all LDCs should be in compliance by December 31, 2013, if the waiver is not extended.

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

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

**ITEM NO.**

**CASE**

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5\*\*PAA

**Docket No. 100039-TL** – Petition to terminate Service Guarantee Plan, by Windstream Florida, Inc.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** RAD: Curry

GCL: Brooks

SSC: Lewis

**Issue 1:** Should the Commission grant Windstream Florida, Inc.'s petition to terminate its Service Guarantee Plan?

**Recommendation:** Yes, the Commission should grant Windstream Florida, Inc.'s petition to terminate its Service Guarantee Plan.

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

**Recommendation:** The Order issued from this recommendation will become final and effective upon issuance of a Consummating Order, unless a person whose substantial interests are affected by the Commission's decision files a protest that identifies with specificity the issues in dispute, in the form provided by Rule 28-106.201, Florida Administrative Code, within 21 days of the issuance of the Proposed Agency Action Order. If the Commission's Order is not protested this docket should be closed administratively upon issuance of the Consummating Order.



**ITEM NO.**

**CASE**

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6\*\*PAA

**Docket No. 090528-TI** – Joint petition for approval to acquire assets, request for expedited approval, and request for waiver of carrier selection requirements of Rule 25-4.118, F.A.C., to allow transfer of a portion of the customer base of Total Call International, Inc. to OPEX Communications, Inc.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** RAD: Watts

GCL: Brooks

**Issue 1:** Should the Commission approve the request for waiver of the carrier selection requirements of Rule 25-4.118, F.A.C., in the transfer of long distance customers to OPEX Communications, Inc. from Total Call International, Inc.?

**Recommendation:** Yes, the Commission should approve the request for waiver of the carrier selection requirements of Rule 25-4.118, F.A.C. Any waiver approved by the Commission should only apply to the specific set of customers identified in the petition. The petitioners should be required to provide the Commission notification of the actual date when the transaction is consummated. If for any reason the transaction is not consummated, any waiver approved by the Commission shall be null and void.

**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**

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7\*\*

**Docket No. 100024-EI** – Petition for approval of standard interconnection agreement for non-export, parallel operators, by Gulf Power Company.

**Critical Date(s):** ~~02/14/10~~ 03/14/10-ac (60-Day Suspension Date)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** RAD: Clemence

ECR: Roberts

GCL: Brown

**Issue 1:** Should the Commission suspend Gulf's proposed standard interconnection agreement for non-export, parallel operators and associated tariffs?

**Recommendation:** Yes.

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

**Recommendation:** No.

**ITEM NO.**

**CASE**

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8\*\*PAA

**Docket No. 090508-EI** – Petition for approval of new environmental program for cost recovery through Environmental Cost Recovery Clause, by Tampa Electric Company. (Deferred from the February 9, 2010 Commission Conference)

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Klement

**Staff:** ECR: Wu

GCL: Brown, Williams

**Issue 1:** Should the Commission approve TECO's petition for approval of the GHG Reduction Program and the recovery of the costs of this program through the ECRC, pursuant to Sections 366.8255 and 403.44, F.S.?

**Recommendation:** Yes. As proposed, TECO's GHG Reduction Program complies with the statutory requirements specified in Sections 366.8255 and 403.44, F.S.

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

**Recommendation:** Yes. This docket should be closed upon issuance of a Consummating Order unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the proposed agency action.

**ITEM NO.**

**CASE**

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9\*\*PAA

**Docket No. 080295-WS** – Request by Sun Communities Finance, LLC d/b/a Water Oak Utility for a revenue-neutral rate restructuring to implement conservation rates in Lake County.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** ECR: Stallcup, Lingo

GCL: Young

**Issue 1:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate amount of rate case expense is \$0.

**Issue 2:** What are the appropriate rate structures for this utility?

**Recommendation:** The appropriate rate structure for the Utility's residential customers is a two-tiered inclining block rate structure. The appropriate usage blocks should be set for monthly consumption levels: (1) of 0-6,000 gallons (6 kgals); and (2) for usage in excess of 6 kgals. The usage block rate factors should be set at 1.0 and 1.25, respectively. The price per gallon for the residential nondiscretionary 0-3 kgal block should not include the price increase associated with the repression adjustment. The appropriate rate structure for the Utility's general service customers should remain the base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery allocation should be set at 40%.

**Issue 3:** Is a repression adjustment to the Utility's water system appropriate in this case, and, if so, what is the appropriate adjustment to make?

**Recommendation:** Yes, a repression adjustment is appropriate. Residential water consumption should be reduced by 2.14 percent, resulting in a consumption reduction of approximately 2,028 kgals. Total residential water consumption for ratesetting is 92,699 kgals. Total water consumption for ratesetting is 100,057 kgals, which represents a 1.99 percent reduction in overall consumption. The resulting water system reductions to revenue requirements are \$401 in purchased power expense, \$60 in chemicals expense and \$22 in regulatory assessment fees (RAFs). The post-repression revenue requirement for the water system is \$151,371.

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.

**ITEM NO.**

**CASE**

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9\*\*PAA

**Docket No. 080295-WS** – Request by Sun Communities Finance, LLC d/b/a Water Oak Utility for a revenue-neutral rate restructuring to implement conservation rates in Lake County.

(Continued from previous page)

**Issue 4:** What are the appropriate rates for this utility?

**Recommendation:** The appropriate monthly water rates are shown on Schedule 1 of staff's memorandum dated February 18, 2010. Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of \$151,371. 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.

**Issue 5:** What is the appropriate amount by which rates should be reduced four years after the established effective date, to reflect removal of the amortized rate case expense as required by Section 367.0816, F.S.?

**Recommendation:** Staff recommends in Issue 1 that the appropriate amount of rate case expense is \$0. If the Commission approves Staff's recommendation in Issue 1, there is no need to reduce rates to remove rate case expense.

**Issue 6:** 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 these actions are complete, this docket should be closed administratively.

**ITEM NO.**

**CASE**

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10\*\*

**Docket No. 030458-WU** – Application for transfer of majority organizational control of Holiday Utility Company, Inc. in Pasco and Pinellas Counties to Holiday Waterworks Corporation, and amendment of Certificate No. 224-W.

**Docket No. 070084-WU** – Application for amendment of Certificate No. 224-W to extend territory in Pasco and Pinellas Counties by Holiday Utility Company, Inc.

**Docket No. 100033-WU** – Application for transfer of water facilities to Florida Governmental Utility Authority, and cancellation of Certificate No. 224-W, by Holiday Utility Company, Inc. in Pasco and Pinellas Counties.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative (030458-WU)

Skop (070084-WU)

Administrative (100033-WU)

**Staff:** ECR: Clapp, Kaproth, Rieger

GCL: Fleming

**Issue 1:** Should the transfer of the water facilities of Holiday Utility Company, Inc. to the Florida Governmental Utility Authority be acknowledged, as a matter of right, and Certificate No. 224-W be cancelled?

**Recommendation:** Yes. The transfer of the Holiday water territory and facilities to FGUA should be acknowledged, as a matter of right, pursuant to Section 367.071(4)(a), F.S., and Certificate No. 224-W should be cancelled effective December 23, 2009, which was the closing date of the sale.

**Issue 2:** Should the Commission acknowledge Holiday Utility Company, Inc.'s voluntary withdrawal of Docket No. 030458-WU, its petition for transfer of majority organization control, and if so, what effect does the withdrawal have on Docket 030458-WU?

**Recommendation:** Yes, the Commission should acknowledge Holiday's voluntary withdrawal of its petition for transfer of majority organization control as a matter of right. The effect of the voluntary withdrawal is to divest the Commission of further jurisdiction over this matter.

**Issue 3:** Should Docket Nos. 030458-WU, 070084-WU, and 100033-WU be closed?

**Recommendation:** Yes. If the Commission approves staff's recommendation in Issues 1 and 2, these dockets should be closed because no further action is necessary.

**ITEM NO.**

**CASE**

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11\*\*

**Docket No. 060540-WU** – Application for increase in water rates in Pasco County by Colonial Manor Utility Company.

**Docket No. 100034-WU** – Application for transfer of water facilities to Florida Governmental Utility Authority, and cancellation of Certificate No. 153-W, by Colonial Manor Utility Company.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Stevens (060540-WU)

Administrative (100034-WU)

**Staff:** ECR: Johnson, Fletcher

GCL: Holley, Jaeger

**Issue 1:** Should the transfer of the water facilities of Colonial Manor Utility Company to the Florida Governmental Utility Authority be acknowledged, as a matter of right, and Certificate No. 153-W be cancelled?

**Recommendation:** Yes. The transfer of the Colonial Manor territory and facilities to FGUA should be acknowledged as a matter of right, pursuant to Section 367.071(4)(a), F.S., and Certificate No. 153-W should be cancelled effective December 23, 2009, which was the closing date of the sale.

**Issue 2:** Should Docket Nos. 060540-WU and 100034-WU be closed?

**Recommendation:** Yes. If the Commission approves staff's recommendation in Issue 1, Docket No. 060540-WU should be closed because, pursuant to Section 367.071(4)(a), F.S., any request for rate relief pending before the Commission at the time of sale to a governmental authority is deemed to have been withdrawn. Therefore, no further action is necessary in Docket No. 060540-WU. In addition, Docket No. 100034-WU should be closed because no further action is necessary.

**ITEM NO.**

**CASE**

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12\*\*

**Docket No. 100035-WU** – Application for transfer of water facilities to Florida Governmental Utility Authority, and cancellation of Certificate No. 139-W, by Dixie Groves Utility Company a Division of Community Utilities of Florida, Inc.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** ECR: Johnson

GCL: Holley

**Issue 1:** Should the transfer of the water facilities of Dixie Groves Utility Company a Division of Community Utilities of Florida, Inc. to the Florida Governmental Utility Authority be acknowledged, as a matter of right, and Certificate No. 139-W be cancelled?

**Recommendation:** Yes. The transfer of the Dixie Groves' water territory and facilities to the Florida Governmental Utility Authority should be acknowledged, as a matter of right, pursuant to Section 367.071(4)(a), F.S., and Certificate No. 139-W should be cancelled effective December 23, 2009, which was the closing date of the sale.

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

**Recommendation:** Yes. If the Commission approves staff's recommendation in Issue 1, this docket should be closed because no further action is necessary.



**ITEM NO.**

**CASE**

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13\*\*

**Docket No. 100036-WU** – Application for transfer of water facilities to Florida Governmental Utility Authority, and cancellation of Certificate No. 168-W, by Pasco Utilities, Inc.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** ECR: Johnson

GCL: Holley

**Issue 1:** Should the transfer of the water facilities of Pasco Utilities, Inc. to the Florida Governmental Utility Authority be acknowledged, as a matter of right, and Certificate No. 168-W be cancelled?

**Recommendation:** Yes. The transfer of the Pasco Utilities water territory and facilities to FGUA should be acknowledged, as a matter of right, pursuant to Section 367.071(4)(a), F.S., and Certificate No. 168-W should be cancelled effective December 23, 2009, which was the closing date of the sale.

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

**Recommendation:** Yes. If the Commission approves staff's recommendation in Issue 1, this docket should be closed because no further action is necessary.

**ITEM NO.**

**CASE**

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14\*\*

**Docket No. 100037-WU** – Application for transfer of water facilities to Florida Governmental Utility Authority, and cancellation of Certificate No. 149-W, by Virginia City Utility Company a Division of Community Utilities of Florida, Inc.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** ECR: Johnson

GCL: Holley

**Issue 1:** Should the transfer of the water facilities of Virginia City Utility Company, a Division of Community Utilities of Florida, Inc., to the Florida Governmental Utility Authority be acknowledged, as a matter of right, and Certificate No. 149-W be cancelled?

**Recommendation:** Yes. The transfer of the Virginia City water territory and facilities to the Florida Governmental Utility Authority should be acknowledged, as a matter of right, pursuant to Section 367.071(4)(a), F.S., and Certificate No. 149-W should be cancelled effective December 23, 2009, which was the closing date of the sale.

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

**Recommendation:** Yes. If the Commission approves staff's recommendation in Issue 1, this docket should be closed because no further action is necessary.

**ITEM NO.**

**CASE**

15\*\*PAA

**Docket No. 090182-SU** – Application for increase in wastewater rates in Pasco County by Ni Florida, LLC.

**Critical Date(s):** 5-Month Effective Date Waived Through 3/2/10

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** ECR: Mouring, Bulecza-Banks, Daniel, Fletcher, Linn, Rieger

GCL: Brubaker, Williams

**(Proposed Agency Action Except for Issues 15, 16, and 21)**

**Issue 1:** Is the quality of service provided by Ni Florida, LLC satisfactory?

**Recommendation:** No. The overall quality of service provided by Ni Florida, LLC should be considered marginal based on the operating condition of its wastewater collection facilities and the quality of the Utility’s product.

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

**Recommendation:** Yes. Based on the audit adjustments agreed to by the Utility, the following adjustments should be made.

<b>Audit Finding</b>	<b>Wastewater</b>
No. 4 – Decrease Accumulated Depreciation	\$10,730
No. 5 – Increase Accum. Amort. of CIAC	\$402

**Issue 3:** Should any adjustments be made to test year plant-in-service?

**Recommendation:** Yes. Plant should be increased by \$195,367. Accordingly, corresponding adjustments should be made to increase accumulated depreciation and depreciation expense by \$10,854 and decrease contractual services – other by \$108,381.

**Issue 4:** What are the used and useful percentages of the Utility's wastewater system?

**Recommendation:** The Utility's wastewater collection system should be considered 100 percent used and useful.

**Issue 5:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance is \$0.

**Issue 6:** What is the appropriate rate base for the test year period ending December 31, 2008?

**Recommendation:** Consistent with other recommended adjustments, the appropriate rate base is \$2,546,972.

**ITEM NO.**

**CASE**

15\*\*PAA

**Docket No. 090182-SU** – Application for increase in wastewater rates in Pasco County by Ni Florida, LLC.

(Continued from previous page)

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

**Recommendation:** Based on the resolution of the previous issues, the appropriate return on equity (ROE) is 9.72 percent based on staff’s recommended 2009 leverage formula and an equity ratio of 94.76 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes. The appropriate weighted average cost of capital, including the proper components, amounts, and cost rates associated with the capital structure, is 9.65 percent.

**Issue 8:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate rate case expense is \$98,184. This expense should be recovered over four years for an annual expense of \$24,546. Thus, rate case expense should be increased by \$2,046.

**Issue 9:** Should any adjustments be made to bad debt expense?

**Recommendation:** Yes. Consistent with Commission practice, bad debt expense should be \$18,094 based on a 5-year average. Accordingly, Ni Florida’s requested bad debt expense of \$32,791 should be decreased by \$14,697. (Mouring)

**Alternative Recommendation:** Yes. Bad debt expense should be based on the average of the 2007 and 2009 bad debt expense, which results in a bad debt expense of \$24,549. Accordingly, Ni Florida’s requested bad debt expense of \$32,791 should be reduced by \$8,242.

**Issue 10:** Should any further adjustments be made to test year net depreciation expense?

**Recommendation:** Yes. Depreciation expense should be reduced by \$14,508.

**Issue 11:** What is the test year operating income before any revenue increase?

**Recommendation:** Based on the adjustments discussed in previous issues, the Utility experienced an operating loss of \$15,863.

**Issue 12:** What is the appropriate revenue requirement?

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

	Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
Wastewater	\$1,470,837	\$274,028	\$1,744,865	18.63%

**ITEM NO.**

**CASE**

15\*\*PAA

**Docket No. 090182-SU** – Application for increase in wastewater rates in Pasco County by Ni Florida, LLC.

(Continued from previous page)

**Issue 13:** What are the appropriate rates for this utility?

**Recommendation:** The appropriate monthly rates are shown on Schedule No. 4 of staff's memorandum dated February 18, 2010. Excluding miscellaneous service revenues, the recommended rates are designed to produce revenues of \$1,744,865. 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.

**Issue 14:** Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

**Recommendation:** Yes. Ni Florida should be authorized to revise its miscellaneous service charges. The Utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. The Utility should provide proof the customers have received notice within 10 days after the date that the notice was sent. The appropriate charges are reflected below. This notice may be combined with the notice required in Issue 13.

Miscellaneous Service Charges

	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$27	\$40
Normal Reconnection	\$27	\$40
Violation Reconnection	Actual Cost	Actual Cost
Premises Visit	\$18	\$27

**ITEM NO.**

**CASE**

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15\*\*PAA

**Docket No. 090182-SU** – Application for increase in wastewater rates in Pasco County by Ni Florida, LLC.

(Continued from previous page)

**Issue 15:** In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

**Recommendation:** The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense 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. Based on staff's calculation, the Utility should be required to refund 5.63 percent of revenues granted under interim rates. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports, pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC, pursuant to Rule 25-30.360(8), F.A.C. Further, the escrow should be released upon staff's verification that the required refunds have been made.

**Issue 16:** 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 February 18, 2010, to remove \$30,663 for 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.

**Issue 17:** Should the Utility's request for approval of a \$5 late fee be granted?

**Recommendation:** Yes. The Utility's requested late fee of \$5 should be approved. The late fee should be effective on or after the stamped approval date on the 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. This notice may be combined with the notice required in Issue 13.

**ITEM NO.**

**CASE**

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15\*\*PAA

**Docket No. 090182-SU** – Application for increase in wastewater rates in Pasco County by Ni Florida, LLC.

(Continued from previous page)

**Issue 18:** Should the Utility's request for approval of a Non-Sufficient Funds fee be granted?

**Recommendation:** Yes. The Utility's requested Non-Sufficient Funds (NSF) fee should be approved. The NSF fee should be effective on or after the stamped approval date on the 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. Staff also recommends that the Utility be required to refund, with interest, any NSF fees collected by Ni Florida from the time it took over the utility from Hudson in May 2008, until the effective date of the Commission-approved revised rates and charges for this docket in accordance with Rule 25-30.360, F.A.C. This notice may be combined with the notice required in Issue 13.

**Issue 19:** Should Ni Florida, LLC, be ordered to show cause, in writing within 21 days, why it should not be fined for its apparent violation of Sections 367.081(1) and 367.091, F.S., and Rule 25-30.135(2), F.A.C., pertaining to the unauthorized collection of late payment fees?

**Recommendation:** No. A show cause proceeding should not be initiated. Instead, the Utility should be required to refund with interest any late payment fees collected in accordance with Rule 25-30.360, F.A.C.

**Issue 20:** Should Ni Florida, LLC, be ordered to show cause, in writing within 21 days, why it should not be fined for its apparent violation of Sections 367.081(1) and 367.091, F.S., and Rule 25-30.135(2), F.A.C., pertaining to the unauthorized collection of an NSF fee?

**Recommendation:** No. A show cause proceeding should not be initiated. Instead, the Utility should be required to refund, with interest, any NSF fees collected in accordance with Rule 25-30.360, F.A.C.

**Issue 21:** 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, Ni Florida 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**

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15\*\*PAA

**Docket No. 090182-SU** – Application for increase in wastewater rates in Pasco County by Ni Florida, LLC.

(Continued from previous page)

**Issue 22:** Should this docket be closed?

**Recommendation:** No. If no timely protest is received from a substantially affected person upon expiration of the protest period, the PAA Order will become final upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to verify completion of the refunds discussed in Issue Nos. 15, 19 and 20 and to verify that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once staff has verified that the refunds have been made in accordance with Rule 25-30.360, F.A.C., the docket should be closed administratively.



**ITEM NO.**

**CASE**

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16\*\*PAA

**Docket No. 090346-WU** – Application for staff-assisted rate case in Lake County by BRENDENWOOD WATER SYSTEM, INC.

**Critical Date(s):** 08/05/10 (15-Month Effective Date (SARC))

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Klement

**Staff:** ECR: Roberts, Bruce, Bulecza-Banks, Fletcher, Hudson, Simpson

GCL: Williams, Brubaker

**(Proposed Agency Action Except for Issues 13, 14, and 15)**

**Issue 1:** Is the quality of service provided by Brendenwood Water System, Inc. satisfactory?

**Recommendation:** Yes, the overall quality of service provided by the Utility should be considered satisfactory.

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

**Recommendation:** The Brendenwood water treatment plant and distribution system should be considered 100 percent used and useful.

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

**Recommendation:** The appropriate average test year rate base for the Utility is \$13,213.

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

**Recommendation:** The appropriate return on equity (ROE) is 9.67 percent with a range of 8.67 percent to 10.67 percent. The appropriate overall rate of return is 9.67 percent.

**Issue 5:** What are the appropriate amount of test year revenues?

**Recommendation:** The appropriate test year revenues for this Utility are \$29,816.

**Issue 6:** What are the appropriate total operating expenses?

**Recommendation:** The appropriate amount of total operating expenses for the Utility is \$34,932.

**Issue 7:** Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for Brendenwood, and, if so, what is the appropriate margin?

**Recommendation:** Yes, the Commission should utilize the operating ratio methodology for calculating the revenue requirement for Brendenwood. The margin should be 10 percent of operation and maintenance expenses.

**Issue 8:** What is the appropriate revenue requirement?

**Recommendation:** The appropriate revenue requirement is \$38,119.

**ITEM NO.**

**CASE**

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16\*\*PAA

**Docket No. 090346-WU** – Application for staff-assisted rate case in Lake County by BRENDENWOOD WATER SYSTEM, INC.

(Continued from previous page)

**Issue 9:** Should the Utility’s current water system rate structure be changed, and, if so, what is the appropriate adjustment?

**Recommendation:** No. The Utility’s current residential water rate structure consists of a two-tiered inclining block rate structure with usage blocks set at 0-10 kgals and usage in excess of 10 kgals, with rate factors of 1.0 and 2.0, respectively. While staff is not recommending that these rate blocks or rate factors be changed, we recommend that the rate charged for non-discretionary usage (0 to 5 kgals) within the first block not include any cost recovery attributable to the effects of repression. The base facility charge (BFC) allocation should be set at 30 percent. The recommended rate structure for the system’s non-residential class consists of a traditional monthly BFC/uniform gallonage charge rate structure and should remain unchanged.

**Issue 10:** 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 576 kgals or 6.2 percent. Purchased power expense should be reduced by \$152, chemical expense should be reduced by \$23, and regulatory assessment fees (RAFs) should be reduced by \$8. The final post-repression revenue requirement for the water system should be \$37,936. This repression adjustment is based upon a methodology that restricts cost recovery due to repression to discretionary usage only.

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 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.

**ITEM NO.**

**CASE**

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16\*\*PAA

**Docket No. 090346-WU** – Application for staff-assisted rate case in Lake County by BRENDENWOOD WATER SYSTEM, INC.

(Continued from previous page)

**Issue 11:** What are the appropriate rates for this Utility?

**Recommendation:** The appropriate monthly water rates are shown on Schedule No. 4. The recommended rates should be designed to produce revenues of \$37,936 for water, excluding miscellaneous service revenues. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date 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.

**Issue 12:** Should the Commission approve pro forma plant and expenses for the Utility, and if so, what is the appropriate return on equity, overall rate of return, revenue requirement and date for implementing the new rates?

**Recommendation:** Yes. The Commission should approve a Phase II revenue requirement associated with pro forma plant additions. Brendenwood's appropriate return on equity, with the pro forma items, should be 9.67 percent with a range of 8.67 – 10.67 percent. The appropriate overall rate of return is 9.67 percent. The Utility's phase II revenue requirement is \$38,806 which equates to an increase of 1.80 percent over phase I and was determined consistent with the operating ratio method discussed in Issue 7. Brendenwood should complete the pro forma additions within 12 months of the issuance of the consummating order. The Utility should be allowed to implement the resulting rates once the pro forma additions have been completed and verified by staff. Once verified, the rates should be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until notice has been received by the customers. Brendenwood should provide proof of the date notice was given within 10 days after the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma additions, the Utility should immediately notify the Commission.

**ITEM NO.**

**CASE**

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16\*\*PAA

**Docket No. 090346-WU** – Application for staff-assisted rate case in Lake County by BRENDENWOOD WATER SYSTEM, INC.

(Continued from previous page)

**Issue 13:** 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, to remove rate case expense grossed up for the regulatory assessment fee and amortized over a four-year period. The rate decrease should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Brendenwood should be required to file revised tariffs and a proposed customer notice setting forth the lower rate 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 rate due to the amortized rate case expense.

**Issue 14:** 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 Brendenwood?

**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, Brendenwood 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 February 18, 2010. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., Brendenwood 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 15:** Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts (NARUC USOA) primary accounts associated with the Commission-approved adjustments?

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

**ITEM NO.**

**CASE**

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16\*\*PAA

**Docket No. 090346-WU** – Application for staff-assisted rate case in Lake County by BRENDENWOOD WATER SYSTEM, INC.

(Continued from previous page)

**Issue 16:** Should this docket be closed?

**Recommendation:** No. If no timely protest is received from a substantially affected person upon expiration of the protest period, the PAA Order will become final upon the issuance of a Consummating Order. However, this docket should remain open for an additional 12 months from the date of the Consummating Order to allow staff to verify completion of pro forma plant items described in Issue No. 12. Once staff has verified that the pro forma items have been completed, the docket should be closed administratively.

**ITEM NO.**

**CASE**

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17

**Undocketed Item** – FPL suspension of Cape Canaveral and Riviera Beach conversion projects.

**Critical Date(s):** None

**Commissioners Assigned:** Unassigned

**Prehearing Officer:** Unassigned

**Staff:** GCL: Helton

**(Participation is at the Commission's Discretion)**

Discussion of a procedural matter related to the FPL suspension of the Cape Canaveral and Riviera Beach conversion projects.