

MINUTES OF August 3, 2010

COMMISSION CONFERENCE

COMMENCED: 9:30 am
RECESSED: 9:39 am
RECONVENED: 10:00 am
RECESSED: 11:36 am
RECONVENED: 11:43 am
RECESSED: 1:03 pm
RECONVENED: 1:18 pm
ADJOURNED: 2:26 pm

COMMISSIONERS PARTICIPATING: Chairman Argenziano
Commissioner Edgar
Commissioner Skop
Commissioner Graham
Commissioner Brisé

Parties were allowed to address the Commission on items designated by double asterisks (**).

1

Approval of Minutes

June 1, 2010 Regular Commission Conference
June 15, 2010 Regular Commission Conference
June 29, 2010 Regular Commission Conference

DECISION: The minutes were approved.

Commissioners participating: Edgar, Skop, Graham, Brisé

ITEM NO.

CASE

2**PAA

Docket No. 100145-TC – Request for cancellation of PATS Certificate No. 8510 by Erik Lerman d/b/a Smart Tel, effective March 25, 2010.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: RAD: Pruitt
GCL: McKay

Issue 1: Should the Commission deny Erik Lerman d/b/a Smart Tel (Smart Tel) a voluntary cancellation of its Pay Telephone Service (PATS) Certificate No. 8510, and cancel the certificate on the Commission’s own motion with an effective date of March 25, 2010?

Recommendation: Yes, unless the company pays the 2010 Regulatory Assessment Fee prior to the expiration of the Proposed Agency Action Order, Smart Tel should be denied a voluntary cancellation as provided in Attachment A of staff’s memorandum dated July 22, 2010.

Issue 2: Should this docket be closed?

Recommendation: Staff recommends that 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. As provided by Section 120.80(13)(b), Florida Statutes, any issues not in dispute should be deemed stipulated. If the company fails to timely file a protest and to request a Section 120.57, Florida Statutes, hearing, the facts should be deemed admitted and the right to a hearing waived.

If the company pays the 2010 Regulatory Assessment Fee prior to the expiration of the Proposed Agency Action Order, then the cancellation of its certificate will be voluntary. If the company fails to pay the 2010 Regulatory Assessment Fee prior to the expiration of the Proposed Agency Action Order, then its certificate should be cancelled administratively. The collection of the unpaid Regulatory Assessment Fee should be referred to the Florida Department of Financial Services for further collection efforts.

ITEM NO.

CASE

2**PAA

Docket No. 100145-TC – Request for cancellation of PATS Certificate No. 8510 by Erik Lerman d/b/a Smart Tel, effective March 25, 2010.

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This docket should be closed administratively either as a voluntary cancellation upon receipt of the payment of the 2010 Regulatory Assessment Fee or cancelled involuntarily on the Commission's own motion. Upon cancellation of the company's PATS certificate, the company should be required to immediately cease and desist providing telecommunications service in Florida.

DECISION: The recommendations were approved.

Commissioners participating: Edgar, Skop, Graham, Brisé

ITEM NO.

CASE

3**PAA

Docket No. 100186-EG – Petition for approval of natural gas residential energy conservation programs, by Associated Gas Distributors of Florida.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: RAD: Garl

GCL: M. Brown

Issue 1: Should the Commission approve changes to cash allowances offered by the AGDF member companies' residential gas conservation programs?

Recommendation: Yes, in part. The existing programs remain cost-effective with the proposed incentive changes, may increase participation, and will not create an undue impact on residential rates. However, the addition of the Gas Service Reactivation allowance should not be approved because it is a marketing, rather than a conservation measure.

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 Consummating Order.

DECISION: This item was deferred to the August 17, 2010, Commission Conference.

Commissioners participating: Edgar, Skop, Graham, Brisé

ITEM NO.

CASE

4**

Docket No. 090093-WS – Application for approval of transfer of Keith & Clara Starkey d/b/a Heather Hills Estates' water and wastewater utility, holder of Certificates 577-W and 498-S, to Heather Hills Estates Utilities, LLC, in Manatee County.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Graham

Staff: ECR: Brady, Kaproth

GCL: Saylor

Issue 1: Should the transfer of Certificate Nos. 577-W and 498-S from Keith & Clara Starkey d/b/a Heather Hills Estates to Heather Hills Estates Utilities, LLC be approved?

Recommendation: Yes. The transfer of Certificate Nos. 577-W and 498-S from Keith & Clara Starkey d/b/a Heather Hills Estates to HHEU is in the public interest and should be approved, effective the date of Commission vote. No acquisition adjustment should be made, pursuant to Rule 25-30.0371, F.A.C. The territory being transferred is described in Attachment A of staff's memorandum dated July 22, 2010. The resultant order should serve as HHEU's water and wastewater certificates and should be retained by HHEU. The Utility's existing rates and charges, as shown on Schedule 1 of staff's memorandum dated July 22, 2010, should continue to be in effect until authorized to change by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective for services provided or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. HHEU should be responsible for filing a 2010 Annual Report and all future annual reports and remitting 2010 Regulatory Assessment Fees (RAFs) and all future RAFs for the utility systems.

Issue 2: Should this docket be closed?

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

DECISION: The recommendations were approved.

Commissioners participating: Edgar, Skop, Graham, Brisé

ITEM NO.

CASE

5**PAA

Docket No. 090462-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.

Critical Date(s): 8/15/10 (5-Month Effective Date (PAA Rate Case))

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: ECR: Wright, Daniel, Deason, Fletcher, Linn, Maurey, Rieger, Stallcup, Walden
GCL: Young

(Proposed Agency Action Except for Issue Nos. 22 and 23)

Issue 1: Is the quality of service provided by UIF satisfactory?

Recommendation: Yes. The overall quality of service for the UIF systems in Marion, Pasco, Pinellas, Orange, and Seminole Counties is satisfactory.

DECISION: The recommendation was approved in part. The quality of service is satisfactory for all systems except for Summertree water, which is indeterminate at this time, pending further testing of water quality. Within 60 days, additional testing results are to be submitted to the Commission for review by staff to make a determination if primary and secondary standards are being met. The rates are the PAA rates, pending test results. If quality of service meets the primary and secondary standards, after staff review, rates will automatically go into effect.

ITEM NO.

CASE

5**PAA

Docket No. 090462-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.

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Issue 2: Should the audit adjustments to rate base and net operating income to which the Utility agrees be made?

Recommendation: Yes. Based on the agreed to audit adjustments, the adjustments shown below should be made to rate base and net operating income.

Summary of UIF's Agreed to Audit Adjustments						
<u>System</u>	<u>Plant</u>	<u>Land</u>	<u>Accum. Deprec.</u>	<u>Deprec. Expense</u>	<u>O & M Expenses</u>	<u>Taxes Other Than Income</u>
Marion Water	\$552	\$0	\$1,151	\$36	(\$3,622)	(\$94)
Marion Wastewater	81	0	172	4	(523)	(14)
Orange Water	4	0	754	(37)	(2,267)	(72)
Pasco Water	3,260	(1,673)	6,561	221	(31,413)	(20)
Pasco Wastewater	1,280	0	2,580	86	(12,378)	(7)
Pinellas Water	470	0	905	32	(1,819)	(3)
Seminole Water	72	(3,564)	6,579	(272)	(20,722)	(1,336)
Seminole Wastewater	331	0	3,484	(105)	(5,191)	(781)
Adjustment Totals	<u>\$6,050</u>	<u>(\$5,237)</u>	<u>\$22,186</u>	<u>(\$35)</u>	<u>(\$77,935)</u>	<u>(\$2,327)</u>

DECISION: The recommendation was approved.

ITEM NO.

CASE

5**PAA

Docket No. 090462-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.

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Issue 3: Should any adjustments be made to the Utility’s Project Phoenix Financial/Customer Care Billing System (Phoenix Project)?

Recommendation: Yes. Plant, accumulated depreciation, and depreciation expense should be decreased by the amounts shown in the table below:

<u>County</u>	<u>Water Plant in Service</u>	<u>Wastewater Plant in Service</u>	<u>Water Accumulated Depreciation</u>	<u>Wastewater Accumulated Depreciation</u>	<u>Water Depreciation Expense</u>	<u>Wastewater Depreciation Expense</u>
Marion	(\$2,910)	(\$431)	\$937	\$139	(\$937)	(\$139)
Orange	(1,660)	0	534	0	(534)	0
Pasco	(16,478)	(6,480)	5,306	2,087	(5,306)	(2,087)
Pinellas	(2,370)	0	763	0	(763)	0
Seminole	(14,383)	(7,685)	4,632	2,475	(4,632)	(2,475)
Totals	<u>(\$37,801)</u>	<u>(\$14,596)</u>	<u>\$12,172</u>	<u>\$4,701</u>	<u>(\$12,172)</u>	<u>(\$4,701)</u>

DECISION: The recommendation was approved.

Issue 4: Should any adjustments be made to the Utility’s pro forma plant additions?

Recommendation: Yes. UIF’s pro forma plant, accumulated depreciation, and depreciation expense should be adjusted as shown below.

County	Plant		Accumulated Depreciation		Depreciation Expense	
	Water	W/Water	Water	W/Water	Water	W/Water
Pasco	(\$258,234)	\$0	(\$34,310)	\$0	(\$6,375)	\$0
Seminole	(\$505,573)	(\$120,000)	(\$72,427)	\$2,667	(\$18,117)	(\$2,667)
Total	(\$763,807)	(\$120,000)	(\$106,737)	\$2,667	(\$24,492)	(\$2,667)

DECISION: The recommendation was approved.

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CASE

5**PAA

Docket No. 090462-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.

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Issue 5: Should any further adjustments be made to the Utility’s pro forma plant additions?

Recommendation: Yes. UIF’s pro forma adjustments for replacement telephone system should be adjusted as shown below.

County	Plant		Accumulated Depreciation		Depreciation Expense	
	Water	W/Water	Water	W/Water	Water	W/Water
Marion	\$250	\$37	\$693	\$102	\$27	\$4
Orange	\$143	N/A	\$396	N/A	\$15	N/A
Pasco	\$1,419	\$558	\$3,925	\$1,544	\$154	\$60
Pinellas	\$204	N/A	\$564	N/A	\$22	N/A
Seminole	(\$43,340)	(\$23,156)	(\$10,654)	(\$5,693)	(\$4,324)	(\$2,309)
Total	(\$41,324)	(\$22,561)	(\$5,076)	(\$4,047)	(\$4,106)	(\$2,245)

DECISION: The recommendation was approved.

Issue 6: What are the used and useful percentages of the Utility's water and wastewater systems?

Recommendation: Except for the Crownwood wastewater treatment plant, UIF’s water plants, water transmission and distribution systems, and wastewater collection systems should be considered to be 100 percent used and useful (U&U). The Crownwood wastewater treatment plant should be considered 68.65 percent U&U. Staff recommends that no adjustment be made for excess unaccounted for water for any of the Utility’s water systems. A 20.02 percent adjustment to purchase wastewater treatment expense for Summertree and a 40.79 percent adjustment to purchase wastewater treatment expense for Ravenna Park should be made to reflect the Utility’s excessive infiltration and inflow (I&I). Accordingly, purchased wastewater expense should be decreased by \$63,391 for Pasco County – Wastewater and by \$87,662 for Seminole County – Wastewater.

DECISION: The recommendation was approved.

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CASE

5**PAA

Docket No. 090462-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.

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Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance for each system is shown in the table below.

<u>County</u>	<u>As Filed</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted</u>
Marion – Water	\$157,348	(\$110,946)	\$46,402
Marion - Wastewater	\$23,248	(\$15,288)	\$7,960
Orange – Water	\$89,873	(\$59,116)	\$30,757
Pasco - Water	\$891,638	(\$586,463)	\$305,175
Pasco – Wastewater	\$350,701	(\$230,672)	\$120,029
Pinellas – Water	\$128,146	(\$84,283)	\$43,863
Seminole – Water	\$778,234	(\$511,867)	\$266,367
Seminole – Wastewater	\$415,909	(\$273,559)	\$142,350
TOTAL	<u>\$2,835,097</u>	<u>(\$1,872,194)</u>	<u>\$962,903</u>

DECISION: The recommendation was approved.

Issue 8: What are the appropriate rate bases for the December 31, 2008, test year?

Recommendation: The appropriate rate bases for the UIF systems for the test year ended December 31, 2008, are as shown below.

<u>County</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Marion	\$444,429	\$111,892	\$556,321
Orange	\$225,363	N/A	\$225,363
Pasco	\$3,368,786	\$792,657	\$4,161,443
Pinellas	\$336,788	N/A	\$336,788
Seminole	\$3,141,040	\$2,124,710	\$5,265,750
Total	\$7,516,406	\$3,029,259	\$10,545,665

DECISION: The recommendation was approved.

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5**PAA

Docket No. 090462-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.

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Issue 9: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 10.69 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

DECISION: The recommendation was approved as modified, may potentially impact Pasco County as a result of the decision in Issue 1.

Issue 10: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2008?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2008, is 6.89 percent for Marion County, 6.61 percent for Orange County, 6.98 percent for Pasco County, 6.68 percent for Pinellas County, and 7.25 percent for Seminole County.

DECISION: The recommendation was approved as modified, may potentially impact Pasco County as a result of the decision in Issue 1.

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5**PAA

Docket No. 090462-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.

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Issue 11: Should an adjustment be made to the Utility's salaries and wages, pensions and benefits, and payroll taxes?

Recommendation: Yes. UIF's salaries and wages expense should be decreased by the amounts shown in the chart below:

<u>County</u>	<u>Water Salaries</u>	<u>Wastewater Salaries</u>	<u>Water Pension and Benefits</u>	<u>Wastewater Pension and Benefits</u>	<u>Water Payroll Taxes</u>	<u>Wastewater Payroll Taxes</u>
Marion	(\$1,065)	(\$130)	(\$354)	(\$43)	(\$81)	(\$10)
Orange	(1,066)	0	(254)	0	(82)	0
Pasco	(107,015)	(42,083)	(25,431)	(10,000)	(8,187)	(3,219)
Pinellas	(11,848)	0	(3,142)	0	(906)	0
Seminole	<u>(1,827)</u>	<u>(62)</u>	<u>(480)</u>	<u>(16)</u>	<u>(140)</u>	<u>(5)</u>
Totals	<u>(\$122,821)</u>	<u>(\$42,275)</u>	<u>(\$29,661)</u>	<u>(\$10,059)</u>	<u>(\$9,396)</u>	<u>(\$3,234)</u>

DECISION: The recommendation was approved.

Issue 12: Should there be an adjustment made to relocation expenses?

Recommendation: Yes. Consistent with Commission practice, relocation expense should be based on a 4-year average. Accordingly, UIF's allocated relocation expense of \$5,420 should be reduced by \$1,874 for water and \$1,199 for wastewater as indicated below:

<u>County</u>	<u>Water</u>	<u>Wastewater</u>
Marion	(\$169)	(\$27)
Orange	(\$98)	N/A
Pasco	(\$631)	(\$719)
Pinellas	(\$142)	N/A
Seminole	(\$835)	(\$453)
Total:	(\$1,875)	(\$1,199)

DECISION: The recommendation was approved.

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CASE

5**PAA

Docket No. 090462-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.

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Issue 13: Should any adjustments be made to transportation expense?

Recommendation: Yes, the Utility’s transportation expense should be decreased as shown below.

<u>County</u>	<u>Water Fuel Expense in Transportation</u>	<u>Water Fuel Costs Adjustment</u>	<u>Wastewater Fuel Expense in Transportation</u>	<u>Wastewater Fuel Expense Adjustment</u>
Marion	\$3,280	(\$503)	\$613	(\$75)
Orange	\$1,571	(\$241)	N/A	N/A
Pasco	\$17,540	(\$2,690)	\$6,898	(\$1,058)
Pinellas	\$3,873	(\$594)	N/A	N/A
Seminole	\$13,523	(\$2,074)	\$7,225	(\$1,108)

DECISION: The recommendation was approved.

Issue 14: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$303,552. This expense should be recovered over four years for an annual expense of \$75,888. Thus, rate case expense should be decreased as indicated below:

<u>County</u>	<u>Requested RCE</u>		<u>Staff Recommended</u>	
	<u>4-Year Amortization</u>	<u>4-Year Amortization</u>	<u>4-Year Amortization</u>	<u>Adjustment</u>
Marion - Water	\$6,594		\$4,206	(\$2,388)
Marion - Wastewater	983		627	(356)
Orange - Water	3,761		2,399	(1,362)
Pasco - Water	37,341		23,818	(13,523)
Pasco - Wastewater	14,789		9,433	(5,356)
Pinellas - Water	5,369		3,425	(1,945)
Seminole - Water	32,597		20,792	(11,805)
Seminole - Wastewater	<u>17,541</u>		<u>11,188</u>	<u>(6,352)</u>
Total:	<u>\$118,975</u>		<u>\$75,888</u>	<u>(\$43,087)</u>

DECISION: The recommendation was approved. Commissioner Edgar dissented.

ITEM NO.

CASE

5**PAA

Docket No. 090462-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.

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Issue 15: Should any adjustments be made to bad debt expense?

Recommendation: Yes. Bad debt expense should be based on a 3-year average. Accordingly, UIF’s bad debt expense should be reduced as indicated below:

<u>County</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Marion	(\$23)	(\$3)	(\$26)
Orange	(\$1,167)	N/A	(\$1,167)
Pasco	(\$4,182)	(\$1,645)	(\$5,827)
Pinellas	(\$66)	N/A	(\$66)
Seminole	(\$2,509)	(\$1,341)	(\$3,850)

DECISION: The recommendation was approved.

Issue 16: What is the test year water and wastewater operating income by county before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, the following is the test year operating income by county.

<u>County</u>	<u>Water Operating Income</u>	<u>Wastewater Operating Income</u>
Marion	\$34,041	\$749
Orange	\$4,241	N/A
Pasco	\$100,029	(\$21,048)
Pinellas	\$9,981	N/A
Seminole	\$126,521	\$97,633

DECISION: The recommendation was approved as modified, may potentially impact Pasco County as a result of the decision in Issue 1.

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5**PAA

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Issue 17: What is the appropriate revenue requirement for the December 31, 2008 test year?

Recommendation: The following revenue requirements should be approved.

System	Test Year Revenues	(\$ Decrease) \$ Increase	Revenue Requirement	(% Decrease) % Increase
Marion Water	\$180,504	(\$5,770)	\$174,734	(3.20%)
Marion Wastewater	\$39,829	\$11,678	\$51,507	29.32%
Orange Water	\$100,789	\$17,895	\$118,684	17.76%
Pasco Water	\$806,112	\$227,103	\$1,033,215	28.17%
Pasco Wastewater	\$446,272	\$128,287	\$574,559	28.75%
Pinellas Water	\$99,904	\$21,002	\$120,906	21.02%
Seminole Water	\$779,689	\$170,036	\$949,725	21.81%
Seminole Wastewater	\$743,954	\$94,788	\$838,742	12.74%

DECISION: The recommendation was approved as modified, may potentially impact Pasco County as a result of the decision in Issue 1.

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5**PAA

Docket No. 090462-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.

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Issue 18: What are the appropriate rate structures for the water and wastewater systems in Marion, Orange, Pasco, Pinellas, and Seminole Counties?

Recommendation: The appropriate rate structures for the five counties are as follows:

The appropriate rate structures for the systems in Marion County are continuations of the current base facility charge (BFC)/uniform gallonage charge rate structure for the water system and the traditional BFC/gallonage charge rate structure for the wastewater system. The general service wastewater gallonage charge should be 1.2 times the corresponding residential charge. The BFC cost recovery percentages should remain at 33 percent for the water system and 50 percent for the wastewater system.

The appropriate rate structure for the water systems in Orange County is a continuation of the current three-tier inclining block rate structure for the residential customers. However, as discussed in the following issue, by restricting any cost recovery due to repression from being applied to non-discretionary usage, an additional fourth tier will be created for non-discretionary usage below 6 kgals per month. The usage blocks and usage block rate factors should remain unchanged. The BFC/uniform gallonage charge rate structure should be continued for the general service customers. The BFC cost recovery percentage for the water system should remain at 26 percent.

The appropriate rate structures for the water systems in Pasco County is a continuation of the current BFC/uniform gallonage charge rate structure. However, as discussed in the following issue, by restricting any cost recovery due to repression from being applied to non-discretionary usage, an additional tier will be created for non-discretionary usage below 3 kgals per month. The BFC/gallonage charge rate structure for metered customers on the wastewater system should be retained. The flat rate structure for the unmetered multi-residential Wis-Bar wastewater customers should also be retained. The general service wastewater gallonage charge should be 1.2 times the corresponding residential charge. The BFC cost recovery percentages should be set at 45 percent for the water system and 30 percent for the wastewater system.

In Pinellas County, the appropriate rate structure for the water system is the current BFC/uniform gallonage charge rate structure. However, as discussed in the following issue, by restricting any cost recovery due to repression from being applied to non-discretionary usage, an additional tier will be created for non-discretionary usage below 3 kgals per month. The BFC cost recovery percentage should be set at 40 percent. In Seminole County, the appropriate rate structure for the water systems is the current three-tier inclining block rate structure. The usage blocks and usage block rate factors should remain unchanged. However, as discussed in the following issue, by restricting any cost recovery due to repression from being applied to non-discretionary usage, an additional fourth tier will be created for non-discretionary usage below 6 kgals per month. The BFC/gallonage charge rate structure should be continued for the wastewater

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system. The general service wastewater gallonage charge should be 1.2 times the corresponding residential charge. The BFC cost recovery percentages should be set at 25 percent for the water system and 25 percent for the wastewater system.

DECISION: The recommendation was approved as modified, may potentially impact Pasco County as a result of the decision in Issue 1. Oral modification to staff analysis per document number 06222-10.

Issue 19: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for the water and wastewater systems, what are the corresponding expense adjustments to make, and what are the resulting final revenue requirements for the respective systems?

Recommendation: Yes, repression adjustments are appropriate for the water systems in Orange, Pasco, Pinellas, and Seminole Counties.

In Orange County, test year consumption should be reduced by 625 kgal., purchased water expense should be reduced by \$1,143, and RAFs should be reduced by \$54. The final post-repression revenue requirement for the water system should be \$117,390.

In Pasco County, test year consumption should be reduced by ~~4,443~~ 4,914 kgal., purchased water expense should be reduced by ~~\$2,800~~ \$2,929, chemicals expense should be reduced by ~~\$348~~ \$364, and RAFs should be reduced by ~~\$149~~ \$155. The final post-repression revenue requirement for the water system should be ~~\$1,020,727~~ \$1,020,574.

In Pinellas County, test year consumption should be reduced by ~~561~~ 736 kgal., purchased water expense should be reduced by ~~\$295~~ \$334, chemicals expense should be reduced by ~~\$49~~ \$55, purchase power expense should be reduced by ~~\$95~~ \$107, and RAFs should be reduced by ~~\$21~~ \$24. The final post-repression revenue requirement for the water system should be ~~\$119,947~~ \$119,887.

In Seminole County, test year consumption should be reduced by 7,464 kgal., chemicals expense should be reduced by \$1,115, purchase power expense should be reduced by \$1,422, and RAFs should be reduced by \$119. The final post-repression revenue requirement for the water system should be \$937,890.

In order to monitor the effect of the rate changes, the Utility should be ordered to file reports for the water systems in Orange, Pasco, Pinellas, and Seminole Counties 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, usage block, and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning with the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month

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5**PAA

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during the reporting period, the Utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

DECISION: The recommendation was approved as modified by staff, per document number 060222-10.

Issue 20: What are the appropriate rates for monthly service for the water and wastewater systems?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4-A of staff's memorandum dated July 22, 2010, and the appropriate monthly wastewater rates are shown on Schedule No. 4-B of staff's memorandum dated July 22, 2010. Excluding miscellaneous service charges, the recommended water and wastewater rates produce revenues as shown below.

System	Revenues
Marion County - Water	\$173,642
Marion County - Wastewater	\$51,405
Orange County - Water	\$117,390
Pasco County - Water	\$1,020,727
Pasco County - Wastewater	\$574,460
Pinellas County - Water	\$119,947
Seminole County - Water	\$937,890
Seminole County - Wastewater	\$837,631

The Utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the respective systems. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

DECISION: The recommendation was approved as modified, may potentially impact Pasco County as a result of the decision in Issue 1.

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Issue 21: In determining whether any portion of the water or wastewater interim increases granted should be refunded, how should the refunds be calculated, and what are the amounts of the refunds, if any?

Recommendation: The appropriate refund amounts should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. With the exception of Orange County – Water, the appropriate refund percentages for the systems are shown below.

County	(A) Interim Test Year Revenues Granted	(B) Recalculated Interim Period Revenues	(C) Excess Revenue Collected from Rates (A)-(B)	(D) Refund Percentage (C)/(A)
Marion – Water	N/A	N/A	N/A	N/A
Marion – Wastewater	\$51,869	\$49,907	(\$1,962)	3.78%
Orange – Water	\$116,368	\$116,165	(\$203)	0.17%
Pasco – Water	\$1,192,914	\$983,342	(\$209,572)	17.57%
Pasco – Wastewater	\$699,438	\$555,541	(\$143,897)	20.57%
Pinellas - Water	\$134,731	\$113,687	(\$21,044)	15.62%
Seminole - Water	\$956,813	\$905,533	(\$51,280)	5.36%
Seminole - Wastewater	\$806,028	\$815,192	\$9,164	No Refund

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The Utility would ordinarily be required to refund the difference for Orange County – Water. However, because the amount is immaterial, the total amount of what would have been the interim refund plus interest should be credited to Contributions in Aid of Construction (CIAC). Upon issuance of the consummating order in this docket, the corporate undertaking should be released after the appropriate amounts of interim revenues are refunded and the refund amounts are verified by staff.

DECISION: The recommendation was approved as modified, may potentially impact Pasco County as a result of the decision in Issue 1.

Issue 22: What are the appropriate amounts by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Recommendation: The rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff’s memorandum dated July 22, 2010, to remove the revenue impact of rate case expense. This amount was calculated by taking the annual amount of rate case expense and the return on the provision included in working capital allowance by system, as well as grossed up for regulatory assessment fees as shown below.

	Staff Recommended Amount
Marion Water	\$4,556
Marion Wastewater	\$680
Orange Water	\$2,595
Pasco Water	\$25,811
Pasco Wastewater	\$9,878
Pinellas Water	\$3,706
Seminole Water	\$22,561
Seminole	\$11,716
Total	\$81,502

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 proposed customer notices for each system 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.

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The rates should not be implemented until staff has approved the proposed customer notices, and the notice has been received by the customers. The Utility should provide proof of the date notices were given no less than ten days after the date of the notices. 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.

DECISION: The recommendation was approved.

Issue 23: 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 (NARUC) Uniform System of Accounts (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, UIF should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

DECISION: The recommendation was approved.

Issue 24: 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, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively.

DECISION: The recommendation was approved as modified. The Company is to sit down with the customers within a period of eight months to discuss their water quality improvement options. Better communication to be embodied within the order.

Commissioners participating: Edgar, Skop, Graham, Brisé

ITEM NO.

CASE

6**PAA

Docket No. 100143-EI – Evaluation of study by Florida Power & Light Company on prepayment billing option for retail customers.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECR: Draper, Buys, Davis, Kummer, Maurey

GCL: Bennett, Jackson

Issue 1: What further action, if any, should the Commission take on FPL's prepayment study filed on March 1, 2010?

Recommendation: The Commission should take no further action.

Issue 2: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the PAA files a protest within 21 days of the issuance of the order, a consummating order will be issued. Once this action is complete, this docket should be closed administratively.

DECISION: This item was deferred to the August 17, 2010, Commission Conference.

Commissioners participating: Edgar, Skop, Graham, Brisé

ITEM NO.

CASE

7**

Docket No. 100301-WS – Application for amendment of Certificates 414-W and 347-S to extend water and wastewater service areas to include certain land in Highlands County by Lake Placid Utilities, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: ECR: Simpson, Rieger

GCL: Williams

Issue 1: Should Placid Lake be required to show cause, in writing, within 21 days why it should not be fined for its apparent violation of Section 367.045, Florida Statutes?

Recommendation: No. A show cause proceeding should not be initiated.

Issue 2: Should the Commission approve Lake Placid's application for amendment of Certificates 414-W and 347-S?

Recommendation: Yes. The Commission should approve Lake Placid's application for amendment of Certificates 414-W and 347-S to include territory as reflected in Attachment A of staff's memorandum dated July 22, 2010. The resultant order should serve as Lake Placid's amended certificates and should be retained by the Utility. Pursuant to Rule 25-9.044(1), Florida Administrative Code (F.A.C), the Utility should charge the customers in the territory added herein the rates and charges contained in its current tariff until authorized to be changed by the Commission.

Issue 3: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendations in Issue 1 and Issue 2, no further action will be necessary, and this docket should be closed.

DECISION: The recommendations were approved.

Commissioners participating: Edgar, Skop, Graham, Brisé

ITEM NO.

CASE

8

Docket No. 080677-EI – Petition for increase in rates by Florida Power & Light Company.

Docket No. 090130-EI – 2009 depreciation and dismantlement study by Florida Power & Light Company.

Critical Date(s): None

Commissioners Assigned: Argenziano, Edgar, Skop (080677-EI)
All Commissioners (090130-EI)

Prehearing Officer: Skop

Staff: ECR: P. Lee, Draper, Kummer, Maurey, Gardner, Slemkewicz, Prestwood,
Lester
GCL: Bennett

(Interested Persons May Participate in Issue 9 Only. Oral argument has not been requested for Issues 1-8. Participation is for Issues 1-8 at the discretion of the Commission.)

Issue 1: Should the Commission grant FPL's Motion for Leave to file a Response to SFHHA's Response?

Recommendation: No. FPL's Motion for Leave to file a Response to SFHHA's Response is not permitted, pursuant to Rule 25-22.060, F.A.C.

Issue 2: Should the Commission reconsider Issue 46 because the Commission ordered a one-time refund of the over-recovery in the fuel docket?

Recommendation: Yes. The Commission should reconsider Issue 46 and recognize the impact on the 2010 test year of the fuel docket decision to refund the 2009 over-recovery in one month rather than ratably over a twelve-month period. As a result, the \$101,971,000 adjustment to reduce working capital should be revised to \$73,827,000, a change of \$28,144,000.

Issue 3: Should the Commission reconsider Issue 89 regarding the impact of the minimum late payment charge?

Recommendation: Yes. The Commission should reconsider its decision on Issue 89 regarding the level of late payment charge (LPC) revenue. This adjustment will result in a decrease in the projected test year LPC revenues of \$25,776,146.

Issue 4: Should the Commission reconsider Issue 103 regarding salaries and employee benefits?

Recommendation: Yes. The Commission should reconsider Issue 103 regarding the executive incentive compensation of \$12,700,000 that had been removed through the allocation to affiliates. As a result, the \$49,510,136 net adjustment decrease to the 2010 test year operating and maintenance (O&M) expenses should be revised to a \$36,810,136 net adjustment decrease. This represents a \$12,700,000 million reduction to the approved adjustment of \$49,510,136.

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Docket No. 080677-EI – Petition for increase in rates by Florida Power & Light Company.

Docket No. 090130-EI – 2009 depreciation and dismantlement study by Florida Power & Light Company.

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Issue 5: Should the Commission reconsider Issue 109 regarding the 2010 test year charge from FiberNet to FPL?

Recommendation: Yes. The Commission should reconsider its decision on the FiberNet equipment lease charge to FPL. This adjustment will result in an increase in the allowed lease payment of \$585,000 and a corresponding increase of the same amount in FPL's 2010 test year revenue requirements.

Issue 6: Should the Commission clarify its Final Order as it relates to the computation of test year depreciation expense?

Recommendation: No. The Commission should not clarify its Final Order as it relates to the computation of test year depreciation expense.

Issue 7: How should FPL be required to implement any change to the 2010 test year revenue requirements?

Recommendation: FPL should implement the \$41,902,170 net change in revenue requirements identified in Issues 2 through 6 by offsetting the increase or decrease against the depreciation reserve surplus. In order to offset the calculated \$41,902,170, both the remaining \$894,600,000 reserve surplus and the test year depreciation expense should be reduced by \$43,851,218 and the test year accumulated depreciation should be increased by \$21,925,609.

Issue 8: Should the Commission grant FIPUG's motion for reconsideration?

Recommendation: No. FIPUG's Motion for Reconsideration should be denied.

Issue 9: Should the Commission grant Thomas Saporito's Petition for Base Rate Proceeding?

Recommendation: No. The Commission should not grant the Petition for Base Rate Proceeding. The petition does not meet the requirements of Rule 28-106.201, F.A.C., because it fails to allege any material issue of disputed facts.

Issue 10: Should this docket be closed?

Recommendation: Yes. The docket should be closed upon the expiration of the time for appeal.

DECISION: This item was deferred to the August 17, 2010, Commission Conference.

Commissioners participating: Edgar, Skop, Graham, Brisé

ITEM NO.

CASE

9

Docket No. 100104-WU – Application for increase in water rates in Franklin County by Water Management Services, Inc.

Critical Date(s): 60-Day Suspension Date Waived Through 08/03/2010

Commissioners Assigned: Edgar, Skop, Graham
Prehearing Officer: Skop

Staff: ECR: Hudson, Fletcher, Maurey, Salnova
 GCL: Jaeger, Saylor

(Participation is at the Discretion of the Commission)

Issue 1: Should the Utility's proposed water rates be suspended?

Recommendation: Yes. WMSI's proposed final water rates should be suspended.

Issue 2: Should an interim revenue increase be approved?

Recommendation: Yes. WMSI should be authorized to collect annual water revenues as indicated below:

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Water	\$1,320,242	\$109,228	\$1,429,470	8.27%

Issue 3: What are the appropriate interim water rates?

Recommendation: The water rates for WMSI in effect as of December 31, 2009, should be increased by 8.29 percent 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), Florida Administrative Code (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.

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

Recommendation: The Utility should be required to open an escrow account or file a surety bond or letter of credit to guarantee any potential refund of revenues collected under interim conditions. If the security provided is an escrow account, the Utility should deposit \$9,102 into the escrow account each month. Otherwise, the surety bond or letter of credit should be in the amount of \$72,904. 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 in accordance with Rule 25-30.360, F.A.C.

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9

Docket No. 100104-WU – Application for increase in water rates in Franklin County by Water Management Services, Inc.

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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.

DECISION: The recommendations were approved.

Commissioners participating: Edgar, Skop, Graham