MINUTES OF January 5, 2010
COMMISSION CONFERENCE
COMMENCED: 11:02 am
RECESSED: 12:15 pm
RECONVENED: 12:29 pm
ADJOURNED: 12:42 pm

COMMISSIONERS PARTICIPATING: Chairman Argenziano
Commissioner Edgar
Commissioner Skop
Commissioner Klement
Commissioner Stevens

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

1** **Consent Agenda**

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

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

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

DOCKET NO.	COMPANY NAME	EFFECTIVE DATE
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.

DECISION: The recommendation was approved.

Commissioners participating: Argenziano, Edgar, Skop, Klement, Stevens

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: Sayler

(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.

DECISION: The recommendation was approved. Commissioner Stevens dissented.

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.

DECISION: The recommendation was approved. Commissioner Stevens dissented.

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.

DECISION: The recommendation was approved. Commissioner Stevens dissented.

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.

DECISION: The recommendation was approved. Commissioner Stevens dissented.

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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.

DECISION: The recommendation was approved. Commissioner Stevens dissented.

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.

DECISION: The recommendation was approved. Commissioner Stevens dissented.

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.

DECISION: The recommendation was approved. Commissioner Stevens dissented.

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.

DECISION: The recommendation was approved. Commissioner Stevens dissented.

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.

DECISION: The recommendation was approved. Commissioner Stevens dissented.

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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.

DECISION: The recommendation was approved. Commissioner Stevens dissented.

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%

DECISION: The recommendation was approved. Commissioner Stevens dissented.

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.

DECISION: This issue was deferred to the January 26, 2010, Commission Conference Agenda with understanding that the Company agreed to waive its rights to implement rates until the Commission decision on that date. Staff was directed to review the issues and bring back alternatives regarding rate structure and repression, per the discussion in today's Commission conference.

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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.

DECISION: This issue was deferred to the January 26, 2010, Commission Conference Agenda with understanding that the Company agreed to waive its rights to implement rates until the Commission decision on that date. Staff was directed to review the issues and bring back alternatives regarding rate structure and repression, per the discussion in today's Commission conference.

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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.

DECISION: This item was deferred to the January 26, 2010, Commission Conference Agenda with understanding that the Company agreed to waive its rights to implement rates until the Commission decision on that date. Staff was directed to review the issues and bring back alternatives regarding rate structure and repression, per the discussion in today's Commission conference.

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

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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.

DECISION: This item was deferred to the January 26, 2010, Commission Conference Agenda with understanding that the Company agreed to waive its rights to implement rates until the Commission decision on that date. Staff was directed to review the issues and bring back alternatives regarding rate structure and repression, per the discussion in today's Commission conference.

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.

DECISION: This item was deferred to the January 26, 2010, Commission Conference Agenda with understanding that the Company agreed to waive its rights to implement rates until the Commission decision on that date. Staff was directed to review the issues and bring back alternatives regarding rate structure and repression, per the discussion in today's Commission conference.

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.

DECISION: This item was deferred to the January 26, 2010, Commission Conference Agenda with understanding that the Company agreed to waive its rights to implement rates until the Commission decision on that date. Staff was directed to review the issues and bring back alternatives regarding rate structure and repression, per the discussion in today's Commission conference.

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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.

DECISION: This item was deferred to the January 26, 2010, Commission Conference Agenda with understanding that the Company agreed to waive its rights to implement rates until the Commission decision on that date. Staff was directed to review the issues and bring back alternatives regarding rate structure and repression, per the discussion in today's Commission conference.

Commissioners participating: Argenziano, Edgar, Skop, Klement, Stevens

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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.

DECISION: The recommendations were approved.

Commissioners participating: Argenziano, Edgar, Skop, Klement, Stevens