MINUTES OF January 9, 2007
COMMISSION CONFERENCE
COMMENCED: 1:05 p.m.
ADJOURNED: 3:30 p.m.
COMMENCED: 3:45 p.m.
ADJOURNED: 6:20 p.m.

COMMISSIONERS PARTICIPATING: Chairman Edgar
Commissioner Arriaga
Commissioner Carter
Commissioner Tew
Commissioner Littlefield

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

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1 **Approval of Minutes**
December 5, 2006 Regular Commission Conference
December 19, 2006 Regular Commission Conference

DECISION: The minutes were approved.

Commissioners participating: Edgar, Arriaga, Carter, Tew

ITEM NO.	CASE
2**	**Consent Agenda**

PAA A) Applications for certificates to provide competitive local exchange telecommunications service.

DOCKET NO.	COMPANY NAME
060757-TX	U.S. Metropolitan Telecom, LLC
060783-TX	Communication Lines, Inc.

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

DECISION: The recommendation was approved.

Commissioners participating: Edgar, Arriaga, Carter, Tew, Littlefield

ITEM NO.	CASE

3 **Docket No. 060555-EI** – Proposed amendments to Rule 25-17.0832, F.A.C., Firm Capacity and Energy Contracts.

Critical Date(s): None

Rule Status: Adoption

Commissioners Assigned: All Commissioners
Prehearing Officer: Carter

Staff: GCL: Harris
ECR: Ballinger, Trapp

(Interested persons may participate at the Commission's discretion.)
Issue 1: Should the Commission adopt new Chapter 25-17, Part IV, F.A.C., Utilities' Obligations with Regard to Renewable Generating Facilities and amend Chapter 25-17, Part III, Rule 25-17.0832, F.A.C., Firm Capacity and Energy Contracts?
Recommendation: Yes. A separate part to Section 25-17, F.A.C., regarding renewable generation will provide clarity and address the unique characteristics of renewable generators. The new Part IV would be comprised of 12 new rules, 25-17.200 through 25-17.310, F.A.C.

Proposed Part IV would: 1) require investor-owned utilities to continuously offer standard contracts based on a portfolio approach of utility fossil-fueled units; 2) continue to calculate capacity payments on a value of deferral basis based on the utility's full avoided cost and need for power; 3) require investor-owned utilities to expand the capacity and energy payment options to facilitate the financing of renewable generation facilities; 4) provide for an expedited dispute resolution process; and 5) require annual reporting from all utilities as part of the Ten-Year Site Plan process. The proposed additions to the rules will provide the Commission flexibility to ensure that the costs of fuel diversity, fuel price stability, and energy security are properly included in the full avoided costs paid to renewable generating facilities.

The only amendment to Part III is to delete the definition of a renewable facility and municipal solid waste facility from Rule 25-17.0832, F.A.C. These definitions are now included in Part IV of the rules. The remainder of Part III should remain, as those rules address the requirements of metering, interconnection, back-up power, wheeling, and value of deferral calculations. Generation facilities fueled by renewable resources would be governed pursuant to the new Part IV with appropriate references to Part III. Qualifying facilities with a design capacity of 100kW or less are eligible for a standard offer contract under either Part III or Part IV. Staff's recommended rule changes are shown in Attachment A of staff's December 27, 2006 memorandum.

DECISION: The proposed rules were approved with the clarifications and modifications discussed during the conference.

ITEM NO.	CASE
3	**Docket No. 060555-EI** – Proposed amendments to Rule 25-17.0832, F.A.C., Firm Capacity and Energy Contracts.

(Continued from previous page)

Issue 2: Should the rules as approved by the Commission be filed for adoption with the Secretary of State and the docket closed?
Recommendation: Yes. If the Commission approves staff's recommendations contained in Issue 1, following publication of a notice of change, the rule may be filed for adoption with the Secretary of State and the docket should be closed.

DECISION: The recommendation was approved.

Commissioners participating: Edgar, Arriaga, Carter, Tew, Littlefield

ITEM NO.	CASE

4** **Docket No. 041291-EI** – Petition for authority to recover prudently incurred storm restoration costs related to 2004 storm season that exceed storm reserve balance, by Florida Power & Light Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners
Prehearing Officer: Administrative

Staff: GCL: Bennett
ECR: Kummer

Issue 1: Should Docket No. 041291-EI be closed?
Recommendation: Yes. This docket should be closed.

DECISION: The recommendation was approved.

Commissioners participating: Edgar, Arriaga, Carter, Tew, Littlefield

ITEM NO.	CASE

5 **Docket No. 060455-TP** – Complaint against AT&T Communications of the Southern States, LLC d/b/a AT&T d/b/a Lucky Dog Phone Co. d/b/a ACC Business d/b/a SmarTalk d/b/a Unispeaksm Service d/b/a www.prepaidserviceguide.com d/b/a CONQUEST for failure to pay intrastate access charges pursuant to Embarq's tariffs, by Embarq Florida, Inc., f/k/a Sprint-Florida, Incorporated.

Critical Date(s): None

Commissioners Assigned: All Commissioners
Prehearing Officer: Tew

Staff: GCL: Teitzman, Scott
CMP: King, Pruitt

(Stipulation for dismissal with prejudice.)
Issue 1: Should the Commission acknowledge the parties' Stipulation for Dismissal With Prejudice?
Recommendation: Yes. The Commission should acknowledge the parties' stipulated voluntary dismissal of the Complaint.
Issue 2: Should this docket be closed?
Recommendation: Yes. With the parties' stipulated voluntary dismissal, there are no further matters for the Commission to adjudicate in this docket and, therefore, it should be closed.

DECISION: The recommendations were approved.

Commissioners participating: Edgar, Arriaga, Carter, Tew, Littlefield

ITEM NO.	CASE

6 **Docket No. 050119-TP** – Joint petition by TDS Telecom d/b/a TDS Telecom/Quincy Telephone; ALLTEL Florida, Inc.; Northeast Florida Telephone Company d/b/a NEFCOM; GTC, Inc. d/b/a GT Com; Smart City Telecommunications, LLC d/b/a Smart City Telecom; ITS Telecommunications Systems, Inc.; and Frontier Communications of the South, LLC ["Joint Petitioners"] objecting to and requesting suspension and cancellation of proposed transit traffic service tariff filed by BellSouth Telecommunications, Inc.
Docket No. 050125-TP – Petition and complaint for suspension and cancellation of Transit Traffic Service Tariff No. FL2004-284 filed by BellSouth Telecommunications, Inc., by AT&T Communications of the Southern States, LLC.

Critical Date(s): None

Commissioners Assigned: All Commissioners
Prehearing Officer: Tew

Staff: CMP: Barrett
GCL: Scott

(Post-hearing - withdrawal of motions for clarification and reconsideration.)
Issue 1: Should the Commission acknowledge BellSouth Telecommunications, Inc.'s withdrawal of its Motion for Clarification of Order No. PSC-06-0776-FOF-TP?
Recommendation: Yes. The Commission should acknowledge BellSouth's withdrawal of its Motion for Clarification.
Issue 2: Should the Commission acknowledge the Small LECs' withdrawal of their Cross-Motions for Clarification and Reconsideration?
Recommendation: Yes. The Commission should acknowledge the Small LECs' withdrawal of their Cross-Motions for Clarification and Reconsideration.
Issue 3: Should these dockets be closed?
Recommendation: Yes. With the parties' withdrawal of the pending motions for clarification and reconsideration, there are no further matters for the Commission to adjudicate in these dockets and, therefore, they should be closed.

DECISION: The recommendations were approved.

Commissioners participating: Edgar, Arriaga, Carter, Tew, Littlefield

ITEM NO.	CASE

7**PAA **Docket No. 060531-EU** – Review of all electric utility wooden pole inspection programs.

Critical Date(s): None

Commissioners Assigned: All Commissioners
Prehearing Officer: Administrative

Staff: ECR: Lee, Matlock, Breman, McNulty
GCL: Gervasi

Issue 1: Has each investor-owned electric utility adequately addressed the deviations from Order No. PSC-06-0144-PAA-EI?
Recommendation: Yes. Each investor-owned electric utility has responded by either removing the deviations or by providing further data to support the deviations. In addition, utilities are required by Order No. PSC-06-0144-PAA-EI to file annual reports which the Commission can use to assess whether a modification of each utility's current inspection plan is warranted in the future.

DECISION: The recommendation was approved with modification as stated at the conference.

Issue 2: Should additional information be collected from municipal electric utilities and cooperative electric utilities regarding the pole inspection practices?
Recommendation: Yes. More data will be needed to assess the effect of the deviations in pole inspection cycles and other inspection practices. By Rule 25-6.0343(4), Florida Administrative Code, each municipal electric utility and rural electric cooperative is required to report the details of its pole inspection program annually. Because this is a new rule, these utilities will be providing their first annual reports in March 2007. The deviations in pole inspection cycles and other inspection practices should be monitored in this annual review process, beginning in March 2007.

DECISION: The recommendation was approved.

Issue 3: Should this docket be closed?
Recommendation: Yes. If no protest to a proposed agency action issue is filed by a person whose interests are substantially affected within 21 days of the Order arising from this recommendation, a consummating order should be issued and the docket should be closed. If a timely protest to a proposed agency action issue is filed by a person whose substantial interests are affected within 21 days of the Commission Order, the docket should remain open pending the resolution of the protest.

DECISION: The recommendation was approved.

Commissioners participating: Edgar, Arriaga, Carter, Tew, Littlefield

ITEM NO. **CASE**

8**PAA **Docket No. 060406-SU** – Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

Critical Date(s): 10/16/07 (15-month effective date – SARC)

Commissioners Assigned: All Commissioners
Prehearing Officer: Tew

Staff: ECR: Hudson, Bulecza-Banks, Edwards, Rendell
GCL: Jaeger

(All issues proposed agency action except Issues 10, 11, 12, and 13.)
Issue 1: Should the quality of service provided by Crooked Lake Park Sewerage be considered satisfactory?
Recommendation: No. The quality of the wastewater service provided by the utility should be considered unsatisfactory.

DECISION: The recommendation was approved.

Issue 2: What are the used and useful percentages for the utility's wastewater treatment plant and wastewater collection system?
Recommendation: Crooked Lake Park's used and useful percentages (U&U) should be as follows:

Wastewater Treatment Plant	100%
Wastewater Collection Systems	100%

DECISION: The recommendation was approved.

Issue 3: What is the appropriate average test year rate base for the utility?
Recommendation: The appropriate average test year rate base for Crooked Lake is $127,127 for wastewater.

DECISION: The recommendation was approved.

Issue 4: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?
Recommendation: The appropriate return on equity is 11.78% with a range of 10.78% - 12.78%. The appropriate overall rate of return is 8.17%.

DECISION: The recommendation was approved.

ITEM NO. CASE

8**PAA **Docket No. 060406-SU** – Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

(Continued from previous page)

Issue 5: What is the appropriate test year revenue?
Recommendation: The appropriate test year revenue for this utility is $107,153 for wastewater.

DECISION: The recommendation was approved.

Issue 6: What is the appropriate amount of operating expenses?
Recommendation: The appropriate amount of operating expenses for the utility is $127,603 for wastewater.

DECISION: The recommendation was approved.

Issue 7: What is the appropriate revenue requirement?
Recommendation: The appropriate revenue requirement is $137,989 for wastewater.

DECISION: The recommendation was approved.

Issue 8: What are the appropriate wastewater rates for the system?
Recommendation: The appropriate wastewater rates are shown on Schedule No. 4 of staff's December 27, 2006 memorandum. The recommended wastewater rates are designed to produce revenues of $137,989. 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: The recommendation was approved.

Issue 9: 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 utility did not implement the Commission-approved interim rates due to the inability to obtain security. Therefore, no refund is necessary.

DECISION: The recommendation was approved.

ITEM NO. CASE

8**PAA **Docket No. 060406-SU** – Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

(Continued from previous page)

Issue 10: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?
Recommendation: The wastewater rates should be reduced as shown on Schedule No. 4 of staff's December 27, 2006 memorandum, to remove rate case expense grossed up for regulatory assessment fees and 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, Florida Statutes. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

DECISION: The recommendation was approved.

Issue 11: Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility?
Recommendation: Yes. Pursuant to Section 367.0814(7), Florida Statutes, the recommended rates should be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility. Prior to implementation of any temporary rates, the utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the utility should be subject to the refund provisions discussed in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

DECISION: The recommendation was approved.

ITEM NO. CASE

8**PAA **Docket No. 060406-SU** – Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

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Issue 12: Should Crooked Lake Park Sewerage Company be ordered to show cause in writing, within 21 days, why it should not be fined for its apparent failure to comply with the requirements of Order No. PSC-99-2116-PAA-SU, issued October 25, 1999, to satisfy the violations listed by the Department of Environmental Protection in its Warning Letter No. WL980009DW53SWD, dated March 25, 1998, in which the utility was cited for the following violations:

A) Effluent being discharged off utility property;

B) Failure to use its south percolation pond;

C) Overflow of raw wastewater from plant tanks;

D) Failure to report its discharge violations to the DEP; and

E) Influent flows exceeding permitted capacity.

Recommendation: Yes. Crooked Lake Park Sewerage Company should be ordered to show cause in writing, within 21 days, why it should not be fined $500 for its apparent failure to timely comply with the requirements of Order No. PSC-99-2116-PAA-SU. The order to show cause should incorporate the conditions stated in the staff analysis.

DECISION: No Vote. Staff is directed to do research and bring the issue back for further consideration of DEP concerns including procedures for the administration of their penalties.

Issue 13: Should College Park Mobile Home Park be ordered to show cause in writing, within 21 days, why it should not be fined for its apparent failure to comply with the requirements of Section 367.031, Florida Statutes, for its apparent violation of charging specifically for water and wastewater service without a certificate?

Recommendation: No. College Park Mobile Home Park (CPMHP) should not be ordered to show cause in writing, within 21 days, why it should not be fined for its apparent failure to obtain a certificate or to comply with the requirements to be considered an exempt entity pursuant to Section 367.022(5), Florida Statutes. Although CPMHP would not appear to be exempt under Section 367.022(5), Florida Statutes, it appears that it would still be exempt pursuant to Section 367.022(8), Florida Statutes, as a reseller.

DECISION: The recommendation was approved.

ITEM NO. CASE

8**PAA **Docket No. 060406-SU** – Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

(Continued from previous page)

Issue 14: Should this docket be closed?
Recommendation: No. 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, 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, if Crooked Lake pays the $500 in fines, the docket should be closed administratively. If the utility timely responds in writing to the Order to show cause, the docket should remain open to allow for the appropriate processing of the response.

DECISION: The recommendation was approved as modified. Docket shall remain open pending decision on Issue 12.

Commissioners participating: Edgar, Arriaga, Carter, Tew, Littlefield

ITEM NO.	CASE

9** **Docket No. 060602-SU** – Application for certificate to provide wastewater service in Lee and Charlotte Counties by Town and Country Utilities Company.

Critical Date(s): 01/09/07 (Statutory deadline for waiver waived until this date.)

Commissioners Assigned: All Commissioners
Prehearing Officer: Carter

Staff: ECR: Clapp, Kaproth, Walden
GCL: Fleming

PAA

Issue 1: Should the Commission grant Town and Country's petition for a temporary waiver of Rules 25-30.033 (1)(h), (j), (k), (m), (o), (r), (t), (u), (v), and (w), Florida Administrative Code?
Recommendation: Yes. Town and Country's petition for a temporary waiver of Rules 25-30.033(1)(h), (j), (k), (m), (o), (r), (t), (u), (v), and (w), Florida Administrative Code, should be granted.
Issue 2: Should Town and Country's application for wastewater certificate be approved?
Recommendation: Yes. Town and Country should be granted Certificate No. 543-S to serve the territory described in Attachment A of staff's December 27, 2006 memorandum effective the date of the Commission's vote. The resultant order should serve as Town and Country's wastewater certificate and it should be retained by the utility. The utility should file an executed and recorded copy of a warranty deed or a 99-year lease for the use of the land for the wastewater facilities within 30 days of the issuance date of the Order setting rates and charges.
Issue 3: Should this docket be closed?
Recommendation: No. If no timely protest is received to the proposed agency action issue on the waiver, the Order will become final upon the issuance of a Consummating Order. However, the docket should remain open pending receipt of the executed and recorded copy of the warranty deed or lease and to allow for the setting of initial rates, charges and return on equity. As discussed earlier, the company has requested that the certification and the rate setting process be bifurcated. Therefore, staff recommends that the docket remain open for the setting of initial rates, charges, and return on equity at a later date.

DECISION: The recommendations were approved.

Commissioners participating: Edgar, Arriaga, Carter, Tew, Littlefield

ITEM NO.	CASE

10**PAA **Docket No. 060255-SU** – Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.

Critical Date(s): 01/23/07 (5-month effective date – PAA Rate Case)

Commissioners Assigned: All Commissioners
Prehearing Officer: Arriaga

Staff: ECR: Hudson, Fletcher, Springer, Kyle, Massoudi, Rendell
GCL: Brown

(All issues proposed agency action except Issue 24.)
Issue 1: Should the quality of service provided by Tierra Verde Utilities, Inc. be considered satisfactory?
Recommendation: Yes. The quality of service provided by Tierra Verde Utilities, Inc. should be considered satisfactory.
Issue 2: Does the utility have excessive infiltration and inflow of its wastewater collection systems, and if so, what adjustments should be made?
Recommendation: Yes. The utility had approximately 18.6% excessive infiltration and inflow (I & I) of its wastewater collection systems during the test year period. Staff recommends that the total purchased wastewater should be reduced by $~~$69,721~~ $88,420 due to excessive I & I.
Issue 3: Should the audit rate base adjustments to which the utility agrees be made?
Recommendation: Yes. Based on audit adjustments with which the utility agrees, accumulated depreciation should be increased by $122,840 and accumulated amortization of CIAC should be increased by $164,682.
Issue 4: What are the appropriate Water Service Corporation (WSC) and Utilities, Inc. of Florida (UIF) rate base allocations for Tierra Verde?
Recommendation: The appropriate WSC net rate base allocation for Tierra Verde is $9,925 which represents an increase to the utility's rate base. The appropriate WSC depreciation expense should be $969 which represents a reduction of $284. Further, the appropriate UIF rate base allocation for Tierra Verde is $20,435. This results in plant and accumulated depreciation increases of $25,774 and $5,929, respectively. In addition, depreciation expense should be decreased by $106.
Issue 5: Should adjustments be made to the utility's pro forma plant and expense additions?
Recommendation: Yes. The utility's pro forma plant additions should be reduced by $14,502 resulting in total pro forma plant of $22,083. Accordingly, accumulated depreciation and depreciation expense should both be decreased by $345.
Issue 6: Should an adjustment be made to accumulated depreciation to remove organization costs?
Recommendation: Yes. An adjustment of $7,005 should be made to accumulated depreciation to reflect the removal of organization costs.

ITEM NO.	CASE

10**PAA **Docket No. 060255-SU** – Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.

(Continued from previous page)

Issue 7: What are the used and useful percentages of the utility's wastewater collection system?
Recommendation: The wastewater collection system should be considered 100% used and useful.
Issue 8: What is the appropriate working capital allowance?
Recommendation: The appropriate working capital allowance is ~~$71,658~~ $69,320.
Issue 9: What is the appropriate rate base for the December 31, 2005, test year?
Recommendation: Consistent with other recommended adjustments, the appropriate simple average rate base for the test year ending December 31, 2005, is ~~$928,989~~ $926,652.
Issue 10: What is the appropriate return on common equity?
Recommendation: The appropriate return on common equity is 11.45% based on the Commission leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.
Issue 11: 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, 2005?
Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2005 is ~~7.45%~~ 7.44%.
Issue 12: Should an adjustment be made to purchased wastewater treatment?
Recommendation: Yes. Staff is recommending a net decrease of ~~$63,374~~ $88,420 to purchased wastewater treatment.
Issue 13: What is the appropriate amount of allocated WSC and UIF expenses for Tierra Verde?
Recommendation: Based on the audit adjustments and the ERC-only methodology, the appropriate WSC O&M expenses and taxes other than income for Tierra Verde are $33,852 and $1,537, respectively. As such, O&M expenses should be increased by $6,352 and taxes other than income should be decreased $2,430. Further, the appropriate UIF O&M expenses for Tierra Verde is $3,696. As such, O&M expense should be increased by $903.
Issue 14: Should an adjustment be made to the utility's pro forma salaries and wages, pensions and benefits, and payroll taxes?
Recommendation: Yes. Tierra Verde's salaries and wages should be decreased by $15,870. Accordingly, pensions and benefits and payroll taxes should be reduced by $1,563 and $1,390, respectively.

ITEM NO. CASE

10**PAA **Docket No. 060255-SU** – Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.

(Continued from previous page)

Issue 15: Should an adjustment be made to remove the utility's CPI adjustments to O&M expenses?
Recommendation: Yes. O & M expenses should be reduced by $14,968 to reflect the removal of the utility's adjustments for CPI.
Issue 16: Should the expense adjustment to which the utility agrees be made?
Recommendation: Yes. Based on audit adjustments with which the utility agrees, net depreciation expense should be increased by $1,983.
Issue 17: What is the appropriate amount of rate case expense?
Recommendation: The appropriate rate case expense is $94,089. This expense should be recovered over four years for an annual expense of $23,522. Thus, rate case expense should be reduced by $23,372.
Issue 18: Should an adjustment be made to property taxes?
Recommendation: Yes. Taxes Other Than Income Taxes (TOTI) should be decreased by $673 to reflect the discount paid and the change in the property tax millage rate.
Issue 19: What is the test year operating income before any revenue increase?
Recommendation: Based on adjustments discussed in previous issues, the test year operating income before any provision for increased revenues is ~~a net loss of $10,216~~ $1,414.
Issue 20: What is the appropriate revenue requirement?
Recommendation: The following revenue requirement should be approved:

	Test Year Revenues	$ Increase	Revenue Requirement	% Increase
Wastewater	$618,537	~~$133,284~~	~~$751,821~~	~~21.55%~~
		$113,428	$731,965	18.34%

ITEM NO.	CASE

10**PAA **Docket No. 060255-SU** – Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.

(Continued from previous page)

Issue 21: What are the appropriate wastewater rates for this utility?

Recommendation: The appropriate monthly rates are shown on Schedule No. 4 of staff's December 27, 2006 memorandum. Staff's recommended rates are designed to produce revenues of ~~$751,821~~ $731,965 excluding miscellaneous service charge 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 of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The 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.

Issue 22: Should the utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. The utility should be authorized to revise its miscellaneous service charges. The appropriate charges are reflected in staff's memorandum. 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), Florida Administrative Code, provided the notice has been approved by staff. Within 10 days of the date the order is final, the utility should be required to provide notice of the tariff changes to all customers. The utility should provide proof the customers have received notice within 10 days after the date that the notice was sent.

Issue 23: In determining whether any portion of the wastewater 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 revised revenue requirement for the interim rate collection period and comparing it to the amount of interim revenues granted. Based on this calculation, the utility should be required to refund ~~.88%~~ 3.26% (or ~~$6,380~~ $26,236 of annual revenues) of wastewater revenues granted under interim rates. ~~The utility would ordinarily be required to refund this difference. Staff believes the amount of the refund is immaterial. Therefore, staff is recommending the total amount of what would have been the interim refund plus interest be credited to CIAC.~~

ITEM NO.	CASE

10**PAA **Docket No. 060255-SU** – Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.

(Continued from previous page)

Issue 24: What is the appropriate amount by which rates should be reduced in four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

Recommendation: The rates should be reduced as shown on Schedule No. 4 of staff's December 27, 2006 memorandum, to remove $24,631 of rate case expense, grossed up for regulatory assessment fees, 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 25: 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, Tierra Verde should provide proof, within 90 days of an effective order finalizing this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

Issue 26: Should this docket be closed?

Recommendation: Yes. If no timely protest is filed by a substantially affected person within 21 days of the Proposed Agency Action Order, a Consummating Order should be issued and the docket should be closed.

DECISION: The recommendations were approved.

Commissioners participating: Edgar, Arriaga, Carter, Tew, Littlefield

ITEM NO. **CASE**

11**PAA **Docket No. 060261-WS** – Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke.

Critical Date(s): 01/23/07 (5-month effective date – PAA Rate Case)

Commissioners Assigned: All Commissioners
Prehearing Officer: Arriaga

Staff: ECR: Merta, Bulecza-Banks, Fletcher, Kyle, Lingo, Rendell, Rieger, Springer
GCL: Brubaker

(All issues proposed agency action except Issues 27 and 28.)
Issue 1: Is the quality of service provided by Utilities, Inc. of Pennbrooke satisfactory?
Recommendation: Yes. The utility's overall quality of service is satisfactory. As part of a review concerning water pressure, the utility should be required to submit a report, within six months of the Consummating Order in this proceeding, of its flushing program, including dates, locations, duration, gallons of water used in flushing the system, customers' complaints and utility responses concerning pressure.

DECISION: The recommendation was approved as modified with insertion of the word "marginally" in front of "satisfactory."

Issue 2: Should the audit adjustments to rate base, net operating income and capital structure to which the utility agrees be made?
Recommendation: Yes. Based on uncontested audit adjustments, plant should be decreased by $5,750 for water and increased by $8,080 for wastewater; accumulated depreciation should be increased by $7,360 for water and by $10,640 for wastewater; net depreciation expense should be decreased by $9,484 for water and $5,270 for wastewater; accumulated amortization of contributions in aid of construction (CIAC) should be increased by $18,651 for water and $35,332 for wastewater; operation and maintenance (O&M) expenses should be decreased by $5,200 for water and $3,909 for wastewater; taxes other than income taxes (TOTI) should be decreased by $4,194 for water and increased by $4,543 for wastewater; common equity should be increased by $3,093,004; deferred taxes should be increased by $5,369; and finally, long-term debt should be decreased by 0.08 percent.

DECISION: The recommendation was approved.

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11**PAA **Docket No. 060261-WS** – Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke.

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Issue 3: What are the appropriate Water Service Corporation (WSC) and Utilities, Inc. of Florida (UIF) rate base allocations for Pennbrooke?
Recommendation: The appropriate WSC net rate base allocation for Pennbrooke is $5,972 for water and $5,176 for wastewater. This represents an increase of $1,597 and $1,340 for water and wastewater, respectively. WSC depreciation expense should also be reduced by $114 and $98, for water and wastewater, respectively. Further, the appropriate UIF rate base allocation for Pennbrooke is $14,222 for water and $12,189 for wastewater. This represents water plant and accumulated depreciation decreases of $17,715 and $5,331, respectively, and wastewater plant and accumulated depreciation increases of $17,450 and $5,261, respectively. In addition, depreciation expense should be increased by $362 for water and $578 for wastewater.

DECISION: The recommendation was approved.

Issue 4: Should adjustments be made to the utility's pro forma plant and expense additions?
Recommendation: Yes. After staff's proposed adjustments, the total pro forma plant additions should be $75,940 and pro forma expense should be $2,825. As a result, plant should be decreased by $52,178 for water and by $32,004 for wastewater. Accordingly, accumulated depreciation and depreciation expense should both be decreased by $2,419 for water and $1,366 for wastewater. Miscellaneous expense should be increased by $2,825 to amortize tank inspections.

DECISION: The recommendation was approved.

Issue 5: What are the used and useful percentages of the utility's water and wastewater systems?
Recommendation: Pennbrooke's water treatment plant is 100% used and useful, the wastewater plant is 100% used and useful, and the water distribution and wastewater collection systems are 100% used and useful as reflected in Attachment A of staff's December 27, 2006 memorandum.

DECISION: The recommendation was approved.

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Issue 6: Should adjustments be made to construction work in progress?
Recommendation: Yes. Construction Work in Progress (CWIP) should be decreased by $12,253 for water and $2,235 for wastewater. In addition, Account 675, Miscellaneous Expense, should be increased by $1,897.

DECISION: The recommendation was approved.

Issue 7: What is the appropriate working capital allowance?
Recommendation: The appropriate amount of working capital is $25,144 for water and $27,462 for wastewater.

DECISION: The recommendation was approved.

Issue 8: What is the appropriate rate base for the December 31, 2005, test year?
Recommendation: Consistent with other recommended adjustments, the appropriate simple average rate base for the test year ending December 31, 2005 is $590,646 for water and $1,099,014 for wastewater.

DECISION: The recommendation was approved.

Issue 9: What is the appropriate return on common equity?
Recommendation: The appropriate return on common equity is 11.45% based on the Commission's leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

DECISION: The recommendation was approved.

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, 2005?
Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2005 is 8.22%.

DECISION: The recommendation was approved.

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Issue 11: What is the appropriate amount of allocated WSC and UIF expenses for Pennbrooke?
Recommendation: Based on the audit adjustments and the ERC-only methodology, the appropriate WSC O&M expenses and taxes other than income for Pennbrooke are $48,215 and $2,329, respectively. As such, water O&M expenses and taxes other than income should be decreased by $1,349 and $4, respectively, and wastewater O&M expenses and taxes other than income should be decreased by $1,157 and $3, respectively. Further, the appropriate UIF O&M expenses for Pennbrooke are $680 for water and $583 for wastewater. As such, water and wastewater O&M expense should be decreased by $20 and $17, respectively.

DECISION: The recommendation was approved.

Issue 12: Should an adjustment be made to the utility's pro forma salaries and wages, pensions and benefits, and payroll taxes?
Recommendation: Yes. Pennbrooke's salaries and wages should be decreased by $1,718 for water and $1,240 for wastewater. Accordingly, pensions and benefits should be reduced by $1,117 and $936 for water and wastewater, respectively, and payroll taxes should be reduced by $342 and $310 for water and wastewater, respectively.

DECISION: The recommendation was approved.

Issue 13: Should adjustments be made to O&M expenses for nonutility and out-of-period expenses?
Recommendation: Yes. Account 775, Miscellaneous Expense, should be decreased by $1,155 to remove non-utility expenses, and Account 635, Contractual Services – Testing, should be increased by $330 to include 2005 testing expense paid in 2006.

DECISION: The recommendation was approved.

Issue 14: Should an adjustment be made to normalize materials and supplies expense, and if so, what are the amounts?
Recommendation: Yes. To normalize the test year expense level, materials and supplies (M&S) expense should be decreased by $7,902 for water and $12,747 for wastewater.

DECISION: The recommendation was approved.

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Issue 15: What is the appropriate amount of rate case expense?
Recommendation: The appropriate rate case expense is $101,216. This expense should be recovered over four years for an annual expense of $25,304. Thus rate case expense should be reduced by $9,280 for water and $8,001 for wastewater, respectively.

DECISION: The recommendation was approved.

Issue 16: Should an adjustment be made to Account No. 668, Water Resource Conservation Expense, and, if so, what is the appropriate adjustment?
Recommendation: Yes. Account No. 668, Water Resource Conservation Expense, should be increased by $20,845.

DECISION: The recommendation was approved with modification that overearning is subject to refund and escrow.

Issue 17: Should an adjustment be made to property taxes to reflect a change in millage rate?
Recommendation: Yes. Taxes Other Than Income Taxes (TOTI) should be decreased by $186 for water and $255 for wastewater to reflect a change in the property tax millage rate.

DECISION: The recommendation was approved.

Issue 18: What is the test year pre-repression water and wastewater operating income or loss before any revenue increase?
Recommendation: Based on the adjustments discussed in previous issues, staff recommends that the test year pre-repression water operating income before any provision for increased or decreased revenues should be $48,542 for water and $13,934 for wastewater.

DECISION: The recommendation was approved.

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Issue 19: What is the appropriate pre-repression revenue requirement for the December 31, 2005 test year?
Recommendation: The following pre-repression revenue requirement should be approved.

DECISION: The recommendation was approved.

Issue 20: What is the appropriate disposition of the overearnings associated with the water system?
Recommendation: Staff recommends that the entire amount of overearnings – $20,845 – be treated as a projected conservation expense, with the requirement that these monies be used to enhance the utility's conservation program. The utility should, within 90 days from the date the order in this case becomes final, submit a plan to both the St. Johns River Water Management District (SJRWMD or District) and the Commission. Upon Commission approval of the plan, it should be implemented within 90 days of the date of the order approving it. The utility should, at a minimum, spend the recommended amount for each of the first four years of the plan, and be required to file quarterly reports with both the Commission and the SJRWMD on its conservation program covering the same four-year period. These reports should list during each reporting period: (1) the conservation measures that were implemented during the period; (2) the associated amounts expended; and (3) the kgal of water pumped. Staff should also confer with the SJRWMD in reviewing the reports in order to evaluate the effectiveness of the program and ensure that the program and amounts spent are consistent with the Commission order.

DECISION: The recommendation was approved with modification that overearning is subject to refund and escrow.

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Issue 21: What are the appropriate rate structures for the utility's water and wastewater systems?

Recommendation: The appropriate rate structure for the water system's residential class is a continuation of its two-tier inclining-block rate structure. The current usage blocks and usage block rate factors should also remain unchanged. The two-tier inclining-block rate structure currently applicable to the general service customers should be eliminated and replaced with the traditional base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 25%. The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. The residential wastewater monthly gallonage cap should be reduced to 6 kgal. The general service gallonage charge should be 1.2 times greater than the corresponding residential charge, and the post-repression BFC cost recovery percentage should be set at 40%.

DECISION: The recommendation was approved.

Issue 22: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for this utility, what are the corresponding expense adjustments to make, and what are the final revenue requirements for the respective water and wastewater systems?

Recommendation: Due to the 0% increase recommended for the water system, no repression adjustments are recommended for either the water or wastewater systems. There are no resulting expense adjustments. However, the current rates will change due to the changes in the recommended BFC cost recovery percentages for the water and wastewater systems. Therefore, in order to monitor the effect of the rate changes, 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, usage block and meter size. The reports should be filed with staff, on a quarterly basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the utility makes adjustments to consumption in any month during the reporting period, the utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

DECISION: The recommendation was approved.

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Issue 23: What are the appropriate monthly rates for the water and wastewater systems for the utility?

Recommendation: The appropriate monthly water rates are a continuation of current rates, shown on Schedule No. 4-A of staff's December 27, 2006 memorandum. The appropriate wastewater monthly rates are shown on Schedule No. 4-B of staff's memorandum. Excluding miscellaneous service charges, the recommended water rates produce revenues of $338,947. Excluding miscellaneous service and reuse charges, the recommended wastewater rates produce revenues of $432,035. The utility should file revised wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the wastewater system. The approved wastewater 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 wastewater 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.

Issue 24: What are the appropriate reuse rates?

Recommendation: The appropriate reuse rate for this utility should be $0.09 per 1,000 gallons of usage. The utility should file tariff sheets which are consistent with the Commission's decision within 30 days from the Commission's vote. The tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision. The approved 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.

DECISION: The recommendation was approved.

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Issue 25: Should the utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?
Recommendation: Yes. The utility should be authorized to revise its miscellaneous service charges. The appropriate charges are reflected in staff's memorandum. 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), Florida Administrative Code, provided the notice has been approved by staff. Within 10 days of the date the order is final, the utility should be required to provide notice of the tariff changes to all customers. The utility should provide proof the customers have received notice within 10 days after the date that the notice was sent.

DECISION: The recommendation was approved.

Issue 26: In determining whether any portion of the wastewater 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 revenues granted. Based on this calculation, no refund is required. Further, upon issuance of the Consummating Order in this docket, the corporate undertaking should be released.

DECISION: The recommendation was approved.

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Issue 27: 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, Florida Statutes?
Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's December 27, 2006 memorandum, to remove $14,229 of water and $12,268 of rate case expense, grossed up for regulatory assessment fees, 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 30 days 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. 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.

Issue 28: Should the utility be required to provide proof, within 90 days of the final order issued in this docket, that it has adjusted its books for all the applicable 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, Pennbrooke 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.

DECISION: The recommendation was approved.

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Issue 29: Should this docket be closed?
Recommendation: No. If no timely protest is filed by a substantially affected person within 21 days of the Proposed Agency Action Order, a Consummating Order should be issued and the corporate undertaking released. However, 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 to allow time for staff to present an appropriate conservation plan to the Commission for its consideration.

DECISION: The recommendation was approved.

Commissioners participating: Edgar, Arriaga, Carter, Tew, Littlefield