

MINUTES OF June 17, 2008
COMMISSION CONFERENCE
COMMENCED: 9:35 a.m.
RECESSED: 10:19 a.m.
RECONVENED: 10:36 a.m.
RECESSED: 10:47 a.m.
RECONVENED: 10:52 a.m.
ADJOURNED: 11:25 a.m.

COMMISSIONERS PARTICIPATING: Chairman Carter
Commissioner Edgar
Commissioner McMurrian
Commissioner Argenziano
Commissioner Skop

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

1

Approval of Minutes
May 6, 2008 Regular Commission Conference

DECISION: The minutes were approved.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

2

Docket No. 070691-TP – Complaint and request for emergency relief against Verizon Florida, LLC for anticompetitive behavior in violation of Sections 364.01(4), 364.3381, and 364.10, F.S., and for failure to facilitate transfer of customers' numbers to Bright House Networks Information Services (Florida), LLC, and its affiliate, Bright House Networks, LLC.

Docket No. 080036-TP – Complaint and request for emergency relief against Verizon Florida, L.L.C. for anticompetitive behavior in violation of Sections 364.01(4), 364.3381, and 364.10, F.S., and for failure to facilitate transfer of customers' numbers to Comcast Phone of Florida, L.L.C. d/b/a Comcast Digital Phone.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: GCL: Mann

CMP: Beard, Casey, Hallenstein

Issue 1: Should the Commission grant Verizon's Motion for Oral Argument on its Motion for Reconsideration?

Recommendation: Yes. Staff recommends that the Commission grant Verizon's Motion for Oral Argument on its Motion for Reconsideration. If the Commission grants oral argument, staff recommends that the Commission allow five minutes per side for argument.

Issue 2: Should the Commission grant Verizon's Motion for Reconsideration of Commission Orders No. PSC-08-0180-FOF-TP and No. PSC-08-0213-FOF-TP, Orders Denying Verizon's Motions to Dismiss Bright House's and Comcast's Complaints, respectively, and Order No. PSC-08-0235-PCO-TP, Order Establishing Procedure?

Recommendation: No. The Commission should deny reconsideration of the orders.

Issue 3: Should this docket be closed?

Recommendation: No. If the Commission approves staff's recommendation in Issue 2, this Docket should remain open pending further proceedings.

DECISION: The recommendations were approved. Commissioner McMurrian will write a concurring opinion.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

3**PAA

Docket No. 080141-EU – Joint petition of Tampa Electric Company and Withlacoochee River Electric Cooperative, Inc. for approval of limited amendments to territorial boundaries.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: McMurrin

Staff: GCL: Jaeger

ECR: Redemann, Rieger

Issue 1: Should the Commission approve the Tampa Electric Company and Withlacoochee River Electric Cooperative petition for permanent relocation of territorial boundaries?

Recommendation: Yes. The petition (Attachment A in staff's recommendation dated June 5, 2008) by Tampa Electric Company and Withlacoochee River Electric Cooperative for permanent relocation of their territorial boundaries should be approved.

Issue 2: Should this docket be closed?

Recommendation: If a protest is not received from a substantially affected person within 21 days of issuance of the Proposed Agency Action Order, a consummating order will be issued and the docket should be closed.

DECISION: The recommendations were approved.

Commissioners participating: Carter, Edgar, McMurrin, Argenziano, Skop

ITEM NO.

CASE

4

Docket No. 070408-TP – Petition by Neutral Tandem, Inc. and Neutral Tandem-Florida, LLC for resolution of interconnection dispute with Level 3 Communications, LLC, and request for expedited resolution. (Deferred from the May 20, 2008 Commission Conference.)

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: McMurrian

Staff: CMP: Lee, King

GCL: Mann, Teitzman

Issue 1: Should Level 3 be granted interim compensation pending the final decision in this proceeding?

Recommendation: Yes. Staff recommends that for traffic subject to the Level 3 Contract, Level 3 is entitled to compensation for traffic termination and Neutral Tandem is entitled to compensation for transit services, to the extent these services are rendered. Level 3 should not be compensated for any of the traffic subject to the Broadwing Contract. These compensation measures follow the surviving on-going obligations contained in the Level 3 Contract and maintain the status quo in the interim, pending the Commission's final decision in this proceeding.

Issue 2: How should interim compensation be determined and when should it be paid?

Recommendation: If the Commission approves the staff recommendation in Issue 1, staff recommends that compensation obligations should be determined using the formula included in the Level 3 Contract for traffic exchanged by the parties on an interim basis, pending the Commission's final decision. For Broadwing traffic, no compensation is due. These compensation measures apply to any services rendered under the Level 3 Contract, effective March 24, 2007, and extend through the date the Commission makes a final decision in this proceeding, the date a new agreement is effective, or the date the exchange of traffic ceases. Staff recommends that payment for services already received since March 24, 2007, should be made within 45 days after receipt of a bill (using the compensation formula in the Level 3 Contract) and thereafter in accord with the payment terms in Section 7 of the Level 3 Contract.

If the Commission denies the staff recommendation in Issue 1, this issue is moot.

Issue 3: Should this docket be closed?

Recommendation: No. This docket should remain open pending the hearing scheduled for September 24, 2008, through September 26, 2008.

DECISION: The item was withdrawn.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

5**

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

Critical Date(s): 06/29/08 (60-Day Suspension Date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: ECR: Draper, Kummer

GCL: Saylor, Jaeger

Issue 1: Should the Commission suspend Florida Power & Light Company's (FPL) revised underground conversion tariff (Tariff Sheet Nos. 6.300, 9.720, 9.721, and 9.722)?

Recommendation: Yes.

Issue 2: Should this docket be closed?

Recommendation: No.

DECISION: The recommendations were approved.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

6**PAA

Docket No. 070548-WS – Application for certificates to provide water and wastewater service in Marion County by Century - Fairfield Village, Ltd. (Deferred from the May 6, 2008 Commission Conference, revised recommendation filed.)

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: ECR: Johnson, Rieger

GCL: Bennett

Issue 1: Should Century-Fairfield Village, Ltd. (Century-Fairfield) be ordered to show cause, in writing, within 21 days, why it should not be fined for charging rates and charges that are not contained in its tariff, in apparent violation of Sections 367.081(1) and 367.091(4), F.S.?

Recommendation: No, a show cause proceeding should not be initiated. The utility should, however, be put on notice that, pursuant to Sections 367.081(1) and 367.091(4), F.S., it must charge only those rates and charges approved by the Commission in its tariff.

Issue 2: Should the Commission approve the settlement agreement provided by Century-Fairfield and the Office of Public Counsel?

Recommendation: Yes, the Commission should approve the settlement agreement without modification. The utility should file a proposed customer notice to reflect the approved rates. The water rates should be effective for services rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. In addition, the rates should not be implemented until staff has approved the proposed customer notice and tariff sheets. The utility should distribute the notice to the customers no later than with the first bill containing the approved rates and provide proof of the date the notice was given no less than ten days after the date of the notice. In addition, wastewater Certificate No. 549-S should be cancelled effective the date of the Commission's vote. The Commission should not require the utility to refund the \$7,186.20 in previously collected revenues.

Issue 3: Should the utility's request for miscellaneous service charges and a late fee be approved?

Recommendation: Yes. The utility's request for miscellaneous service charges and a late fee should be approved. The charges should be effective for services rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C.

ITEM NO.

CASE

6**PAA

Docket No. 070548-WS – Application for certificates to provide water and wastewater service in Marion County by Century - Fairfield Village, Ltd. (Deferred from the May 6, 2008 Commission Conference, revised recommendation filed.)

(Continued from previous page)

Issue 4: In the event of a timely protest of the Proposed Agency Action (PAA) Order, should any recommended rates and charges be approved for the utility on a temporary basis, subject to refund?

Recommendation: Yes. In the event of a protest of the PAA Order, the utility should be allowed to continue collecting the rates and charges set forth in this schedule as temporary rates and charges. However, in order to protect utility customers from potential overearnings, the utility should hold \$5,329 of annual service revenues subject to refund. Prior to implementation of any temporary rates and charges, the utility should provide appropriate security. In the event of a protest, the security should be in the form of a bond or letter of credit. Alternatively, the utility could establish an escrow agreement with an independent financial institution. If security is provided by an escrow agreement, the utility should escrow all revenues collected during the pendency of the case. In addition, after the rates and charges are in effect, pursuant to Rule 25-30.360(6), F.A.C., 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.

Issue 5: Should this docket be closed?

Recommendation: No. If no timely protest to proposed agency action order is filed by a substantially affected person within 21 days, a Consummating Order should be issued. However, the docket should remain open pending receipt of revised tariff sheets reflecting the Commission approved rate. Upon receipt and verification of the revised tariff sheets, the docket should be administratively closed.

DECISION: The recommendations were approved.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

7**PAA

Docket No. 070592-GU – Petition for rate increase by St. Joe Natural Gas Company, Inc.

Critical Date(s): 06/17/08 (5-Month Effective Date (PAA Rate Case))

Commissioners Assigned: All Commissioners

Prehearing Officer: Argenziano

Staff: ECR: Slemkewicz, Baxter, Dickens, Draper, Gardner, Kaproth, Kyle, Marsh,
Maurey, Springer

GCL: Brown

Issue 1: Should an adjustment be made to plant, depreciation expense, and accumulated depreciation to correct the budgeted plant additions for the projected test year?

Recommendation: Yes. Staff recommends that plant, depreciation expense, and accumulated depreciation be reduced by \$2,128, \$454, and \$454, respectively, to correct the plant additions for the projected test year.

Issue 2: Should an adjustment be made to Accumulated Depreciation for equipment no longer in service?

Recommendation: Yes. Accumulated Depreciation should be increased by \$31,692 for the retirement of four vehicles.

Issue 3: What adjustments, if any, should be made to accumulated depreciation to reflect the Commission's decision in Docket No. 070737-GU setting new depreciation rates?

Recommendation: The appropriate adjustment to accumulated depreciation to reflect the Commission's decision in Docket No. 070737-GU is a reduction of \$6,658.

Issue 4: Is SJNG's Natural Gas Plant in Service of \$6,437,506 for the December 2008 projected test year appropriate?

Recommendation: No. The appropriate amount of Gas Plant in Service for the December 2008 projected test year is \$6,435,378.

Issue 5: Is SJNG's Accumulated Depreciation of Gas Plant in Service of \$3,255,779 for the December 2008 projected test year appropriate?

Recommendation: No. The appropriate Accumulated Depreciation of Gas Plant in Service for the December 2008 projected test year is \$3,280,359.

Issue 6: Should Working Capital be adjusted to remove non-utility activities?

Recommendation: Yes. Working Capital should be increased by \$13,465 for the year ended December 31, 2008, to remove non-utility activities from Miscellaneous Current Liabilities.

Issue 7: Should Operation and Maintenance Expense and working capital be adjusted to reflect a service agreement that was recorded as maintenance of structures and improvements expense?

Recommendation: Yes. Operation and Maintenance Expense Account 886 should be increased by \$766 for 2008. In addition, working capital should be increased by \$263 for 2008.

ITEM NO.

CASE

7**PAA

Docket No. 070592-GU – Petition for rate increase by St. Joe Natural Gas Company, Inc.

(Continued from previous page)

Issue 8: What is the appropriate amount of Working Capital Allowance for the December 2008 projected test year?

Recommendation: The appropriate amount of Working Capital Allowance for the December 2008 projected test year is (\$130,363).

Issue 9: Is SJNG's requested rate base in the amount of \$3,037,636 for the December 2008 projected test year appropriate?

Recommendation: No. The appropriate amount of rate base for the December 2008 projected test year is \$3,024,656.

Issue 10: What is the appropriate return on common equity for the projected test year?

Recommendation: The appropriate return on common equity for the projected test year is 11.00 percent, with a range of plus or minus 100 basis points.

Issue 11: What is the appropriate capital structure for the projected test year ending December 31, 2008?

Recommendation: The appropriate capital structure for the projected test year ending December 31, 2008, should consist of no more than 60 percent common equity as a percentage of investor supplied capital.

Issue 12: What is the appropriate weighted average cost of capital for the projected test year?

Recommendation: The appropriate weighted average cost of capital for the projected test year is 5.44 percent. This is a calculation based upon decisions in preceding issues.

Issue 13: Should an adjustment be made to remove Purchased Gas Adjustment revenues and expenses from the December 2008 projected test year income statement?

Recommendation: Yes. Operating revenues, O&M Expense – Cost of Gas, and taxes other than income should be reduced by \$1,055,904, \$1,050,619 and \$5,285, respectively, to remove Purchased Gas Adjustment revenues and expenses for 2008.

Issue 14: Should Operating Revenues be adjusted for interest income earned on cash attributable to non-utility activities?

Recommendation: Yes. The Company should remove \$3,457 of interest income attributable to non-utility activities from Operating Revenues for 2008.

Issue 15: Is SJNG's projected level of Total Operating Revenues in the amount of \$2,132,307 for the 2008 projected test year appropriate?

Recommendation: No. The appropriate level of SJNG's Total Operating Revenues for the 2008 projected test year is \$1,072,946.

Issue 16: Should an adjustment be made to Account 880, Other Expense, for 2008 lease rental expense for a new warehouse?

Recommendation: Yes. Account 881, Rent Expense, should be increased by \$16,800 to reflect the monthly lease rental expense of \$1,400. Account 880, Other Expenses, should be reduced by \$25,000 to remove the misclassified lease rental expense. This results in a net expense reduction of \$8,200.

ITEM NO.

CASE

7**PAA

Docket No. 070592-GU – Petition for rate increase by St. Joe Natural Gas Company, Inc.

(Continued from previous page)

Issue 17: Should an adjustment be made to Account 904, Uncollectible Accounts Expense?

Recommendation: Yes. Uncollectible Accounts Expense, Account 904, should be reduced by \$4,357 for the 2008 projected test year.

Issue 18: Should an adjustment be made to Account 913, Advertising Expense?

Recommendation: Yes. Account 913, Advertising Expense, should be reduced by \$95 for 2008 to remove donation expenses and an associated miscellaneous expense.

Issue 19: Should an adjustment be made to Outside Services Employed, Account 923?

Recommendation: Yes. Outside Services Employed, Account 923, should be increased by \$2,388 for the 2008 projected test year.

Issue 20: What is the appropriate total amount, amortization period and test year expense for Rate Case Expense for the December 2008 projected test year?

Recommendation: The appropriate amount of rate case expense is \$55,003, amortized over four years, which results in an annual expense of \$13,751. Therefore, the Company's requested rate case expense should be reduced by \$22,997 and the annual accrual should be reduced by \$5,749.

Issue 21: Is SJNG's requested level of O&M Expense – Other in the amount of \$913,680 for the December 2008 projected test year appropriate?

Recommendation: No. The appropriate level of O&M Expense – Other for the December 2008 projected test year is \$898,433.

Issue 22: What adjustments, if any should be made to the depreciation expense to reflect the Commission's decision in Docket No. 070737-GU?

Recommendation: The appropriate adjustment for depreciation expense to reflect the Commission's decision in Docket No. 070737-GU is a reduction of \$13,440.

Issue 23: Should the current amortization of investment tax credits (ITC) and flowback of excess deferred income taxes be revised to reflect the depreciation rates and recovery schedules approved by the Commission in Docket No. 070737-GU?

Recommendation: Yes. The current amortization of investment tax credits (ITC) and the flowback of excess deferred income taxes (EDIT) should be revised to match the actual recovery periods for the related property. On an annual basis, SJNG should include detailed calculations of the revised ITC amortization and the flowback of EDIT in its December earnings surveillance reports beginning with the annual period ending December 31, 2008.

Issue 24: Is SJNG's requested level of Depreciation and Amortization Expense in the amount of \$260,105 for the December 2008 projected test year appropriate?

Recommendation: No. The appropriate level of Depreciation and Amortization Expense for the December 2008 projected test year is \$246,211.

ITEM NO.

CASE

7**PAA

Docket No. 070592-GU – Petition for rate increase by St. Joe Natural Gas Company, Inc.

(Continued from previous page)

Issue 25: : Is SJNG’s requested level of Taxes Other Than Income in the amount of \$63,387 for the December 2008 projected test year appropriate?

Recommendation: No. The appropriate level of Taxes Other Than Income for the December 2008 projected test year is \$58,085.

Issue 26: Is SJNG’s requested level of Total Income Taxes in the amount of \$45,351 for the December 2008 projected test year appropriate?

Recommendation: No. The appropriate level of Total Income Taxes for the December 2008 projected test year is \$43,188.

Issue 27: Is SJNG’s projected Net Operating Income in the amount of (\$200,835) for the December 2008 projected test year appropriate?

Recommendation: No. The appropriate Net Operating Income for the December 2008 projected test year is (\$172,972).

Issue 28: Is SJNG's requested net operating income multiplier of 1.6114 appropriate?

Recommendation: Yes, 1.6114 is the appropriate net operating income multiplier.

Issue 29: Is SJNG's requested annual operating income increase of \$624,166 for the December 2008 projected test year appropriate?

Recommendation: No. The appropriate annual operating income increase for the December 2008 projected test year is \$543,868.

Issue 30: What is the appropriate cost of service methodology to be used in allocating costs to the rate classes?

Recommendation: The appropriate methodology is contained in Schedule 4 of staff’s memorandum dated June 5, 2008 and reflects the recommended adjustments to rate base, expenses, rate of return, and net operating income.

Issue 31: What are the appropriate Customer Charges?

Recommendation: Staff’s recommended customer charges are as follows:

Rate Class	Staff Recommended Customer Charge
RS-1	\$13.00
RS-2	\$16.00
RS-3	\$20.00
GS-1/FTS-1	\$20.00
GS-2/FTS-2	\$70.00
GS-3/FTS-3	\$500.00
GS-4/FTS-4	\$2,000.00
GS-5/FTS-5	\$3,000.00

ITEM NO.

CASE

7**PAA

Docket No. 070592-GU – Petition for rate increase by St. Joe Natural Gas Company, Inc.

(Continued from previous page)

Issue 32: What are the appropriate per therm Gas Delivery Service Rates?

Recommendation: The appropriate per therm Gas Delivery Service Rates are shown in the table below:

Rate Schedule	Recommended rate (cents per therm)
RS-1	70.441
RS-2	56.729
RS-3	50.381
GS-1/FTS-1	43.981
GS-2/FTS-2	31.801
GS-3/FTS-3	6.610
GS-4/FTS-4	11.749
GS-5/FTS-5	3.554

Issue 33: What are the appropriate Miscellaneous Service Charges?

Recommendation: Staff's recommended miscellaneous service charges are as follows:

Service Charge	Staff Recommendation
Residential Connect and Reconnect	\$40.00
Non-residential Connect and Reconnect	\$60.00
Change of Account	\$26.00
Collection in Lieu of Disconnect	\$0.00
Returned Check Charge	Greater of \$25.00 or 5%
Late Payment Charge	Greater of \$3.00 or 1 ½ %

Issue 34: Is SJNG's proposal to stratify its current single residential service class into three individual classes appropriate?

Recommendation: Yes.

Issue 35: Is SJNG's proposal to close the proposed RS-1 and RS-2 classes to new customers following the effective date of the order in this docket appropriate?

Recommendation: No.

Issue 36: Is SJNG's proposed Area Extension Program appropriate?

Recommendation: Yes, the proposed Area Extension Program equitably distributes the costs to be recovered among the customers who are paying for the extension of facilities.

ITEM NO.

CASE

7**PAA

Docket No. 070592-GU – Petition for rate increase by St. Joe Natural Gas Company, Inc.

(Continued from previous page)

Issue 37: Is SJNG’s proposed tariff provision to allow for the recovery of its installation costs associated with converting a customer’s premises to natural gas appropriate?

Recommendation: Yes. The charge to the customer who chooses to contract with SJNG for the installation costs should be stated separately on the gas bill, and not be included in the Gas Delivery Service Rate (therm charge).

Issue 38: What is the appropriate effective date for St Joe’s revised rates and charges?

Recommendation: The revised rates and charges should become effective for meter readings on or after 30 days following the date of the Commission vote approving the rates and charges. SJNG should file revised tariffs to reflect the Commission-approved final rates and charges for administrative approval within five (5) business days of issuance of the PAA order. Pursuant to Rule 25-22.0406(8), F.A.C., customers should be notified of the revised rates in their first bill containing the new rates. A copy of the notice should be submitted to staff for approval prior to its use.

Issue 39: Should any of the \$157,775 interim rate increase granted by Order No. PSC-08-0135-PCO-GU be refunded to the ratepayers?

Recommendation: No. 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.

Issue 40: Should SJNG be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, earnings surveillance reports, and books and records that will be required as a result of the Commission’s findings in this docket?

Recommendation: Yes.

Issue 41: Should this docket be closed?

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

DECISION: The recommendations were approved.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop