

MINUTES OF May 5, 2009

COMMISSION CONFERENCE

COMMENCED: 9:46 am
RECESSED: 10:54 am
RECONVENED: 11:09 am
RECESSED: 12:23 pm
RECONVENED: 1:43 pm
RECESSED: 2:37 pm
RECONVENED: 2:49 pm
RECESSED: 3:50 pm
RECONVENED: 4:01 pm
RECESSED: 4:53 pm
RECONVENED: 5:01 pm
ADJOURNED: 6:42 pm

COMMISSIONERS PARTICIPATING: Chairman Carter (via telephone)
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

March 25, 2009, Special Commission Conference

DECISION: The minutes were approved.

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

ITEM NO. _____ **CASE** _____

2** **Consent Agenda**

PAA A) Request for cancellation of a shared tenant services certificate.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>EFFECTIVE DATE</u>
090160-TP	Four Points Utility Corporation	3/5/2009

PAA B) Request for cancellation of a competitive local exchange telecommunications certificate.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>EFFECTIVE DATE</u>
090147-TX	CBB Carrier Services, Inc.	3/23/2009

PAA C) Application for certificate to provide competitive local exchange telecommunications service.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
090167-TX	All American Telecom, 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: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

3**PAA

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

Critical Date(s):	None
Commissioners Assigned:	All Commissioners
Prehearing Officer:	Edgar
Staff:	RCP: Casey GCL: Tan SSC: Moses

Issue 1: Should the Commission approve FTRI’s proposed budget as outlined in Attachment A of staff’s memorandum dated April 23, 2009, for the fiscal year 2009-2010, effective July 1, 2009, and should the Commission maintain the current Telecommunications Relay Service (TRS) surcharge of \$0.11 per month?

Recommendation: Staff recommends that the Commission approve FTRI’s proposed budget operating revenue of \$11,206,146, and proposed budget expenses of \$11,496,251 as outlined in Attachment A of staff’s memorandum dated April 23, 2009, for the fiscal year 2009-2010, effective July 1, 2009. Staff also recommends that the TRS surcharge be maintained at \$0.11 per month for the fiscal year 2009-2010, effective July 1, 2009. The Commission should order the incumbent local exchange companies, competitive local exchange companies, and shared tenant providers to continue to bill the \$0.11 surcharge for the fiscal year 2009-2010, effective July 1, 2009.

Issue 2: Should the Commission approve Ms. Julia Michalka and Mr. Jonathan Ziev as advisory committee members to replace Mr. Isaac Abenchan and Ms. Mary Moore effective immediately?

Recommendation: Yes, the Commission should approve Ms. Julia Michalka and Mr. Jonathan Ziev as advisory committee members to replace Mr. Isaac Abenchan and Ms. Mary Moore effective immediately.

Issue 3: Should this docket be closed?

Recommendation: No, this docket should not be closed.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

4

Docket No. 080701-TP – Emergency complaint and petition requesting initiation of show cause proceedings against Verizon Florida, LLC for alleged violation of Rules 25-4.036 and 25-4.038, Florida Administrative Code, by Bright House Networks Information Services (Florida) LLC and Bright House Networks, LLC.

Critical Date(s):	None	
Commissioners Assigned:	All Commissioners	
Prehearing Officer:	Edgar	
Staff:	GCL: Murphy RCP: Watts SSC: Moses	

(Oral Argument Requested)

Issue 1: Should the Commission grant Verizon’s Request for Oral Argument on its Motion to Dismiss Complaint and Petition or in the Alternative for Summary Final Order?

Recommendation: Yes. Staff recommends that the Commission grant Verizon’s Request for Oral Argument on its Motion to Dismiss Complaint and Petition or in the Alternative for Summary Final Order because staff believes that it might benefit the Commission to hear oral argument on these matters. If the Commission grants oral argument, staff recommends allowing five minutes for each party.

DECISION: The recommendation was approved.

Issue 2: Should the Commission grant Verizon’s Motion for Summary Final Order?

Recommendation: Yes. Staff recommends that the Commission grant the Verizon Motion for Summary Final Order.

DECISION: The recommendation was approved with the understanding that Verizon has agreed to conduct an internal review regarding the installations and determine as to whether they may wish to go back and do an inspection to ensure that those connections are, in fact, safe.

ITEM NO.

CASE

4

Docket No. 080701-TP – Emergency complaint and petition requesting initiation of show cause proceedings against Verizon Florida, LLC for alleged violation of Rules 25-4.036 and 25-4.038, Florida Administrative Code, by Bright House Networks Information Services (Florida) LLC and Bright House Networks, LLC.

(Continued from previous page)

Issue 3: Should the Commission grant Verizon’s Motion to Dismiss?

Recommendation: No. Staff recommends that, if the Commission grants the Verizon Motion for Summary Final Order in Issue 2, as recommended by staff, this issue will be moot.

DECISION: The recommendation was approved with the understanding that Verizon has agreed to conduct an internal review regarding the installations and determine as to whether they may wish to go back and do an inspection to ensure that those connections are, in fact, safe.

Issue 4: Should this docket be closed?

Recommendation: Yes. If the Commission grants Verizon’s Motion for Summary Final Order, this docket should be closed.

DECISION: The recommendation was approved with the understanding that Verizon has agreed to conduct an internal review regarding the installations and determine as to whether they may wish to go back and do an inspection to ensure that those connections are, in fact, safe.

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

ITEM NO.

CASE

5

Docket No. 080134-TP – Petition by Intrado Communications, Inc. for arbitration to establish an interconnection agreement with Verizon Florida LLC, pursuant to Section 252(b) of the Communications Act of 1934, as amended, and Section 364.162, F.S.

Critical Date(s):	None
Commissioners Assigned:	All Commissioners
Prehearing Officer:	McMurrian
Staff:	RCP: Trueblood GCL: Tan

(Oral Argument Not Requested)

Issue 1: Should Verizon's Motion for Summary Final Order be granted?

Recommendation: No. Verizon's Motion for Summary Final Order should be denied because it fails to meet the legal standard for which a Summary Final Order may be granted.

Issue 2: Should this docket be closed?

Recommendation: No. If the Commission approves staff's recommendation in Issue 1 or defers ruling on the motion for summary final order, this docket should remain open. If the Commission grants the motion for summary final order, this docket should be closed.

DECISION: This item was withdrawn.

ITEM NO.

CASE

6**PAA

Docket No. 090161-TL – Investigation and determination of appropriate method for issuing out-of-service credits to all affected customers of ITS Telecommunications Systems, Inc.

Critical Date(s):	None
Commissioners Assigned:	All Commissioners
Prehearing Officer:	Administrative
Staff:	RCP: Watts ECR: Livingston GCL: Morrow SSC: Buys

Issue 1: Should the Commission approve ITS Telecommunications Systems, Inc.’s actions wherein the company issued a refund to the affected customers in the March and April 2009 billing cycles, for failing to issue automatic rebates to customers who experienced out-of-service conditions for more than 24 hours, as required by Rule 25-4.110(6), F.A.C., from March 2006 through September 2008?

Recommendation: Yes, the Commission should approve ITS’ refund actions.

Issue 2: Should this docket be closed?

Recommendation: The Order issued from this recommendation will be a proposed agency action. Thus, the Order will become final and effective upon issuance of the Consummating Order. If no person whose substantial interests are affected timely files a protest within 21 days of issuance of this Order, this docket should be closed upon issuance of the Consummating Order.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

7**PAA

Docket No. 090057-TL – Investigation and determination of appropriate method for issuing time-out-of-service credits to all affected customers of Windstream Florida, Inc.

Critical Date(s):	None	
Commissioners Assigned:	All Commissioners	
Prehearing Officer:	Skop	
Staff:	RCP: Watts GCL: Brooks SSC: Buys	

Issue 1: Should the Commission accept Windstream Florida, Inc.’s proposal to issue a refund to the affected customers beginning with the first billing cycle in June 2009, for failing to issue automatic rebates to customers who experienced out-of-service conditions for more than 24 hours, as required by Rule 25-4.110(6), F.A.C., from July 2006 through June 2008; require the company to remit monies that cannot be refunded to the Commission for deposit in the State of Florida General Revenue Fund by September 30, 2009; and require the company to report in writing by September 30, 2009, to the Commission stating, (1) how much was refunded to its customers, (2) the number of customers, and (3) the amount of money that was unrefundable?

Recommendation: Yes, the Commission should accept Windstream’s refund proposal.

Issue 2: Should this docket be closed?

Recommendation: The Order issued from this recommendation will be a proposed agency action. Thus, the Order will become final and effective upon issuance of the Consummating Order if no person whose substantial interests are affected timely files a protest within 21 days of issuance of this Order. The company should submit its final report, identified by docket number, and a check for the unrefunded amount (if any), made payable to the Florida Public Service Commission, by September 30, 2009. Upon receipt of the final report and unrefunded monies, if any, this docket should be closed administratively if no timely protest has been filed.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

8**PAA

Docket No. 090143-TC – Request for cancellation of PATS Certificate No. 5418 by John Palumbo d/b/a Duck's Back Enterprises, effective March 16, 2009.

Critical Date(s):	None
Commissioners Assigned:	All Commissioners
Prehearing Officer:	Administrative
Staff:	RCP: Isler GCL: Brooks

Issue 1: Should the Commission deny John Palumbo d/b/a Duck's Back Enterprises, a voluntary cancellation of pay telephone service (PATS) Certificate No. 5418 and cancel the certificate on the Commission's own motion with an effective date of March 16, 2009?

Recommendation: Yes, the company should be denied a voluntary cancellation as listed on Attachment A of staff's memorandum dated April 23, 2009.

ITEM NO.

CASE

8**PAA

Docket No. 090143-TC – Request for cancellation of PATS Certificate No. 5418 by John Palumbo d/b/a Duck's Back Enterprises, effective March 16, 2009.

(Continued from previous page)

Issue 2: Should this docket be closed?

Recommendation: Staff recommends that the Order issued from this recommendation will become final and effective upon issuance of a Consummating Order, unless a person whose substantial interests are affected by the Commission's decision files a protest that identifies with specificity the issues in dispute, in the form provided by Rule 28-106.201, Florida Administrative Code, within 21 days of the issuance of the Proposed Agency Action Order. As provided by Section 120.80(13)(b), Florida Statutes, any issues not in dispute should be deemed stipulated. If the company fails to timely file a protest and to request a Section 120.57, Florida Statutes, hearing, the facts should be deemed admitted and the right to a hearing waived. If the company pays the Regulatory Assessment Fees, including accrued late payment charges, prior to the expiration of the Proposed Agency Action Order, then the cancellation of the company's PATS certificate will be voluntary. If the company fails to pay the Regulatory Assessment Fees, including accrued late payment charges, prior to the expiration of the Proposed Agency Action Order, then the company's PATS certificate should be cancelled administratively, and the collection of the past due Regulatory Assessment Fees, including accrued late payment charges, should be referred to the Florida Department of Financial Services for further collection efforts. If the company's PATS certificate is cancelled in accordance with the Commission's Order from this recommendation, the company should be required to immediately cease and desist providing telecommunications service in Florida. This docket should be closed administratively either upon receipt of the payment of the Regulatory Assessment Fees, including accrued late payment charges, or upon cancellation of the company's PATS certificate.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

9**

Docket No. 090155-EQ – Petition for approval of revisions to renewable energy tariff by Florida Public Utilities Company.

Docket No. 090162-EQ – Petition for approval of amended standard offer contract and retirement of COG-2 rate schedule, by Progress Energy Florida.

Docket No. 090163-EQ – Petition for approval of new standard offer for purchase of firm capacity and energy from renewable energy facilities or small qualifying facilities and approval of tariff schedule REF-1, by Gulf Power Company.

Docket No. 090165-EQ – Petition for approval of standard offer contract for small qualifying facilities and producers of renewable energy, by Tampa Electric Company.

Docket No. 090166-EQ – Petition for approval of renewable energy tariff and standard offer contract, by Florida Power & Light Company.

Critical Date(s):	05/29/09 (60-Day Suspension Date)
Commissioners Assigned:	All Commissioners
Prehearing Officer:	Administrative
Staff:	SGA: Sickel ECR: Roberts GCL: Hartman

Issue 1: Should the Commission suspend the revised standard offer tariffs filed by Florida Power & Light Company, Progress Energy Florida, Gulf Power Company, Tampa Electric Company, and the revision to its renewable energy tariff by Florida Public Utilities Company.

Recommendation: Yes.

Issue 2: Should these dockets be closed?

Recommendation: No. If the Commission approves Issue 1, these dockets should remain open to allow staff adequate time to review the filings and bring a recommendation back to the Commission on the merits of the filings.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

10**PAA

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

Critical Date(s): 05/18/09 (5-Month Effective Date (PAA Rate Case))

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: ECR: Prestwood, Bulecza-Banks, Draper, Hadder, Hewitt, Kummer, Kyle, P. Lee, Lester, Livingston, Maurey, Piper, A. Roberts, Slemkewicz, Springer
GCL: Brubaker, Jaeger
SSC: Hicks, Mills

Issue 1: Is FPUC's projected test period of the 12 months ending December 31, 2009, appropriate?

Recommendation: Yes. With the adjustments recommended by staff in the following issues, the projected test year of 2009 is appropriate.

DECISION: The recommendation was approved.

Issue 2: Are the projected bills and terms for the test year ending December 31, 2009, appropriate for use in this case?

Recommendation: Yes. The projected bills and terms for the test year ending December 31, 2009, are appropriate for use in this case

DECISION: The recommendation was approved.

Issue 3: Is the quality of service provided by FPUC adequate?

Recommendation: Yes. FPUC's quality of service is satisfactory.

DECISION: The recommendation was approved.

Issue 4: Should an adjustment be made to update the allocations attributable to non-regulated business and common plant?

Recommendation: Yes. Staff recommends adjustments to increase plant in service and the accumulated depreciation reserve by \$81,565 and \$79,623, respectively, to reflect the 2009 allocation factors. Staff also recommends an adjustment to increase depreciation expense by \$17,740.

DECISION: The recommendation was approved.

ITEM NO.

CASE

10**PAA

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 5: Should an adjustment be made for the allocation of common Electronic Data Processing Equipment (EDP)?

Recommendation: Yes. Staff recommends adjustments to increase plant in service and the accumulated depreciation reserve by \$90,819 and \$52,067, respectively, for the test year. Staff also recommends an adjustment to increase depreciation expense by \$9,616.

DECISION: The recommendation was approved.

Issue 6: Should FPUC's proposed adjustments to Rate Base and Depreciation Expense & Amortization expense due to the expansion and modification of its bare steel replacement program be approved?

Recommendation: No. The Company's modified bare steel replacement program should be approved, with the exception that the replacement period should be shortened to 50 years to reflect the average useful life of the equipment. Staff recommends an adjustment to decrease the Company's plant in service and depreciation reserve by \$67,503 and \$716, respectively. Staff also recommends an adjustment to increase amortization expense by \$124,621 and decrease depreciation expense by \$1,841.

Further, the Company should be required to file a report with the Commission's Division of Economic Regulation, within 90 days of the final order in this rate case, showing the dollar amount and feet of plastic mains and services installed in 2005, 2006, 2007, and 2008 to replace the bare steel pipe retired in those same years. Thereafter, the Company should be required to file an annual status report by March 31 of each year showing the dollar amount and feet of plastic mains, services and tubing installed during the previous calendar year to replace bare steel pipe and tubing retired that year.

DECISION: The recommendation was approved.

Issue 7: Should FPUC's Area Expansion Program (AEP) deficiency be allowed in rate base?

Recommendation: Yes. Staff recommends that the Company's AEP deficiency be allowed in rate base, as corrected. This requires an adjustment to increase plant in service by \$17,419 to correct an error in the Company's filing.

DECISION: The recommendation was approved.

ITEM NO.

CASE

10**PAA

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 8: Should an adjustment be made to Account 252 - Customer Advances for the projected test year?

Recommendation: Yes. Account 252 - Customer Advances for Construction should be increased by \$87,449 for the projected 2009 test year.

DECISION: The recommendation was approved.

Issue 9: Is FPUC's requested level of Working Capital Allowance for the projected test year appropriate?

Recommendation: No. Staff recommends that working capital be reduced by \$26,028, to correct errors in the Company's calculation of workman's compensation insurance and non-utility plant for the 2009 test year.

DECISION: The recommendation was approved.

Issue 10: Is FPUC's requested level of Rate Base for the projected test year appropriate?

Recommendation: No. The appropriate amount of rate base for the 2009 projected test year is \$73,262,885, as shown on Schedule 1 of staff's memorandum dated April 23, 2009.

DECISION: The recommendation was approved.

Issue 11: What is the appropriate amount of accumulated deferred income taxes (ADITs) to include in the capital structure?

Recommendation: The appropriate amount of ADITs to include in the capital structure for the projected test year is \$2,773,818.

DECISION: The recommendation was approved.

Issue 12: What is the appropriate amount and cost rate of the unamortized investment tax credits (ITCs) to include in the capital structure?

Recommendation: The appropriate amount and cost rate of unamortized ITCs to include in the capital structure are \$115,553 and 8.79 percent, respectively.

DECISION: The recommendation was approved.

ITEM NO.

CASE

10**PAA

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 13: What is the appropriate cost rate for short-term debt for the projected test year?

Recommendation: The appropriate cost rate for short-term debt is 2.73 percent.

DECISION: The recommendation was approved.

Issue 14: What is the appropriate cost rate for long-term debt for the projected test year?

Recommendation: The appropriate cost rate for long-term debt for the projected test year is 7.90 percent.

DECISION: The recommendation was approved.

Issue 15: 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 ~~44.00~~ 10.85 percent with a range of plus or minus 100 basis points.

DECISION: The recommendation was approved as modified as stated at the Commission Conference and noted above. Chairman Carter and Commissioner Argenziano dissented.

Issue 16: What is the appropriate capital structure for the projected test year?

Recommendation: The appropriate capital structure is detailed on Schedule 2 of staff's memorandum dated April 23, 2009. Staff recommends the implementation of a 13-month average capital structure consistent with prior Commission practice.

DECISION: The recommendation was approved.

Issue 17: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure

Recommendation: The appropriate weighted average cost of capital for the test year is 8.23 percent. This is a calculation based upon decisions in preceding issues.

DECISION: The recommendation was approved.

Issue 18: Has FPUC eliminated the appropriate amount of expense attributable to non-regulated business?

Recommendation: No. Account 912.1 – Demonstrating and Selling Expenses should be reduced by \$73,751 for the projected 2009 test year.

DECISION: The recommendation was approved.

ITEM NO.

CASE

10**PAA

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 19: Has FPUC eliminated all revenues and expenses associated with franchise fees?

Recommendation: No. Both operating revenues and taxes other than income should be reduced by \$1,441,002 for the 2009 projected test year.

DECISION: The recommendation was approved.

Issue 20: Has FPUC eliminated all revenues and expenses associated with gross receipts tax?

Recommendation: No. Both operating revenues and taxes other than income should be reduced by \$2,315,886 for the projected 2009 test year.

DECISION: The recommendation was approved.

Issue 21: Is FPUC's inflation trend factor appropriate?

Recommendation: Yes, FPUC's inflation trend factor is appropriate.

DECISION: The recommendation was approved.

Issue 22: Should an adjustment be made for an invoice not recorded to Account 903 - Customer Records and Collections?

Recommendation: Yes. Account 903 – Customer Records and Collections should be increased by \$24,539 for the 2009 projected test year.

DECISION: The recommendation was approved.

Issue 23: Should FPUC's Account 904 - Uncollectible Accounts expense be adjusted and what is the appropriate factor to include in the revenue expansion factor?

Recommendation: Yes. Account 904 – Uncollectible Accounts expense should be reduced by \$116,853. Also, the bad debt factor to include in the net operating income multiplier should be .51 percent.

DECISION: The recommendation was approved.

Issue 24: Should an adjustment be made to expenses for misclassified travel expenses for the projected test year?

Recommendation: Yes. Staff recommends an adjustment to decrease Account 912 - Demonstration and Selling Expenses by \$2,093 for the test year.

DECISION: The recommendation was approved.

ITEM NO.

CASE

10**PAA

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 25: Should an adjustment be made to Account 913 - Promotional Advertising expense for the projected test year?

Recommendation: Yes. Staff recommends an adjustment to reduce Account 913 - Promotional Advertising expense by \$56,238, for the 2009 test year.

DECISION: The recommendation was approved.

Issue 26: Should an adjustment be made to Account 920 - Administrative and General Salaries for officer's salaries?

Recommendation: Yes. Account 920 - Administrative and General Salaries should be decreased by \$44,595 for the projected 2009 test year.

DECISION: The recommendation was approved.

Issue 27: Should an adjustment be made for the cost of new flooring in the corporate office, for the projected test year?

Recommendation: Yes. Account 935 – Maintenance of General Plant should be reduced by \$6,750, for the projected test year, to reflect the economic life of the flooring.

Issue 28: Is the requested storm damage accrual appropriate?

Recommendation: No. Staff recommends an adjustment to decrease Account 924 - Property Insurance by \$162,080 and increase working capital \$81,040. These adjustments include staff's recommended an annual storm damage accrual of \$6,000 with a target level of \$1,000,000.

DECISION: The recommendation was approved.

Issue 29: Should an adjustment be made to Account 926.5 - Employee Benefits Medical, for the projected test year?

Recommendation: Yes. Account 926.5 - Employee Benefits Medical should be reduced by \$235,805.

DECISION: The recommendation was approved.

ITEM NO.

CASE

10**PAA

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 30: Should an adjustment be made to rate case expense for the projected test year and what is the appropriate amortization period?

Recommendation: Yes. Rate case expense should be reduced by \$60,109 and the expense should be amortized over four years. Also, the unamortized portion of the allowed expense should be excluded from the projected test year working capital resulting in a decrease to working capital of \$324,270.

DECISION: The recommendation was approved.

Issue 31: Should an adjustment be made to accumulated depreciation and depreciation expense to reflect the Commission's decision in Docket No. 080548-GU, In re: 2008 Depreciation Study for FPUC to be implemented 2009?

Recommendation: Yes. Staff recommends an adjustment to increase depreciation expense by \$205,596 and an adjustment to increase depreciation reserve by \$118,954 for the 2009 test year.

DECISION: The recommendation was approved.

Issue 32: Should an adjustment be made to remove expenses associated with vacant positions?

Recommendation: Yes. Staff recommends that operating expenses be reduced by \$190,505 to reflect vacant employee positions as of April 2009.

DECISION: The recommendation was approved.

Issue 33: Should an adjustment be made to remove a portion of Account 408.1 - Taxes Other Than Income Taxes for property tax expense associated with the new South Florida Operations Facility?

Recommendation: Yes. Staff recommends that Account 408.1 - Taxes Other Than Income Taxes be reduced by \$114,079 for the property tax expense associated with the new South Florida Operations Facility. Staff also recommends that this expense be addressed with the new South Florida Operations Facility rate relief issue.

DECISION: The recommendation was approved.

ITEM NO.

CASE

10**PAA

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 34: Is an adjustment required for FPUC's Taxes Other Than Income Taxes due to Common Plant Allocations for the projected test year appropriate?

Recommendation: Yes. FPUC's Account 408.1 – Taxes Other Than Income Taxes should be reduced by \$66,363 for the projected test year.

DECISION: The recommendation was approved.

Issue 35: What is the appropriate Income Tax Expense, including current and deferred income taxes, investment tax credit (ITC) amortization, and interest synchronization?

Recommendation: The appropriate amount of Income Tax Expense, including current and deferred income taxes, ITC amortization, and interest synchronization is a negative \$1,184,861 for the 2009 projected test year.

DECISION: The recommendation was approved.

Issue 36: Is FPUC's Net Operating Income for the projected test year appropriate?

Recommendation: No. FPUC's Net Operating Income with staff's recommended adjustments is \$740,052, as shown on Schedule 3 of staff's memorandum dated April 23, 2009.

DECISION: The recommendation was approved.

Issue 37: What is the appropriate projected test year revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPUC?

Recommendation: The appropriate Revenue Expansion Factor is 61.7400 and the appropriate Net Income Multiplier is 1.6197, as shown on Schedule 4 of staff's memorandum dated April 23, 2009.

DECISION: The recommendation was approved.

Issue 38: Is FPUC's requested annual operating revenue increase of \$9,917,690 for the 2009 projected test year appropriate?

Recommendation: No. The appropriate annual operating revenue increase is \$8,567,376, as shown on Schedule 5 of staff's memorandum dated April 23, 2009, for the projected test year.

DECISION: The recommendation was approved.

ITEM NO.

CASE

10**PAA

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 39: Are FPUC’s estimated revenues from sales of gas by rate class at present rates for the projected test year appropriate?

Recommendation: Yes. FPUC’s estimated revenues from sales of gas by rate class at present rates for projected test year are appropriate.

DECISION: The recommendation was approved.

Issue 40: 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 6 of staff’s memorandum dated April 23, 2009, pages 1-21.

DECISION: The recommendation was approved.

Issue 41: What are the appropriate customer charges?

Recommendation: Staff’s recommended charges are as follows:

Rate Class	Staff Recommended Customer Charges
RS	\$11.00
GS-1/GSTS-1	\$20.00
GS-2/GSTS-2	\$33.00
LVS/LVTS	\$90.00
IS/ITS	\$280.00
RS-GS	\$21.30
CS-GS	\$35.86

DECISION: The recommendation was approved.

ITEM NO.

CASE

10**PAA

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 42: What are the appropriate per therm non-fuel energy charges?

Recommendation: The appropriate per therm non-fuel energy charges are shown in the table below:

Rate Class	Staff Recommended Energy Charges (cents per therm)
RS	52.011
GS-1/GSTS-1	40.125
GS-2/GSTS-2	40.125
LVS/LVTS	36.143
IS/ITS	23.559
GLS/GLSTS	24.704
RS-GS	52.011
CS-GS	40.125

DECISION: The recommendation was approved.

ITEM NO.

CASE

10**PAA

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 43: What are the appropriate miscellaneous service charges?

Recommendation: The appropriate miscellaneous service charges are as follows:

Service Charge	Staff Recommendation
Establishment of Service - Regularly Scheduled	
RS, RS-GS	\$52.00
GS-1, GS-2, CS-GS, GSTS-1, GSTS-2	\$75.00
LVS, LVTS, IS, ITS	\$112.00
Establishment of Service - Same Day or Outside Normal Business Hours	
RS, RS-GS	\$69.00
GS-1, GS-2, CS-GS, GSTS-1, GSTS-2	\$96.00
LVS, LVTS, IS, ITS	\$144.00
Change of Account - Regularly Scheduled	\$23.00
Change of Account - Same Day or Outside Normal Business Hours	\$29.00
Reconnection After Disconnection for Non-Pay - Regularly Scheduled	
RS, RS-GS	\$81.00
GS-1, GS-2, CS-GS, GSTS-1, GSTS-2	\$104.00
LVS, LVTS, IS, ITS	\$141.00
Reconnection After Disconnection for Non-Pay - Same Day or Outside Normal Business Hours	
RS, RS-GS	\$98.00
GS-1, GS-2, CS-GS, GSTS-1, GSTS-2	\$125.00
LVS, LVTS, IS, ITS	\$173.00
Bill Collection in Lieu of Disconnection for Non-Pay	\$25.00
Trip Charge – Regularly Scheduled	\$23.00
Trip Charge - Same Day or Outside Normal Business Hours	\$29.00

DECISION: The recommendation was approved.

Issue 44: Are the proposed new temporary disconnection charges appropriate?

Recommendation: Yes. The new service charges for temporary disconnection of service (\$29.00 for regularly scheduled and \$35.00 for same day service) are appropriate.

DECISION: The recommendation was approved.

ITEM NO.

CASE

10**PAA

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 45: Is FPUC’s proposal to stratify the current commercial General Service (GS/GST) rate class into two rate classes (GS-1/GSTS-1 and GS-2/GSTS-2) appropriate?

Recommendation: Yes.

DECISION: The recommendation was approved.

Issue 46: Should residential generator-only customers who currently take service under the residential rate be transferred to the residential standby generator service (RS-GS) rate schedule approved in Docket No. 080072-GU?

Recommendation: Yes.

DECISION: The recommendation was approved.

Issue 47: Is the proposed new Commercial Standby Generator Service (CS-GS) rate schedule appropriate?

Recommendation: Yes, the proposed new Commercial Standby Generator Service (CS-GS) rate schedule is appropriate, and all current commercial generator-only customers should be transferred to the CS-GS rate schedule. The Commission has previously approved residential and commercial generator rate schedules for Peoples Gas System.

DECISION: The recommendation was approved.

Issue 48: Is the proposed new Gas Lighting Service Transportation Service (GLSTS) rate schedule appropriate?

Recommendation: Yes.

DECISION: The recommendation was approved.

Issue 49: Are the proposed modifications to the Area Expansion Surcharge appropriate?

Recommendation: The Commission should approve all adjustments proposed by FPUC to its Area Extension Program, with the exception of the requested rate of return. FPUC’s proposed modifications to the AEP equitably distributes charges in the various rate classes. The Commission should require FPUC to use the approved rate of return mid-point for all Area Expansion Programs.

DECISION: The recommendation was approved.

ITEM NO.

CASE

10**PAA

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 50: Is the proposed increase to all existing Area Expansion Surcharges to lower the projected unrecovered excess construction cost balances appropriate?

Recommendation: Yes. The changes proposed to the existing Area Expansion Surcharges to lower the projected unrecovered excess construction costs balances allow for a reasonable capture of some outstanding excess construction costs before transferring the balance to all of FPUC's rate base.

DECISION: The recommendation was approved.

Issue 51: What is the appropriate effective date for FPUC'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. FPUC 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.

DECISION: The recommendation was approved.

Issue 52: Should any portion of the \$984,054 interim increase granted by Order No. PSC-09-123-PCO-GU, issued March 3, 2009, 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.

DECISION: The recommendation was approved.

ITEM NO.

CASE

10**PAA

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 53: Should FPUC 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, rate of return reports, and books and records that will be required as a result of the Commission's findings in this rate case?

Recommendation: Yes. FPUC should 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, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case.

DECISION: The recommendation was approved.

Issue 54: Should there be a step increase for the new South Florida Operations Center and, if so, what procedure should be used?

Recommendation: No. Staff recommends that a step increase for the new South Florida Operations Center be denied at this time and that the Commission take no other action with respect to possible future proceedings for this matter.

DECISION: The recommendation was approved.

Issue 55: Should this docket be closed?

Recommendation: Yes. If no substantially affected person files a protest within 21 days of the date of the Proposed Agency Action Order, this docket should be closed upon the issuance of a Consummating Order, and the utility's completion of refunds, if any, and filing of the appropriate notices and tariffs.

DECISION: The recommendation was denied and the docket is to remain open. In the event the merger is consummated, 1) a new docket will be opened, 2) the company will file MFRs and testimony (reflecting, at a minimum, the effect of the merger, the synergies of the merger, and the change in capital structure), within 180 days, based on a 2011 test year, and 3) monies that are collected will be held, subject to refund, from the date that the merger is consummated.

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

ITEM NO.

CASE

11**

Docket No. 080098-WU – Application for certificate to provide water service in Sumter County by Cedar Acres Inc.

Critical Date(s): 05/10/09 (Statutory Deadline for original certificate, pursuant to Section 367.031, Florida Statutes)

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: ECR: Clapp, Marsh, Walden

GCL: Young

Issue 1: Should the Commission order the utility to show cause, in writing within 21 days, why it should not be fined for operating water utility without a certificate of authorization in apparent violation of Chapter 367.031, F.S.?

Recommendation: No. Show cause proceedings should not be initiated.

Issue 2: Should the application of Cedar Acres Inc for a water certificate be approved?

Recommendation: Cedar Acres Inc should be granted Certificate No. 643-W to serve the territory described in Attachment A of staff's memorandum dated April 23, 2009, effective the date of the Commission's vote. The resultant order should serve as Cedar Acres' water certificate and it should be retained by the utility.

Issue 3: What rates and charges should be approved for Cedar Acres Inc?

Recommendation: The water rates currently charged by the utility, including a \$9.00 base facility charge and \$0.045 per 1000 gallons, should be approved. Cedar Acres should charge the approved rates until authorized to change them by this Commission in a subsequent proceeding. The rates should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C.

Issue 4: Should this docket be closed?

Recommendation: Yes. If the Commission approves staffs' recommendations in Issues 1-3, this docket should be closed because no further action is necessary.

DECISION: This item was deferred to the June 2, 2009, Commission Conference.

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

ITEM NO.

CASE

12**PAA

Docket No. 080248-SU – Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc. (Deferred from the April 21, 2009, Commission Conference, revised recommendation filed.)

Critical Date(s): 5-Month Effective Date Waived Through 05/05/09

Commissioners Assigned: All Commissioners

Prehearing Officer: Argenziano

Staff: ECR: Buys, Bulecza-Banks, Daniel, Fletcher, Maurey, Walden

GCL: Young

(Proposed Agency Action Except Issues 15 and 16)

Issue 1: Is the quality of service provided by Tierra Verde Utilities, Inc. satisfactory?

Recommendation: Yes. The overall quality of service provided by the Utility is satisfactory.

Issue 2: Should the audit adjustments to rate base and operating expense to which the Utility and staff agree, be made?

Recommendation: Yes. Based on the audit adjustments agreed to by the Utility and staff, the following adjustments should be made to rate base and operating expenses.

Audit Finding	Wastewater
No. 1 - Increase CIAC	\$25,425
No. 1 - Increase Amortization Expense (CIAC)	\$1,228
No. 1 - Increase Accumulated Amortization of CIAC	\$614
No. 2 - Decrease Accumulated Depreciation	\$75,829
No. 2 - Decrease Accumulated Amortization of CIAC	\$107,686
No. 2 - Decrease Amortization Expense (CIAC)	\$67,203
No. 2 - Decrease CIAC	\$1
No. 3 - Decrease Contractual Services – Legal	\$114
No. 3 - Decrease Rate Case Expense Adjustment	\$2,829
No. 4 - Decrease Accumulated Depreciation	\$1,517
No. 4 - Increase Accumulated Amortization of CIAC	\$1,209
No. 4 - Decrease Depreciation Expense	\$8,074
No. 4 - Increase Amortization Expense (CIAC)	\$1,209
AT No. 5 - Increase Transportation Expense	\$3,138

Issue 3: What are the used and useful percentages of the Utility's wastewater collection system?

Recommendation: The collection system is 100 percent used and useful.

Issue 4: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$93,285 91,724.

ITEM NO.

CASE

12**PAA

Docket No. 080248-SU – Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc. (Deferred from the April 21, 2009, Commission Conference, revised recommendation filed.)

(Continued from previous page)

Issue 5: What is the appropriate rate base for the December 31, 2007, test year?

Recommendation: Consistent with other recommended adjustments, the appropriate simple average rate base for the test year ending December 31, 2007, is \$1,504,479 ~~1,502,918~~.

Issue 6: What is the appropriate return on common equity?

Recommendation: The appropriate return on common equity is 12.34 percent 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.

Issue 7: 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, 2007?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2007, is 8.29 percent.

Issue 8: Should an adjustment be made to Purchased Wastewater Treatment due to excessive infiltration and inflow?

Recommendation: Yes. Purchased Wastewater Treatment Expense should be decreased by \$84,119 due to excessive infiltration and inflow.

Issue 9: Should an adjustment be made to operation and maintenance expense?

Recommendation: Yes. Operation and maintenance expense should be decreased by \$1,570.

Issue 10: Should an adjustment to Contractual Services-Other be made?

Recommendation: Yes. Contractual Services-Other should be decreased by \$2,046 ~~14,536~~.

Issue 11: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense is \$91,558. This expense should be recovered over four years for an annual expense of \$22,890. Thus, rate case expense should be reduced by \$19,107.

Issue 12: What is the test year wastewater operating income or loss before any revenue increase?

Recommendation: The test year operating income is a net loss of \$54,659 ~~46,891~~ for wastewater before any revenue increase.

ITEM NO.

CASE

12**PAA

Docket No. 080248-SU – Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc. (Deferred from the April 21, 2009, Commission Conference, revised recommendation filed.)

(Continued from previous page)

Issue 13: What is the appropriate revenue requirement?

Recommendation: The following is the appropriate revenue requirement:

	Test Year		Revenue	
	<u>Revenues</u>	<u>\$ Increase</u>	<u>Requirement</u>	<u>% Increase</u>
Wastewater	\$780,729	\$301,207	\$1,081,936	38.58%
		\$287,930	\$1,068,659	36.88%

Issue 14: What are the appropriate wastewater rates for Tierra Verde?

Recommendation: The appropriate monthly rates are shown on Schedule No. 4 of staff's memorandum dated April 23, 2009. Staff's recommended rates are designed to produce revenues of \$1,081,936 ~~1,068,659~~ 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 15: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, no wastewater refunds are required.

Issue 16: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense?

Recommendation: The rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated April 23, 2009 to remove \$23,969 for rate case expense, grossed up for regulatory assessment fees (RAFs), which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction.

ITEM NO.

CASE

12**PAA

Docket No. 080248-SU – Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc. (Deferred from the April 21, 2009, Commission Conference, revised recommendation filed.)

(Continued from previous page)

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, Tierra Verde 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.

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 will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the corporate undertaking should be released.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

13**PAA

Docket No. 080250-SU – Application for increase in wastewater rates in Pinellas County by Mid-County Services, Inc. (Deferred from the April 21, 2009, Commission Conference, revised recommendation filed.)

Critical Date(s): 5-Month Effective Date Waived Through 05/05/09

Commissioners Assigned: All Commissioners

Prehearing Officer: Argenziano

Staff: ECR: Buys, Bulecza-Banks, Daniel, Fletcher, Maurey, Walden

GCL: Hartman

(Proposed Agency Action Except for Issues 14 and 15)

Issue 1: Is the quality of service provided by Mid-County Services, Inc. satisfactory?

Recommendation: Yes. The overall quality of service provided by the Utility is satisfactory.

Issue 2: Should the audit adjustments to rate base and operating expenses to which the Utility and staff agree be made?

Recommendation: Yes. Based on the audit adjustments agreed to by the Utility and staff, the following adjustments should be made to rate base and operating expenses.

Audit Finding	Wastewater
No. 1 - Decrease Plant in Service	\$385
No. 1 - Decrease Accumulated Depreciation	\$10
No. 1 - Decrease Depreciation Expense	\$23
No. 2 - Decrease CIAC	\$633
No. 3 - Decrease Accumulated Depreciation	\$3,290
No. 6 - Increase RAF Expense (TOTI)	\$7,736
AT No. 4 - Increase Plant in Service	\$18,392
AT No. 5 - Increase Transportation Expense	\$5,422

Issue 3: Should any adjustments be made to the Utility's pro forma plant additions and associated expenses?

Recommendation: Yes. Mid-County's pro forma plant additions should be decreased by \$30,000 for wastewater. Corresponding adjustments should be made to decrease accumulated depreciation and depreciation expense by \$333, and \$667, respectfully.

ITEM NO.

CASE

13**PAA

Docket No. 080250-SU – Application for increase in wastewater rates in Pinellas County by Mid-County Services, Inc. (Deferred from the April 21, 2009, Commission Conference, revised recommendation filed.)

(Continued from previous page)

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

Recommendation: The wastewater treatment plant is 92 percent used and useful. The collection system is 100 percent used and useful, except that portion of the collection system that is booked in Account 354, which is 92 percent used and useful. Staff has reduced rate base by \$272,407 and has made corresponding adjustments to reduce depreciation expense by \$12,004 and reduce property tax by \$1,422. Staff's adjustments to non-used and useful plant are shown on the rate base and operating income adjustment Schedules 1-B and 3-B of staff's memorandum dated April 23, 2009.

Issue 5: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$13,356.

Issue 6: What is the appropriate rate base for the December 31, 2007, test year?

Recommendation: Consistent with other recommended adjustments, the appropriate simple average rate base for the test year ending December 31, 2007, is \$2,907,990.

Issue 7: What is the appropriate return on common equity?

Recommendation: The appropriate return on common equity is 11.83 percent 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.

Issue 8: 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, 2007?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2007, is 8.52 percent.

Issue 9: Should an adjustment to Contractual Services-Other be made?

Recommendation: Yes. Contractual Services-Other should be decreased by \$2,840 \$18,872.

Issue 10: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$107,968. This expense should be recovered over four years for an annual expense of \$26,992. The Utility's requested annual rate case expense of \$71,711 should be reduced by \$28,748 to remove prior rate case expense of \$28,748, and reduced by \$15,972 for staff's recommended adjustments to current rate case expense, for a total reduction of \$44,720.

Issue 11: What is the test year wastewater operating income or loss before any revenue increase?

Recommendation: The test year operating income is \$59,407 ~~\$69,406~~ for wastewater before any revenue increase.

ITEM NO.

CASE

13**PAA

Docket No. 080250-SU – Application for increase in wastewater rates in Pinellas County by Mid-County Services, Inc. (Deferred from the April 21, 2009, Commission Conference, revised recommendation filed.)

(Continued from previous page)

Issue 12: What is the appropriate revenue requirement?

Recommendation: The following is the appropriate revenue requirement:

	Test Year		Revenue	
	<u>Revenues</u>	<u>\$ Increase</u>	<u>Requirement</u>	<u>% Increase</u>
Wastewater	\$1,712,614	\$316,160	\$2,028,774	18.46%
		\$299,373	\$2,011,987	17.48%

Issue 13: What are the appropriate wastewater rates for Mid-County?

Recommendation: The appropriate monthly rates are shown on Schedule No. 4 of staff's memorandum dated April 23, 2009. Staff's recommended rates are designed to produce revenues of \$2,028,774 ~~\$2,011,987~~ 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 14: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, no wastewater refunds are required.

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 April 23, 2009, to remove \$28,263 for rate case expense, grossed up for regulatory assessment fees (RAFs), which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction.

ITEM NO.

CASE

13**PAA

Docket No. 080250-SU – Application for increase in wastewater rates in Pinellas County by Mid-County Services, Inc. (Deferred from the April 21, 2009, Commission Conference, revised recommendation filed.)

(Continued from previous page)

Issue 16: 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, Mid-County 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.

Issue 17: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and that the interim refund, if any, has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the corporate undertaking should be released.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

14**

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

Critical Date(s): 05/18/09 (60-Day Suspension Date)
11/18/09 (8-Month Effective Date)

Commissioners Assigned: All Commissioners
Prehearing Officer: McMurrin

Staff: ECR: Slemkewicz, Draper
GCL: Bennett, Brown, Hartman, Williams

Issue 1: Should Florida Power & Light Company's request for a \$1.044 billion permanent base rate increase, a \$247.4 million subsequent year base rate increase, and the associated tariff revisions be suspended pending a final decision in this docket?

Recommendation: Yes. The \$1.044 billion permanent base rate increase, the \$247.4 million subsequent year base rate increase, and its associated tariff revisions requested by Florida Power & Light Company should be suspended pending a final decision in this docket.

Issue 2: Should this docket be closed?

Recommendation: No, this docket should remain open to process the Company's revenue increase request.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

15 **Docket No. 080318-GU** – Petition for rate increase by Peoples Gas System.

Critical Date(s): 05/19/09 (8-Month Effective Date)

Commissioners Assigned: All Commissioners
Prehearing Officer: Skop

Staff: ECR: Bulecza-Banks, Buys, Draper, Gardner, Hewitt, Kaproth, Kummer, Kyle,
D. Lee, Maurey, A. Roberts, Slemkewicz, Springer
GCL: Klancke, Brubaker, Fleming
SSC: Hicks, Mills, Peterside

(Post-Hearing Decision - Participation is Limited to Commissioners and Staff)

Issue 1: Are the historical base year ended December 31, 2007, and the projected test year ending December 31, 2009, the appropriate test years to be utilized in this docket?

Recommendation: The historical base year ended December 31, 2007, and the projected test year ending December 31, 2009, as adjusted, reflect the appropriate rate base, cost of capital, and net operating income. Therefore, the historical base year ended December 31, 2007 and the projected test year ending December 31, 2009 are the appropriate test years.

DECISION: The recommendation was approved.

Issue 2: Are the projected bills and terms for the test year ending December 31, 2009, appropriate for use in this case?

Approved Stipulation: Yes. The projected bills and terms for the test year ending December 31, 2009 are appropriate for use in this case.

DECISION: Stipulated and approved at hearing.

Issue 3: Is the quality of gas service provided by PGS adequate?

Approved Stipulation: Yes.

DECISION: Stipulated and approved at hearing.

Issue 4: DROPPED

ITEM NO.

CASE

15 **Docket No. 080318-GU** – Petition for rate increase by Peoples Gas System.

(Continued from previous page)

Issue 5: Should any adjustments be made to Projected Plant, Accumulated Depreciation, and Depreciation Expense?

Recommendation: Yes. The 2009 projected test year 13-month average Projected Plant, and Depreciation Expense should be reduced by \$1,959,308 and \$113,640, respectively, and Accumulated Depreciation should be increased by \$795,371 resulting from 2008 and 2009 activities.

DECISION: The recommendation was approved.

Issue 6: DROPPED

Issue 7: Should any adjustments be made to reduce Plant, Accumulated Depreciation, Depreciation Expense, and other expenses to reflect non-utility operations?

Recommendation: No. Staff has reviewed the Company's filing and recommends that no adjustments are necessary to Plant, Accumulated Depreciation, Depreciation Expense, or other expenses to reflect non-utility operations.

DECISION: The recommendation was approved.

Issue 8: What is the appropriate amount of Construction Work in Progress (CWIP) for the 2009 projected test year?

Recommendation: The appropriate amount of Construction Work in Progress for the 2009 projected test year is \$18,249,444.

DECISION: The recommendation was approved.

Issue 9: What is the appropriate 2009 projected test year Total Plant?

Recommendation: The appropriate 2009 projected test year Total Plant should be \$989,165,541.

DECISION: The recommendation was approved.

Issue 10: What is the appropriate 2009 projected test year Depreciation Reserve?

Recommendation: The appropriate 2009 projected test year depreciation reserve should be \$435,075,857.

DECISION: The recommendation was approved.

ITEM NO.

CASE

15 **Docket No. 080318-GU** – Petition for rate increase by Peoples Gas System.

(Continued from previous page)

Issue 11: DROPPED

Issue 12: What is the appropriate 2009 projected test year Working Capital Allowance?

Approved Stipulation: The appropriate 2009 projected test year Working Capital Allowance is (\$11,494,371). (FIGU does not affirmatively stipulate this issue but takes no position on the issue.)

DECISION: Stipulated and approved at hearing.

Issue 13: What is the appropriate projected test year Rate Base?

Recommendation: The appropriate projected test year rate base should be \$560,844,757.

DECISION: The recommendation was approved.

Issue 14: What is the appropriate return on common equity for the projected test year?

Recommendation: The appropriate return on common equity for the 2009 projected test year is 10.75 percent with a range of plus or minus 100 basis points.

DECISION: The recommendation was approved.

Issue 15: What is the appropriate capital structure for the projected test year?

Recommendation: The appropriate capital structure for purposes of setting rates in this proceeding is based on the Company's 2009 projected test year capital structure. This capital structure reflects a projected equity ratio of 54.7 percent as a percentage of investor-supplied capital. The appropriate capital structure for the 2009 test year is shown on Schedule 2 of staff's memorandum dated April 23, 2009.

DECISION: The recommendation was approved.

Issue 16: What is the appropriate cost rate of long-term debt for the projected test year?

Approved Stipulation: The appropriate cost rate of long-term debt for the projected test year is 7.20%.

DECISION: Stipulated and approved at hearing.

ITEM NO.

CASE

15 **Docket No. 080318-GU** – Petition for rate increase by Peoples Gas System.

(Continued from previous page)

Issue 17: What is the appropriate cost rate of short-term debt for the projected test year?
Recommendation: The appropriate cost rate for short-term debt for the 2009 projected test year is 3.02 percent as shown on Schedule 2 of staff’s memorandum dated April 23, 2009.

DECISION: The recommendation was approved.

Issue 18: What is the appropriate amount of accumulated deferred taxes to be included in the capital structure for the projected test year?
Recommendation: The appropriate amount of accumulated deferred taxes to include in the capital structure for the 2009 projected test year is \$27,670,682, as shown on Schedule 2 of staff’s memorandum dated April 23, 2009.

DECISION: The recommendation was approved.

Issue 19: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for the projected test year?
Approved Stipulation: The appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for the projected test year are \$7,862 and 0%, respectively, as shown on MFR Schedule G-3, page 2. (FIGU does not affirmatively stipulate this issue but takes no position on the issue.)

DECISION: Stipulated and approved at hearing.

Issue 20: What is the appropriate weighted average cost of capital for the projected test year?
Recommendation: Based upon the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2009, staff recommends that the appropriate weighted average cost of capital for PGS for purposes of setting rates in this proceeding is 8.50 percent.

DECISION: The recommendation was approved.

Issue 21: Has PGS made the appropriate test year adjustments to remove revenues and expenses recoverable through the Purchased Gas Adjustment Clause?
Approved Stipulation: Yes.

DECISION: Stipulated and approved at hearing.

ITEM NO.

CASE

15 **Docket No. 080318-GU** – Petition for rate increase by Peoples Gas System.

(Continued from previous page)

Issue 22: Has PGS made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Conservation Cost Recovery Clause?

Approved Stipulation: Yes.

DECISION: Stipulated and approved at hearing.

Issue 23: What amount, if any, of Off-System Sales revenues should be included in the projected test year?

Recommendation: The Off-System Sales revenues for the 2009 projected test year should be \$2 million. Therefore, operating revenues should be increased by Off-System Sales revenues of \$1.5 million for the 2009 projected test year. In addition, taxes other than income should be increased by \$7,500 for regulatory assessment fees on the Off-System sales revenues.

DECISION: The recommendation was approved.

Issue 24: What is the appropriate amount of projected test year total Operating Revenues?

Recommendation: The appropriate amount of Operating Revenues is \$171,406,126 for the 2009 projected test year.

DECISION: The recommendation was approved.

Issue 25: Are the trend rates used by PGS to calculate projected Operation & Maintenance expenses appropriate?

Recommendation: Yes. The appropriate trend factors to be used in deriving projected expenses in the projected test year are as follows:

Trend Factors	Historic Base Year +1 12/31/2008	Projected Test Year 12/31/2009
Payroll Only	3.50%	4.00%
Customer Growth & Payroll	4.37%	4.51%
Customer Growth & Inflation	3.76%	2.60%
Inflation Only	2.90%	2.10%
Customer Growth	0.84%	0.49%

DECISION: The recommendation was approved with the understanding that the stricken staff analysis text, as modified at the conference, will not be addressed in the final order.

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Issue 26: Should the projected test year O&M expense be adjusted for the effect of any changes to the trend factors?

Recommendation: No. The payroll factors, customer growth factors and inflation factors for 2008 and 2009 were not changed, so no adjustments are necessary to the 2009 O&M expenses. Also, no adjustment is needed to remove the customer growth factors in the determination of the 2009 payroll expense.

DECISION: The recommendation was approved.

Issue 27: Should any adjustments be made to the 2007 O&M expenses for staff Audit Finding Nos. 1 and 2, to address out-of-period expenses, reclassifications, and non-utility expenditures?

Approved Stipulation: Yes. Adjustments should be made to the 2007 O&M expenses to remove out-of-period, reclassifications, and non-utility expenses. Based on these trended adjustments, 2009 Office Supplies and Expenses, Account 921, should be reduced by \$18,853 and Miscellaneous General Expenses, Account No. 930.2 should be reduced by \$5,007.

DECISION: Stipulated and approved at hearing.

Issue 28: Should any adjustments be made to Account 920, Administrative and General Salaries, or any other accounts related to employee compensation?

Recommendation: Yes. Staff recommends an adjustment to reduce Account 920, Administrative and General Salaries, by \$253,300 to reduce the officer's 2009 payroll increases to zero, and reduce the salaries merit increase of the other employees.

DECISION: The recommendation was approved as modified by staff at the conference.

Issue 29: What is the appropriate amount of rate case expense and what is the appropriate amortization period for that expense?

Recommendation: The appropriate amount of rate case expense and the appropriate amortization period is \$684,500 and four years, respectively. Therefore, rate case expense should be reduced by \$78,875.

DECISION: The recommendation was approved.

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Issue 30: Is PGS' proposed recovery of the gas cost portion of bad debt expense through the Purchased Gas Adjustment Clause appropriate?

Recommendation: No. PGS' adjustment to transfer \$723,580 of the bad debt expense to the Purchased Gas Adjustment Clause should be reversed.

DECISION: The recommendation was approved.

Issue 31: Should any adjustments be made to bad debt expense?

Recommendation: Yes. Bad debt expense should be increased by \$723,580, and should be based on a four-year average. This adjustment is designed to reflect the removal of the gas cost portion from the Purchased Gas Adjustment Clause discussed in Issue 30.

DECISION: The recommendation was approved.

Issue 32: Should any adjustments be made to Account 926, Employee Pensions and Benefits?

Recommendation: Yes. An adjustment should be made to reduce Account 926, Employee Pensions and Benefits by \$125,361 which removes \$117,000 in unjustified employee benefit expenses and an inflation factor of \$8,361 that was agreed to by OPC and PGS.

DECISION: The recommendation was approved.

Issue 33: What is the appropriate amount of pipeline integrity expense, if any, to be included in the projected test year?

Recommendation: Projected test year pipeline integrity expense should be reduced by \$250,000.

DECISION: The recommendation was approved.

Issue 34: Should the Commission allow PGS to establish a storm damage reserve, and if so, what is the appropriate amount of annual storm expense accrual?

Recommendation: Yes. The Commission should allow PGS to establish a storm damage reserve and the appropriate amount for the annual storm damage accrual should be \$57,500. As a result, the proposed annual storm damage accrual of \$100,000 should be reduced by \$42,500. A target level of \$1,000,000 should be established for the storm damage reserve but no "cap" should be imposed at this time.

DECISION: The recommendation was approved.

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Issue 35: Should any adjustments be made to Account 912, Demonstrating and Selling expenses?

Recommendation: Yes. An adjustment to reduce Account 912, Demonstrating and Selling expenses by \$407,360 to reflect a 5-year average of customer signings should be made.

DECISION: The recommendation was approved.

Issue 36: Should the costs to fund Directors and Officers Liability Insurance be included in the projected test year?

Recommendation: Yes. The Directors and Officers Liability Insurance should be included in the projected test year and no adjustment should be made to reduce or remove Director and Officer Liability Insurance. The Director and Officer Liability Insurance recovered through the TECO allocated expenses to Peoples in Issue 37 is appropriate.

DECISION: The recommendation was approved.

Issue 37: Should any adjustments be made to costs allocated by TECO to PGS?

Recommendation: Yes. An adjustment should be made to reduce TECO allocated payroll expense by \$26,500 to reflect the change in 2009 merit increase guidelines.

DECISION: The recommendation was approved.

Issue 38: What is the appropriate amount of Taxes Other Than Income Taxes?

Recommendation: The appropriate amount of Taxes Other Than Income Taxes is \$10,831,433 for the 2009 projected test year.

DECISION: The recommendation was approved.

Issue 39: Is it appropriate to make a parent debt adjustment as per Rule 25-14.004, Florida Administrative Code?

Recommendation: Yes. Jurisdictional income tax expense should be decreased by \$847,389 to reflect the parent debt adjustment required by Rule 25-14.004, F.A.C.

DECISION: The recommendation was approved.

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Issue 40: What is the appropriate Income Tax Expense, including current and deferred income taxes, ITC amortization, and interest synchronization?

Recommendation: The appropriate amount of Income Tax Expense, including current and deferred income taxes, ITC amortization, and interest synchronization is \$9,203,691 for the 2009 projected test year.

DECISION: The recommendation was approved with the math adjustment noted by staff at the conference.

Issue 41: What is the appropriate amount of projected test year O&M Expense?

Recommendation: The appropriate amount of O&M Expense is \$72,124,723 for the 2009 projected test year.

DECISION: The recommendation was approved.

Issue 42: What is the appropriate amount of projected test year Depreciation and Amortization Expense?

Recommendation: The appropriate amount of projected test year Depreciation and Amortization Expense should be \$43,691,093.

DECISION: The recommendation was approved.

Issue 43: What is the appropriate level of Total Operating Expenses for the 2009 projected test year?

Recommendation: The appropriate level of Total Operating Expenses is \$135,370,619 for the 2009 projected test year.

DECISION: The recommendation was approved.

Issue 44: What is the appropriate amount of projected test year Net Operating Income?

Recommendation: The appropriate amount of Net Operating Income is \$36,035,507 for the 2009 projected test year.

DECISION: The recommendation was approved.

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Issue 45: What is the appropriate projected test year revenue expansion factor to be used in calculating the revenue deficiency?

Approved Stipulation: The appropriate projected test year revenue expansion factor to be used in calculating the revenue deficiency is 1.6436. (FIGU does not affirmatively stipulate this issue but takes no position on the issue.)

DECISION: Stipulated and approved at hearing.

Issue 46: What is the appropriate projected test year operating revenue increase, if any?

Recommendation: The appropriate annual operating revenue increase is \$19,125,419 for the 2009 projected test year.

DECISION: The recommendation was approved.

Issue 47: Are PGS's estimated revenues by rate class at present rates for the projected test year appropriate?

Approved Stipulation: Yes. PGS's estimated revenues by rate class at present rates for the projected test year are appropriate.

DECISION: Stipulated and approved at hearing.

Issue 48: What is the appropriate cost of service methodology to be used in allocating costs to the rate classes?

Approved Stipulation: The appropriate methodology is contained in revised MFR Schedule H, and should reflect the Commission approved adjustments to rate base, expenses, rate of return, and net operating income. (OPC does not affirmatively stipulate this issue but takes no position on the issue.)

DECISION: Stipulated and approved at hearing.

Issue 49: What are the appropriate customer charges?

Recommendation: This is a fall-out issue and will be decided at the May 19, 2009, Agenda Conference.

DECISION: The recommendation was approved.

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Issue 50: What are the appropriate per therm Distribution Charges?

Recommendation: This is a fall-out issue and will be decided at the May 19, 2009, Agenda Conference.

DECISION: The recommendation was approved.

Issue 51: What are the appropriate Miscellaneous Service Charges?

Approved Stipulation: The appropriate revised miscellaneous service charges are as follows:

<u>Service Charge</u>	<u>Staff Recommendation</u>
Account Opening Charge	\$28
Service Initiation Charge - Residential	\$50 for initial meter
Service Initiation Charge - Other	\$30 for each additional meter
Reconnection Charge - Residential	\$70 for initial meter
Reconnection Charge - Other	\$20 for each additional meter
Temporary Meter Turn-off Charge	\$20
Failed Trip Charge	\$25

DECISION: Stipulated and approved at hearing.

Issue 52: Is PGS's proposal to stratify its current single residential service class into three individual classes appropriate?

Approved Stipulation: Yes. The proposal allows the Company to recover a greater proportion of fixed customer-related costs indicated by the allocated cost of service study through customer charges, while at the same time managing the potential bill impacts for individual customers to reasonable levels. Absent establishing the three billing classes, the bill impacts associated with increasing fixed cost recoveries through the customer charge would be too large for smaller residential customers that use natural gas for fewer appliances.

DECISION: Stipulated and approved at hearing.

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Issue 53: Is PGS’s proposal to reclassify certain customers appropriate?

Approved Stipulation: Yes. Redefining the GS-1 class (presently 1,000-17,500 annual therms) by moving the smallest GS-1 customers (up to 1,999 annual therms) into an expanded SGS rate class and moving the largest GS-1 customers (above 10,000 annual therms) into an expanded GS-2 rate class is appropriate to provide greater homogeneity and reduce the potential for intra-class subsidies.

At present all residential customers take service under the RS rate. The reclassification of a limited number of large residential customers addresses a separate issue, which relates to common areas of condominiums. Such use is considered residential even though the characteristics of the load are similar to use by larger GS customers. By expanding the eligibility of the GS-1 through GS-5 rate schedules to include residential use, the largest residential customers are included with similarly-situated non-residential customers for pricing purposes. An additional benefit of this approach is that it clarifies the rights of condominium units to purchase their gas supply from a third-party pursuant to the Company’s transportation service program. The deposit terms and conditions associated with residential service would continue to apply to condominium customers that are reclassified to a GS rate schedule.

DECISION: Stipulated and approved at hearing.

Issue 54: Should the Commission approve PGS’s proposed “Gas System Reliability Rider,” which would permit recovery of revenue requirements associated with eligible infrastructure system replacements (e.g., replacements for existing facilities, relining projects to extend the useful life of existing facilities, road relocation projects) and incremental O&M expenses, if any, incurred to comply with mandatory pipeline safety regulations? If approved as proposed by PGS, such recovery would continue until the effective date of revised base rates established in the Company’s next base rate proceeding. The rider would also provide for the refund of O&M expenses, if any, incurred to comply with mandatory pipeline safety regulations, in excess of such expenses included in the Company’s most recent base rate proceeding.

Recommendation: Yes, provided that PGS only be allowed to recover actual costs after they have been incurred. PGS should file a petition annually to establish per therm factors for each rate schedule to recover its actual and verifiable relocation and pipeline integrity costs in excess of what is recovered through base rates.

DECISION: This issue was deferred to the May 19, 2009, Commission Conference.

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15 **Docket No. 080318-GU** – Petition for rate increase by Peoples Gas System.

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Issue 55: Should the Commission approve PGS's proposed "Carbon Reduction Rider", which would permit recovery of revenue requirements associated with incremental capital expenditures, if any, for installation of supply mains (as defined in the rider) to serve primarily residential developments? If approved as proposed by PGS, such recovery would continue until the earlier of (i) the end of a five-year recovery period, or (ii) the effective date of revised base rates established in the Company's next base rate proceeding.

Recommendation: No. Staff agrees with OPC that PGS has not demonstrated the need for treatment of these costs outside a rate proceeding. Further, staff does not believe there are sufficient safeguards built into the Carbon Reduction Rider (CRR), as proposed, to adequately protect ratepayers from imprudent expenditures.

DECISION: The recommendation was approved.

Issue 56: What is the appropriate effective date for PGS's revised rates and charges?

Approved Stipulation: 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 which, under the current schedule, would mean for meter readings taken on or after June 18, 2009.

DECISION: Stipulated and approved at hearing.

Issue 57: Should any of the \$2,380,000 interim rate increase granted by Order No. PSC-08-0696-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.

DECISION: The recommendation was approved.

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15 **Docket No. 080318-GU** – Petition for rate increase by Peoples Gas System.

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Issue 58: Should PGS 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 which will be required as a result of the Commission’s findings in this docket?

Approved Stipulation: Yes. PGS should 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, rate of return reports, and books and records which will be required as a result of the Commission’s findings in this rate case. (FIGU does not affirmatively stipulate this issue but takes no position on the issue.)

DECISION: Stipulated and approved at hearing.

Issue 59: Should this docket be closed?

Approved Stipulation: Yes. This docket should be closed after the Commission has issued its final order and the time for filing an appeal has expired.

DECISION: Stipulated and approved at hearing.

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

ITEM NO.

CASE

16

Docket No. 080193-EQ – Petition for approval of renewable energy tariff and standard offer contract, by Florida Power & Light Company.

Critical Date(s): 90-Day Time Period Waived Through 5/5/09

Commissioners Assigned: Edgar, McMurrian, Argenziano
Prehearing Officer: Argenziano

Staff: SGA: Sickel, Lewis, Webb
ECR: Kummer
GCL: Hartman

(Post Hearing Decision - Participation is Limited to Commissioners and Staff)

Issue 1: Does Florida Power & Light Company's standard offer contract encourage the development of renewable energy, pursuant to Sections 366.91 and 366.92, F.S.?

Recommendation: Yes. FPL's standard offer contract encourages the development of renewable energy, pursuant to the requirements of the statutes. The standard offer is continuously available exclusively to renewable generators, provides a minimum term of ten years, and allows them to select from an array of payment options. Further, the contract provides valuable pricing information that can be used for subsequent negotiations.

DECISION: The recommendation was approved.

Issue 2: Does FPL's standard offer contract protect the economic viability of existing renewable facilities, pursuant to Section 366.92, F.S.?

Recommendation: Yes. FPL's standard offer contract supports the economic viability of renewable generators. The standard offer contract is continuously and exclusively available to renewable generators, allowing them to select from an array of payment options. Further, the contract provides valuable pricing information that may be used for subsequent negotiations.

DECISION: The recommendation was approved.

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Docket No. 080193-EQ – Petition for approval of renewable energy tariff and standard offer contract, by Florida Power & Light Company.

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Issue 3: Is the requirement in FPL's standard offer contract that renewable generators must achieve availability of 97 percent to receive full capacity payments reasonable and consistent with Sections 366.91 and 366.92, F.S., Rule 25-17.0832 F.A.C., and Rules 25-17.200 through 25-17.310, F.A.C.?

Recommendation: No. The availability requirement in the standard offer contract should reflect the projected availability of the avoided unit over the term of the contract. The Commission should deny the tariff as submitted. FPL should revise and re-submit the tariff to reflect the availability based on projected performance of the avoided unit over the contract term. In the event of curtailment, pursuant to Section 8.4.6 of the standard offer contract, adjustments should be made so that the curtailment period does not impact the renewable generator's calculated availability.

DECISION: The recommendation was approved.

Issue 4: Is the requirement that the equivalent availability factor (EAF) be based on the expected EAF of FPL's next planned generating unit reasonable and consistent with Sections 366.91 and 366.92, F.S., Rule 25-17.0832, F.A.C., and Rules 25-17.200 through 25-17.310, F.A.C.?

Recommendation: Yes, the requirement in the standard offer contract that the equivalent availability factor will be based on the expected EAF of FPL's next planned generating unit is reasonable and consistent with Sections 366.91 and 366.92, F.S., Rule 25-17.0832, F.A.C., and Rules 25-17.200 through 25-17.310, F.A.C. As discussed in Issue 3, FPL's standard offer contract should be revised to reflect the projected availability of the avoided unit over the term of the contract. The appropriate projected availability will comply with requirements of Rules 25-17.200 through 25-17.310 and 25-17.0832, F.A.C., which have been approved to implement Sections 366.051 and 366.91, F.S.

DECISION: The recommendation was approved.

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Docket No. 080193-EQ – Petition for approval of renewable energy tariff and standard offer contract, by Florida Power & Light Company.

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Issue 5: Is the requirement in FPL's standard offer contract that renewable generators have an annual capacity billing factor (ACBF) of at least 80 percent to receive capacity payments reasonable and consistent with Sections 366.91 and 366.92, F.S., Rule 25-17.0832, F.A.C., and Rules 25-17.200 through 25-17.310, F.A.C.?

Recommendation: Yes. The requirement of an annual capacity billing factor of at least 80 percent for a renewable energy facility to receive capacity payments reflects the projected performance of FPL's next planned generating unit. The requirement conforms to provisions of Rule 25-17.0832 and Rules 25-17.200 through 25-17.310, F.A.C., and is consistent with Sections 366.91 and 366.92, F.S., as well.

DECISION: The recommendation was approved.

Issue 6: Are Sections 8.4.6 and 8.4.8 of FPL's standard offer contract, that permit FPL to reduce output or not accept energy from renewable generators reasonable and consistent with Sections 366.91 and 366.92, F.S., Rule 25-17-0832, F.A.C., Rules 25-17.200 through 25-17.301, F.A.C.

Recommendation: Yes. Reductions allowed by Sections 8.4.6 and 8.4.8 of FPL's standard offer contract are the same reductions that would be made to the dispatch of FPL's next planned generating unit. Reductions made by FPL to the energy purchased from a renewable provider under the provisions of Sections 8.4.6 or 8.4.8 of the standard offer contract should not impact the equivalent availability factor or computation of annual capacity billing factor. The reductions should be mathematically removed from calculations of the equivalent availability factor and the annual capacity billing factor attributed to the renewable provider.

DECISION: The recommendation was approved.

Issue 7: Is the requirement in FPL's standard offer contract that committed capacity testing procedures be based on a test period of 24 hours reasonable and consistent with Sections 366.91 and 366.92, F.S., Rule 25-17-0832, F.A.C., and Rules 25-17.200 through 25-17.310, F.A.C.?

Recommendation: Yes. The committed capacity testing reasonably shows the capability of the renewable generator to make energy available as if it were provided by the next planned generating unit, in compliance with requirements of Rule 25-17.0832, F.A.C., Rules 25-17.200 through 25-17.310, F.A.C., and consistent with Sections 366.91 and 366.92, F.S.

DECISION: The recommendation was approved.

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Docket No. 080193-EQ – Petition for approval of renewable energy tariff and standard offer contract, by Florida Power & Light Company.

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Issue 8: Are the maintenance requirements in FPL's standard offer contract reasonable and consistent with Sections 366.91 and 366.92, F.S., and Rules 25-17.0832, F.A.C., and Rules 25-17.200 through 25-17.310, F.A.C.?

Recommendation: Yes. The maintenance requirements in FPL's standard offer contract are reasonable and consistent with Sections 366.91 and 366.92, F.S., and Rules 25-17.0832 and 25-17.200 through 25-17.310, F.A.C.

DECISION: The recommendation was approved.

Issue 9: Are the trip test requirements in FPL's standard offer contract reasonable and consistent with Sections 366.91 and 366.92, F.S., Rule 25-17.0832, F.A.C., and Rules 25-17.200 through 25-17.310, F.A.C.?

Recommendation: Yes. The provisions included in the standard offer contract reflect the next planned generating unit and the recommended maintenance and testing procedures provided by appropriate equipment manufacturers, and are reasonable and consistent with Sections 366.91 and 366.92, F.S., and Commission rules.

DECISION: The recommendation was approved.

Issue 10: Is the requirement in FPL's standard offer contract giving it a right of first refusal as to tradable renewable energy credits (TREC's) reasonable and consistent with Sections 366.91 and 366.92, F.S., Rule 25-17.0832, F.A.C., and Rules 25-17.200 through 25-17.310, F.A.C.?

Recommendation: No. Rule 25-17.280, F.A.C., provides that tradable renewable energy credits shall remain the exclusive property of the renewable generating facility. The Commission should deny FPL's tariff, with respect to a right of first refusal for purchase of TREC's. All arrangements between the renewable provider and any other party, with regard to any renewable attributes, should be the subject of negotiated contractual provisions, at the discretion of the renewable provider.

DECISION: The recommendation was approved.

ITEM NO.

CASE

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Docket No. 080193-EQ – Petition for approval of renewable energy tariff and standard offer contract, by Florida Power & Light Company.

(Continued from previous page)

Issue 11: Should the standard offer contract filed by Florida Power & Light Company be approved?

Recommendation: No. The tariff should be denied as filed. If the Commission approves staff recommendations in Issues 3 and 10, FPL should file within 90 days a revised standard offer contract in accord with the Commission's decision. If the revised tariff complies with the Commission's decision, staff should be granted the administrative authority to approve the revised tariff.

DECISION: The recommendation was approved as modified. The tariff should be denied as filed. The Commission directs FPL to file a revised 2009 renewable energy tariff and standard offer contract within 30 days of this conference.

Issue 12: Should this docket be closed?

Recommendation: If the Commission approves staff's recommendations, FPL should file a revised standard offer contract within 90 days in accordance with the Commission's decision. This docket should be administratively closed by staff after review and approval of the revised contract.

DECISION: The recommendation was approved as modified. Based on the modification to Issue 11, this docket should be closed.

Commissioners participating: Edgar, McMurrin, Argenziano

