

MINUTES OF November 21, 2006
COMMISSION CONFERENCE
COMMENCED: 9:35 a.m.
ADJOURNED: 10:30 a.m.

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

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

1 **Approval of Minutes**
 October 3, 2006 Regular Commission Conference

DECISION: The minutes were approved.

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

ITEM NO.

CASE

2**

Consent Agenda

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

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
060673-TX	Tristar Communications Corp.
060639-TX	Astrocom Corporation
060681-TX	MULTIPHONE LATIN AMERICA, INC.

PAA B) Application for certificate to provide pay telephone service.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
060550-TC	MAJOR COMMUNICATIONS CONSULTING, INC.

PAA C) Application for certificate to provide shared tenant service.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
060405-TS	Four Points Utility Corporation

D) Docket No. 060632-GU – Application by Florida Public Utilities Company (Company) for authority to issue and sell and/or exchange any combination of the long-term debt, short-term notes and equity securities and/or to assume liabilities or obligations as guarantor, endorser or surety in an incremental amount not to exceed \$45 million, excluding retained earnings during calendar year 2007. Included in this \$45 million amount is the Company’s request for authority to issue up to \$25 million in short-term notes during calendar year 2007. The Company states that its regulated share of this financing will not exceed 90%, or \$40.5 million.

For monitoring purposes, this docket should remain open until May 2, 2008 to allow the Company time to file the required Consummation Report.

ITEM NO.

CASE

2**

Consent Agenda

(Continued from previous page)

E) Docket No. 060672-EI – Application of Progress Energy Florida, Inc. (“Company”) for authority to issue and sell securities during the twelve months ending December 31, 2007. The maximum principal amount of equity securities, long-term debt securities and other long-term obligations proposed to be issued, sold, or otherwise incurred during 2007 is \$1.5 billion. The maximum principal amount of short-term securities and obligations proposed to be issued, sold, or otherwise incurred during 2007 and 2008 is \$1 billion outstanding at any time.

In connection with this application, the Company confirms that the capital raised pursuant to this application will be used in connection with the activities of Progress Energy Florida, Inc. and not the unregulated activities of its affiliates.

For monitoring purposes, this docket should remain open until April 28, 2008 to allow the Company time to file the required Consummation Report.

F) Docket No. 060692-EI – Application by Gulf Power Company (“Company”) for authority to: receive equity funds from and/or issue common equity securities to its parent company, Southern Company (“Southern”); issue and sell long-term debt and equity securities; and issue and sell short-term debt securities during 2007. The maximum amount of common equity contributions received from and common equity issued to Southern, the maximum amount of equity securities issued and the maximum principal amount of long-term debt securities issued will total not more than \$400 million. The maximum principal amount of short-term debt at any one time will total not more than \$250 million.

In connection with this application, the Company confirms that the capital raised pursuant to this application will be used in connection with the activities of Gulf Power Company and not the unregulated activities of its affiliates.

For monitoring purposes, this docket should remain open until April 28, 2008 to allow the Company time to file the required Consummation Report.

Recommendation: The Commission should approve the action requested in the dockets referenced above and close these dockets, with the exception of Docket Nos. 060632-GU 060672-EI, and 060692-EI, which must remain open for monitoring purposes.

DECISION: The recommendation was approved.

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

ITEM NO.

CASE

3

Docket No. 060635-EU – Petition for determination of need for electrical power plant in Taylor County by Florida Municipal Power Agency, JEA, Reedy Creek Improvement District, and City of Tallahassee.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Tew

Staff: GCL: Brubaker, Fleming

ECR: Harlow, Brown, Bulecza-Banks, Hewitt, Matlock, McRoy, Springer,
VonFossen

Issue 1: Should the Commission grant the Movant's motion for reconsideration?

Recommendation: No. The motion for reconsideration fails to identify any point of fact or law that the Prehearing Officer overlooked or failed to consider in rendering the Order.

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open pending the Commission's final decision in this docket.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

4

Docket No. 050194-TL – Complaint by Florida BellSouth customers who paid fees to BellSouth Telecommunications, Inc. related to Miami-Dade County Ordinance Section 21-44 ("Manhole Ordinance") and request that Florida Public Service Commission order BellSouth to comply with Section A.2.4.6 of General Subscriber Service Tariff and refund all fees collected in violation thereof. (Deferred from October 24, 2006 conference; revised recommendation filed.)

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Carter

Staff: GCL: Scott

CMP: Simmons, Dowds, Higgins

Issue 1: Should the Commission accept the Petitioners' untimely filed Protest of Proposed Agency Action Order PSC-06-0685-PAA-TL?

Recommendation: No. The Commission should deny the Petitioners' Protest on the basis that it is untimely, because the doctrine of equitable tolling does not apply. Moreover, the Protest does not substantially comply with Rule 28-106.201(2)(b), Florida Administrative Code. Therefore, staff recommends that this matter not be set for an administrative hearing and that Proposed Agency Action Order PSC-06-0685-PAA-TL be made final and effective.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendation in Issue 1, there is no further action for the Commission to take. Therefore, this docket may be closed. Furthermore, Proposed Agency Action Order No. PSC-06-0685-PAA-TL should be made final and effective. If the Commission denies staff's recommendation in Issue 1, then this matter should be set for an administrative hearing.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

5

Docket No. 060366-TP – Complaint regarding BellSouth Telecommunications, Inc.'s failure to offer its promotional tariff offerings for resale and request for relief, by Supra Telecommunications and Information Systems, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Carter

Staff: GCL: Scott, Tan

CMP: Barrett, Higgins

Issue 1: Should the Commission acknowledge Supra Telecommunications and Information Systems, Inc.'s Notice of Voluntary Dismissal With Prejudice?

Recommendation: Yes. The Commission should acknowledge Supra's voluntary dismissal of its Complaint with prejudice.

Issue 2: Should this docket be closed?

Recommendation: Yes. With Supra's voluntary dismissal of its Complaint, no further issues remain for the Commission to address. Therefore, this docket should be closed.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

6**

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: CMP: Moses, Casey

GCL: Tan

Issue 1: Should the Commission modify Section B, Paragraph 11(e) of the Request for Proposal (RFP)?

Recommendation: Staff recommends that the Commission approve the proposed change to Section B, Paragraph 11(e) of the RFP as shown below, and incorporate the change into the contract with Sprint as Amendment 2 effective upon the signature of the Commission's Executive Director and Sprint.

When the CA is asked to explain relay to a user, the CA shall express the term "explaining relay" to the other user on the call to let them know what is happening rather than transmitting all of the explanation. ~~The CA shall not inform the telephone user that the TDD user is hearing or speech disabled unless the TDD user asks the CA to do so.~~

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open for the duration of the contract.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

7**PAA

Docket No. 060603-TL – Petition to change demarcation point specified in Rule 25-4.0345(1)(b), F.A.C., at commercial office campus in Miami, by BellSouth Telecommunications, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: CMP: Buys

GCL: Tan

Issue 1: Should the Commission approve the petition by BellSouth Telecommunications, Inc. to change the location of the demarcation point specified in Rule 25-4.0345(1)(b), Florida Administrative Code, for the provision of non-residential basic local service at the commercial office campus located at 17777 Old Cutler Road, Miami, Florida?

Recommendation: Yes. The Commission should approve the relocation of the demarcation point for the provision of non-residential basic local service to the Palmetto Bay Village Center located at 17777 Old Cutler Road, Miami, Florida to a single point of demarcation as determined by the property owner for all tenants' services at the office campus.

Issue 2: Should this docket be closed?

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

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

8**PAA

Docket No. 060652-TI – Request for cancellation of IXC tariff and Registration No. TJ343 by W2COM International, LLC, effective September 28, 2006.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: CMP: Isler

GCL: McKay

Issue 1: Should the Commission cancel W2COM International, LLC's Intrastate Interexchange Telecommunications (IXC) tariff and remove its name from the register on its own motion effective September 28, 2006; notify the Division of the Commission Clerk and Administrative Services that any unpaid Regulatory Assessment Fees should not be sent to the Florida Department of Financial Services and request permission to write off the uncollectible amount?

Recommendation: Yes. The company's IXC tariff and registration should be cancelled on the Commission's own motion.

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 any entity 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. The company's IXC tariff should be cancelled administratively, the company's name should be removed from the register, and the collection of the unpaid Regulatory Assessment Fees, including statutory late payment charges, should not be referred to the Florida Department of Financial Services for further collection efforts. If the company's IXC tariff is cancelled and its name removed from the register in accordance with the Commission's Order from this recommendation, the company should be required to immediately cease and desist providing intrastate interexchange telecommunications service in Florida. This docket should be closed administratively upon cancellation of the company's IXC tariff and removal from the register.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

9**PAA

Docket No. 060699-TI – Bankruptcy cancellation by Florida Public Service Commission of IXC Registration No. TI176 issued to GST Net, Inc., effective October 20, 2006.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: CMP: Isler

GCL: McKay

Issue 1: Should the Commission grant GST Net, Inc., as listed in Attachment A of staff's November 8, 2006 memorandum, cancellation of its IXC tariff and remove its name from the register with an effective date of October 20, 2006, due to bankruptcy; notify the Division of the Commission Clerk and Administrative Services that any unpaid Regulatory Assessment Fees, including statutory late payment charges, should not be sent to the Florida Department of Financial Services and request permission to write off the uncollectible amounts; and require the company to immediately cease and desist providing intrastate interexchange telecommunications service in Florida?

Recommendation: Yes. The company's IXC tariff and Registration No. TI176 should be granted a bankruptcy cancellation with an effective date of October 20, 2006.

DECISION: The recommendation was approved with the understanding that the language in the order will be clarified to convey when RAFs are due in a bankruptcy proceeding.

Issue 2: Should this docket be closed?

Recommendation: Yes, if no protest is filed and upon issuance of a Consummating Order.

DECISION: The recommendation was approved.

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

ITEM NO.

CASE

10**PAA

Docket No. 060683-TI – Bankruptcy cancellation by Florida Public Service Commission of IXC Registration No. TI005 issued to Incomnet Communications Corporation, effective October 16, 2006.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: CMP: Isler

GCL: McKay

Issue 1: Should the Commission grant Incomnet Communications Corporation, as listed in Attachment A of staff's November 8, 2006 memorandum, cancellation of its IXC tariff and remove its name from the register with an effective date of October 16, 2006, due to bankruptcy; notify the Division of the Commission Clerk and Administrative Services that any unpaid Regulatory Assessment Fees, including statutory late payment charges, should not be sent to the Florida Department of Financial Services and request permission to write off the uncollectible amounts; and require the company to immediately cease and desist providing intrastate interexchange telecommunications service in Florida?

Recommendation: Yes. The company's IXC tariff and Registration No. TI005 should be granted a bankruptcy cancellation with an effective date of October 16, 2006.

DECISION: The recommendation was approved with the understanding that the language in the order will be clarified to convey when RAFs are due in a bankruptcy proceeding.

Issue 2: Should this docket be closed?

Recommendation: Yes, if no protest is filed and upon issuance of a Consummating Order.

DECISION: The recommendation was approved.

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

ITEM NO.

CASE

11**

Docket No. 060647-EG – Petition for approval of modifications to demand-side management programs by Progress Energy Florida, Inc.

Critical Date(s): 11/26/06 (60-day suspension date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECR: Colson, Brown, Dickens, Slemkewicz
GCL: Fleming

Issue 1: Should the Commission approve Progress Energy Florida Inc.'s (PEF) Petition for certain Demand Side Management (DSM) Program additions and modifications, including tariffs and tariff revisions, and the recovery of reasonable and prudent costs for these programs through the energy conservation cost recovery (ECCR) clause?

Recommendation: Yes. The six program modifications and the two program additions proposed by PEF are cost-effective and they are monitorable. The tariffs and tariff revisions proposed by PEF are needed to implement the Residential Year Round Energy Management and Standby Generation programs. PEF should be allowed to recover all reasonable and prudent costs through the ECCR clause for implementing these programs. The proposed two new conservation programs and six program modifications to existing programs will further help PEF achieve the numeric conservation goals set forth in Commission Order No. PSC-04-0769-PAA-EG, issued on August 9, 2004, in Docket No. 040031-EG. Within 60 days of an Order approving PEF's petition, PEF will file detail Program Standards for all new and revised DSM programs for Administrative approval by Commission's staff.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, the tariffs should become effective ~~November 21, 2006~~ August 31, 2007. If a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, the docket should be closed upon the issuance of a consummating order.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

12**PAA

Docket No. 060664-EQ – Joint petition for approval of modification to negotiated power purchase contract for purchase of firm capacity and energy from qualifying facility between Mulberry Energy Company, Inc. and Florida Power Corporation dated March 12, 1991, by Progress Energy Florida, Inc. and Polk Power Partners, L.P.

Docket No. 060665-EQ – Joint petition for approval of modification to negotiated power purchase contract for purchase of firm capacity and energy from qualifying facility between Royster Phosphates, Inc. and Florida Power Corporation dated March 11, 1991, by Progress Energy Florida, Inc. and Polk Power Partners, L.P.

Docket No. 060666-EQ – Joint petition for approval of modification to negotiated power purchase contract for purchase of firm capacity and energy from qualifying facility between CFR Biogen Corporation and Florida Power Corporation dated November 19, 1991, by Orange Cogeneration, L.P. and Progress Energy Florida, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECR: Sickel, Brown

GCL: Brown

Issue 1: Should the Commission approve the petitions submitted by Progress Energy Florida, Inc. (PEF) together with Polk Power Partners, L.P. (Polk) and Orange Cogeneration, L.P. (Orange) requesting approval of a modification to the currently approved purchased power contracts between the parties?

Recommendation: Yes. By approving the requests, a modification will be added to each contract to specify parameters with respect to possible errors in future payments. With the proposed modification included, the contracts will continue to be in compliance with provisions of Rules 25-17.082, 25-17.0832, and 25-17.0836 Florida Administrative Code (F.A.C.). No changes to payments are being proposed.

Issue 2: Should this docket be closed?

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

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

13**PAA

Docket No. 050563-WU – Application for increase in water rates in Polk County by Park Water Company Inc.

Critical Date(s): 11/21/06 (5-month effective date extended by utility - PAA Rate Case)

Commissioners Assigned: All Commissioners

Prehearing Officer: Arriaga

Staff: ECR: Revell, Bulecza-Banks, Edwards, Lingo, Rendell

GCL: Jaeger

Issue 1: Is the quality of service provided by Park Water Company, Inc. considered satisfactory?

Recommendation: Yes. The utility's overall quality of service is satisfactory.

Issue 2: Should Park Water's requested increase, if any, be approved in two phases?

Recommendation: Yes. The increase, if any, should be approved in two phases.

Issue 3: Should the audit rate base adjustments to which the utility agrees be made?

Recommendation: Yes. Based on audit adjustments which the utility agrees with, plant should be increased by \$245,698 and accumulated depreciation should be increased by \$21,665. In addition, Contributions in Aid of Construction (CIAC) should be increased by \$261,565, and accumulated amortization of CIAC should be increased by \$40,708.

Issue 4: Should other adjustments be made in calculating Phase I rates?

Recommendation: Yes. Contributions in Aid of Construction (CIAC) should be increased by \$73,656, accumulated amortization of CIAC should be increased by \$11,332, and amortization of CIAC expense should be increased by \$1,743. Staff has removed the requested pro forma plant of \$2,496,382. Staff has also removed \$75,586 in pro forma depreciation expense and \$72,500 in pro forma property tax expense. The requested pro forma plant and expenses included in the calculation of Phase II rates will be addressed in Issue 17.

Issue 5: Should an adjustment be made for excessive unaccounted for water?

Recommendation: Yes. Park Water has 7.85% excessive unaccounted for water for Phase I. Therefore, purchased power and chemicals should be reduced by \$1,172. For Phase II, staff recommends zero excessive unaccounted for water.

Issue 6: What are the used and useful percentages of the utility's water treatment plant and water distribution system?

Recommendation: The water treatment plant should be considered 46.03% used and useful (U&U), and the water distribution system should be considered 100% U&U for the Phase I period. As a result, rate base should be increased by \$15,586. For Phase II, the water treatment plant should be considered 47.75% U&U, and the distribution system should be considered 100% U&U. As a result, Phase II rate base should be increased by \$17,833. Corresponding adjustments should also be made to increase Phase I depreciation expense by \$3,380 and reduce property tax expense by \$1,118. Phase II depreciation expense and property tax expense adjustments will be addressed in Issue 17.

ITEM NO.

CASE

13**PAA

Docket No. 050563-WU – Application for increase in water rates in Polk County by Park Water Company Inc.

(Continued from previous page)

Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$22,695.

Issue 8: What is the appropriate Phase I rate base?

Recommendation: The appropriate average rate base for the test year ended December 31, 2004, is \$403,630.

Issue 9: Are any adjustments necessary to Park Water's Phase I capital structure?

Recommendation: Yes. The utility's common equity balance should be reduced by \$29,500 and set at zero (\$0), and short term debt should be increased by \$4,145. Additionally, long term debt of \$2,496,382 should be removed. Pro forma plant will be addressed in Issue 17.

Issue 10: What is the appropriate return on common equity and weighted average cost of capital for the test year ended December 31, 2004?

Recommendation: The appropriate return on common equity is 11.55%, with an allowed range of plus or minus 100 basis points. Staff also recommends that the appropriate Phase I weighted average cost of capital be set at 5.99%.

Issue 11: What adjustments, if any, should be made to the utility's test year revenue?

Recommendation: Staff recommends that annual revenues be increased by \$6,909 to cover the costs for non-utility billing services, and reduced for pro forma reductions of \$38,972 reflecting lost revenues from two customers. Overall, this results in a net reduction of revenues of \$32,063.

Issue 12: Should audit NOI adjustments be made?

Recommendation: Yes. O&M expense should be increased by \$3,293, depreciation expense should be increased by \$3,612, amortization expense should be increased by \$2,868, and taxes other than income should be reduced by \$6,707.

Issue 13: Should adjustments be made to employee salaries or pension benefits?

Recommendation: Yes. Employee salaries and pension benefits should be reduced by \$28,313.

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

Recommendation: The appropriate amount of rate case expense for this docket is ~~\$18,175~~ \$18,375. This expense should be recovered over four years for an annual expense of ~~\$4,544~~ \$4,594.

Issue 15: What is the test year pre-repression water operating income before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, the test year operating loss before any provision for increased revenues is \$11,800.

ITEM NO.

CASE

13**PAA

Docket No. 050563-WU – Application for increase in water rates in Polk County by Park Water Company Inc.

(Continued from previous page)

Issue 16: What is the appropriate Phase I pre-repression revenue requirement?

Recommendation: The following Phase I revenue requirement should be approved:

	<u>Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Phase I	\$238,504	\$37,653	\$276,157	15.79%

Issue 17: Should the Commission approve pro forma plant additions and other related pro forma adjustments for the utility, and if so, what is the appropriate return on equity, overall rate of return, and revenue requirement?

Recommendation: Yes. Pro forma plant of \$2,496,382 should be increased by \$15,955, resulting in total recommended pro forma plant additions of \$2,512,337. In addition, accumulated depreciation should be increased by \$62,402, and depreciation expense on pro forma plant should be decreased by \$13,184. Also, plant and accumulated depreciation should be reduced by \$147,229, depreciation expense on retired plant should be reduced by \$3,430, and loss on retired plant of \$21,552 should be amortized over eight years at \$2,694 yearly.

Additionally, depreciation expense should be reduced by \$18,782 due to staff's U&U calculation, and property taxes related to the pro forma plant should be reduced by \$31,887.

Additionally, depreciation expense should be increased by \$3,537 due to staff's U&U calculation, and property taxes related to the pro forma plant should be reduced by \$1,168.

The appropriate rate of return on equity for Phase II should be 11.55%, with a range of plus or minus 100 basis points. The appropriate weighted average cost of capital should be 3.36%.

Staff recommends a Phase II pre-repression revenue requirement of \$458,443. After the application of repression adjustments, staff recommends a post-repression revenue requirement of \$457,381, or an increase of 91.77%. The post-repression adjustments, and the resulting post-repression revenue requirement, are discussed in Issue 20.

Additionally, Park Water should be required to file with the Commission all progress reports it files with, or receives from, DEP concerning its construction project.

Issue 18: Should an Allowance for Funds Used During Construction (AFUDC) rate be established, and if so, what is the appropriate rate?

Recommendation: Yes. An annual AFUDC rate of 6.00% should be approved. The discounted monthly rate is 0.499863%. The approved rate shall be applicable for eligible construction projects beginning January 1, 2006.

ITEM NO.

CASE

13**PAA

Docket No. 050563-WU – Application for increase in water rates in Polk County by Park Water Company Inc.

(Continued from previous page)

Issue 19: What are the appropriate rate structures for the utility’s various customer classes for Phase I and Phase II?

Recommendation: In Phase I, the appropriate rate structure for the residential class is a continuation of the current four-tier inclining-block rate structure. The usage blocks should be changed to monthly usage of: a) 0 – 5 kgal; b) 5.001 – 10 kgal; c) 10.001 – 15 kgal; and d) usage in excess of 15 kgal. The current usage block rate factors should be changed to 1.0, 1.25, 1.5 and 1.75, respectively. The four-tier inclining-block rate structure currently applicable to both general service and multi-residential customers should be eliminated and replaced with the traditional base facility charge (BFC) / uniform gallonage charge rate structure. The multi-residential BFC charges should be equal to those BFC charges assigned to general service customers of equivalent meter size. The Phase I and Phase II post-repression BFC cost recovery percentage should be set at 30%. There should be no rate structure changes between Phase I and Phase II.

ITEM NO.

CASE

13**PAA

Docket No. 050563-WU – Application for increase in water rates in Polk County by Park Water Company Inc.

(Continued from previous page)

Issue 20: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for Phases I and II for this utility, what are the corresponding expense adjustments to make to each Phase, and what are the final revenue requirements for the respective Phases?

Recommendation: Yes. Repression adjustments are appropriate. For Phase I, residential consumption should be reduced by 3.6%, resulting in a consumption reduction of approximately 1,851.0 kgals. The resulting total water consumption for Phase I rate setting is 75,302.0 kgals, which represents a 2.4% reduction in overall consumption. The appropriate corresponding adjustments to expenses are a reduction to purchased power of \$237, a reduction to chemicals of \$41, and a reduction to regulatory assessment fees of \$13, resulting in a final Phase I revenue requirement, excluding miscellaneous service charges, of \$265,399. For Phase II, residential consumption should be reduced an additional 9.7% compared to Phase I final consumption, resulting in a Phase II consumption reduction of approximately 4,787.3 kgals. The resulting total water consumption for Phase II rate setting is 70,514.7 kgals, which represents a 6.4% reduction compared to Phase I rate setting consumption. The appropriate corresponding additional adjustments to expenses are a reduction to purchased power of \$628, a reduction to chemicals of \$110, and a reduction to regulatory assessment fees of \$33. The sum of the Phase I and Phase II expense adjustments are reductions to purchased power of \$865, chemicals of \$151, and regulatory assessment fees of \$46, resulting in a final Phase II revenue requirement, excluding miscellaneous service charges, of \$446,915. In order to monitor the effects of both the changes in revenue and rate structure, the utility should be ordered to file monthly reports detailing the number of bills rendered, the consumption billed and the revenues billed. In addition, the reports should be prepared, by customer class, usage block and meter size. The reports should be filed with staff, on a quarterly basis, for a period of two years beginning the first billing period after the approved rates for each phase go into effect. To the extent the utility makes adjustments to consumption in any month during the reporting period, the utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

Issue 21: What are the appropriate monthly water rates for Phase I and Phase II for this utility?

Recommendation: The appropriate monthly water rates for Phase I and Phase II are shown on Schedule No. 4 and Schedule No. 8 of staff's November 8, 2006 memorandum, respectively.

ITEM NO.

CASE

13**PAA

Docket No. 050563-WU – Application for increase in water rates in Polk County by Park Water Company Inc.

(Continued from previous page)

Issue 22: What is the appropriate effective dates for Phase I and Phase II rates?

Recommendation: The utility should be allowed to implement Phase I rates after the utility has filed 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 25-40.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than ten days after the date of the notice.

The utility should not be allowed to implement Phase II rates until the construction has been completed and approved by DEP, and the completed pro forma additions have been verified by staff. The utility should provide staff with the approval documentation no later than 15 days after the utility receives the final approval from DEP. At that time, the utility should also 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 25-40.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than ten days after the date of the notice.

Issue 23: Should Park Water's main extension charge be increased, and if so, what is the appropriate charge?

Recommendation: Yes. The Commission should increase the main extension charge per ERC from \$423 to \$2,370, and the effective date of the increase should apply to all connections after the implementation of Phase II rates. The utility should file the appropriate tariff sheets no later than 15 days after the utility receives notice of final approval from DEP. It should become effective for service rendered on or after staff's approval of the stamped tariff sheet pursuant to Rule 25-30.475(2), F.A.C., provided the customers have received notice and after staff has verified that the proposed customer notice is adequate. The utility should provide proof that the customers have received notice within ten days after the date of the notice. The revised tariff sheet should be submitted with sufficient time for staff to verify that the tariff is consistent with the Commission's decision. Staff should be permitted to administratively approve the tariff sheet upon verification of the above.

ITEM NO.

CASE

13**PAA

Docket No. 050563-WU – Application for increase in water rates in Polk County by Park Water Company Inc.

(Continued from previous page)

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

Recommendation: The rates should be reduced as shown on Schedule No. 4 of staff's November 8, 2006 memorandum to remove \$4,758 of rate case expense, grossed up for regulatory assessment fees, which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction.

Issue 25: Should the utility be required to provide proof, within 90 days, of the date of the Consummating Order finalizing this docket, that it has adjusted its books for all of the applicable NARUC USOA primary accounts associated with the Commission-approved Phase I adjustments?

Recommendation: Yes. To ensure that the utility adjusts its books in accordance with the Commission's decision, Park Water should provide proof, within 90 days of an effective order finalizing this docket, that the Phase I adjustments for all the applicable NARUC USOA primary accounts have been made.

Issue 26: Should this docket be closed?

Recommendation: No. If no timely protest is filed by a substantially affected person within 21 days of the Proposed Agency Action Order, a Consummating Order should be issued. However, the docket should remain open to allow staff to monitor completion of the pro forma items and the appropriate implementation of Phase II rates.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

14

Docket No. 060253-WS – Application for increase in Water and Wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

Critical Date(s): 12/01/06 (60-day suspension date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Arriaga

Staff: ECR: Kaproth, Marsh, Romig, Springer

GCL: Jaeger

Issue 1: Should the utility’s proposed final water and wastewater rates be suspended?

Recommendation: Yes. UIF’s proposed final water and wastewater rates should be suspended.

Issue 2: Should any interim revenue increase be approved?

Recommendation: Yes. The utility should be authorized to collect annual water and wastewater revenues as indicated below:

<u>County</u>	<u>Adjusted Test Year Revenues</u>	<u>Revenue \$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Orange – Water	\$97,500	\$10,504	\$108,004	10.77%
Pasco – Water	\$586,632	\$210,002	\$796,634	35.80%
Pasco – Wastewater	\$379,088	\$52,229	\$431,317	13.78%
Pinellas – Water	\$76,988	\$37,482	\$114,470	48.69%
Seminole – Water	\$681,344	\$128,491	\$809,835	18.86%
Seminole – Wastewater	\$590,501	\$193,188	\$783,689	32.72%

ITEM NO.

CASE

14

Docket No. 060253-WS – Application for increase in Water and Wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

(Continued from previous page)

Issue 3: What are the appropriate interim water and wastewater rates?

Recommendation: The service rates for UIF in effect as of December 31, 2005, should be increased as shown below to generate the recommended revenue increase for the interim period.

<u>County</u>	<u>Increase</u>
Orange – Water	10.77%
Pasco – Water	35.80 %
Pasco – Wastewater	13.78%
Pinellas – Water	48.69%
Seminole – Water	18.86%
Seminole – Wastewater	32.72%.

The approved rates as shown on Schedule No. 4 of staff's November 8, 2006 memorandum should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C., provided the customers have received notice. The rates should not be implemented until the required security has been filed and proper notice has been received by the customers. The utility should provide proof to staff of the date notice was given within 10 days after the date of the notice.

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

Recommendation: A corporate undertaking is acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc. (UI), and written confirmation of UI's continued attestation that it does not have any outstanding guarantees on behalf of UI-owned utilities in other states. UI should be required to file a corporate undertaking on behalf of its subsidiaries to guarantee any potential refunds of revenues collected under interim conditions. UI's total guarantee should be a cumulative amount of \$1,092,473 which includes an amount of \$373,898 subject to refund in this docket. Pursuant to Rule 25-30.360(6), F.A.C., the utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, F.A.C. In no instance should maintenance and administrative costs associated with any refund be borne by the customers. These costs are the responsibility of, and should be borne by, the utility.

ITEM NO.

CASE

14

Docket No. 060253-WS – Application for increase in Water and Wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

(Continued from previous page)

Issue 5: Should this docket be closed?

Recommendation: No. The docket should remain open pending the Commission's final action on the utility's requested rate increase.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

15**PAA

Docket No. 060601-WS – Application for certificates to provide water and wastewater service in Okeechobee County by Grove Utilities, Inc.

Critical Date(s): 12/11/06 (90-day rule waiver statutory deadline)

Commissioners Assigned: All Commissioners

Prehearing Officer: Deason

Staff: ECR: Brady, Redemann

GCL: Jaeger

Issue 1: Should the Commission grant Grove Utilities, Inc.’s Motion for Temporary Rule Waiver of Rule 25-30.033(1)(h), (1)(j), (1)(k), (1)(m), (1)(r), (1)(t), (1)(u), (1)(v), and (1)(w), Florida Administrative Code?

Recommendation: Yes. The Commission should grant Grove Utilities, Inc.’s Motion for Temporary Rule Waiver.

Issue 2: Should this docket be closed?

Recommendation: No. If no timely protest is received from a substantially affected person within 21 days of the date of the Proposed Agency Action Order, the Order will become final upon the issuance of a Consummating Order. However, the docket should remain open pending Commission action on the Grove’s application for original water and wastewater certificates.

DECISION: The recommendations were approved.

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