

MINUTES OF April 2, 2002

COMMISSION CONFERENCE

COMMENCED: 9:35 a.m.

ADJOURNED: 11:00 a.m.

COMMISSIONERS PARTICIPATING: Chairman Jaber
Commissioner Deason
Commissioner Baez
Commissioner Palecki
Commissioner Bradley

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

1 Approval of Minutes
 March 5, 2002 Regular Commission Conference

DECISION: The minutes were approved.

Commissioners participating: Jaber, Deason, Baez, Palecki, Bradley

Minutes of
Commission Conference
April 2, 2002

<u>ITEM NO.</u>	<u>CASE</u>																
2**	Consent Agenda																
PAA	A) Applications for certificates to provide alternative local exchange telecommunications service.																
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Minutes of
Commission Conference
April 2, 2002

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PAA	D) DOCKET NO. 020174-TP - Application for cancellation of ALEC Certificate No. 7579 and IXC Certificate No. 7578 by Edge Connections, Inc., effective 2/28/02.								
PAA	E) DOCKET NO. 020088-TP - Request for cancellation of ALEC Certificate No. 5707 and IXC Certificate No. 5748 by Rhythms Links Inc., effective 12/31/01.								
PAA	F) DOCKET NO. 020108-TP - Request for cancellation of UniversalCom, Inc.'s ALEC Certificate No. 4096, IXC Certificate No. 3174, and STS Certificate No. 4086, effective 12/31/01.								
PAA	G) DOCKET NO. 020183-TP - Request for cancellation of ALEC Certificate No. 5632 and IXC Certificate No. 5185 by Palm Beach Telephone Company, effective 12/31/01. DOCKET NO. 020207-TI - Request for cancellation of IXC Certificate No. 7637 by Northwestern Digital Company, effective 12/31/01.								

Minutes of
Commission Conference
April 2, 2002

<u>ITEM NO.</u>	<u>CASE</u>
2**	Consent Agenda (Continued from previous page)
PAA	H) DOCKET NO. 020130-TI - Notification of transfer of ownership of New Century Telecom, Inc. (holder of IXC Certificate No. 4378) to Alba Cipriani.

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

DECISION: The recommendation was approved.

Commissioners participating: Jaber, Deason, Baez, Palecki, Bradley

Minutes of
Commission Conference
April 2, 2002

ITEM NO.

CASE

3**PAA

Docket No. 020009-WU - Complaint by Mrs. Georgina Giallanza against Florida Water Services Corporation regarding non-provision of service and placement of utility facilities in Lake County.

Critical Date(s): None

Commissioners Assigned: Full Commission
Prehearing Officer: Baez

Staff: GCL: Brubaker
CAF: Lowery
ECR: Redemann

ISSUE 1: Does the complaint filed by Ms. Georgina Giallanza against Florida Water Services Corporation state a basis upon which relief may be granted by the Florida Public Service Commission?

RECOMMENDATION: No. The complaint does not state a basis upon which relief may be granted. Staff therefore recommends that the complaint should be dismissed on the Commission's own motion.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no protest occurs within 21 days of the issuance date of the Order, the PAA Order will become final upon issuance of a Consummating Order and the docket should be closed.

This item was deferred with the understanding that staff will conduct mediation.

Minutes of
Commission Conference
April 2, 2002

<u>ITEM NO.</u>	<u>CASE</u>
4**PAA	<p>Docket No. 011676-TX - Application for certificate to provide alternative local exchange telecommunications service by Colmena Corp. of Delaware.</p> <p>Critical Date(s): None</p> <p>Commissioners Assigned: Full Commission Prehearing Officer: Administrative</p> <p>Staff: GCL: Teitzman CMP: Williams</p> <p><u>ISSUE 1</u>: Should the Commission grant Colmena Corp. of Delaware a certificate to provide alternative local exchange service? <u>RECOMMENDATION</u>: Yes. Colmena Corp. of Delaware should be granted Alternative Local Exchange Certificate No. 8047 to operate within Florida.</p> <p><u>ISSUE 2</u>: Should this docket be closed? <u>RECOMMENDATION</u>: If the Commission approves staff's recommendation on Issue 1, the proposed agency action shall 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 within 21 days of issuance of this order. If no protest to the proposed agency action is filed within 21 days of the date of issuance of the order, this docket should be closed administratively upon issuance of the Consummating Order.</p>

DECISION: The recommendations were approved.

Commissioners participating: Jaber, Deason, Baez, Palecki, Bradley

Minutes of
Commission Conference
April 2, 2002

ITEM NO.

CASE

5**

Docket No. 960786B-TL - Consideration of BellSouth Telecommunications, Inc.'s entry into interLATA services pursuant to Section 271 of the Federal Telecommunications Act of 1996. (Third Party OSS Testing)
Docket No. 981834-TP - Petition of Competitive Carriers for Commission action to support local competition in BellSouth Telecommunications, Inc.'s service territory.

Critical Date(s): None

Commissioners Assigned: Full Commission
Prehearing Officer: Deason

Staff: CMP: Broussard, Wallace, Vinson, Harvey
GCL: B. Keating

(These dockets are consolidated for purposes of OSS Testing. Although a panel is assigned to Docket No. 981834-TP, the Full Commission should vote on the issues herein because the dockets have been consolidated for this purpose.)

ISSUE 1: Should the Commission-approved OSS Master Test Plan be revised to omit the planned testing of BellSouth's RoboTAG ordering interface?

RECOMMENDATION: Yes. The Master Test Plan (MTP) should be revised to omit planned testing of the RoboTAG ordering interface. In keeping with the Commission's expressed intention of testing all BellSouth Operating Support Systems offered for use by CLECs, it is no longer relevant to conduct the RoboTAG-related testing elements of the MTP.

ISSUE 2: Should these dockets be closed?

RECOMMENDATION: No. These dockets should remain open to complete OSS testing in accordance with the revised MTP.

DECISION: The recommendations were approved.

Commissioners participating: Jaber, Deason, Baez, Palecki, Bradley

Minutes of
Commission Conference
April 2, 2002

<u>ITEM NO.</u>	<u>CASE</u>
6**PAA	<p>Docket No. 011675-TI - Joint petition for waiver of Rule 25-4.118, F.A.C., Interexchange Carrier Selection, for transfer of customer base from Adelphia Business Solutions of Jacksonville, Inc. and Adelphia Business Solutions Investment, LLC to Essex Communications, Inc. d/b/a eLEC Communications.</p> <p>Critical Date(s): None</p> <p>Commissioners Assigned: Full Commission Prehearing Officer: Administrative</p> <p>Staff: CMP: Hawkins GCL: Banks</p> <p><u>ISSUE 1</u>: Should Order No. PSC-02-0183-PAA-TI, issued February 11, 2002, be vacated? <u>RECOMMENDATION</u>: Yes. The Commission should vacate Order No. PSC-02-0183-PAA-TI, issued February 11, 2002, granting the joint waiver of Rule 25-4.118, Florida Administrative Code.</p> <p><u>ISSUE 2</u>: Should this docket be closed? <u>RECOMMENDATION</u>: Yes. This docket should be closed upon issuance of the Commission's Order to vacate Order No. PSC-02-0183-PAA-TI issued February 11, 2002.</p> <p><u>DECISION</u>: Recommendation No. 1 was approved; Recommendation No. 2 was approved with the understanding that the action was final rather than PAA.</p> <p>Commissioners participating: Jaber, Deason, Baez, Palecki, Bradley</p>

Minutes of
Commission Conference
April 2, 2002

ITEM NO.

CASE

7**PAA

Bankruptcy cancellations by the Florida Public Service Commission of interexchange telecommunications certificates.

Docket No. 020048-TP - Net2000 Communications Services, Inc. and Net2000 Communications Services, Inc.

Docket No. 020083-TP - BroadStream Corporation and BroadStream Corporation

Docket No. 020224-TP - Convergent Communications Services, Inc. and Convergent Communications Services, Inc.

Critical Date(s): None

Commissioners Assigned: Full Commission

Prehearing Officer: Deason (020048-TP)

Baez (020083-TP)

Administrative (020224-TP)

Staff: CMP: Isler

GCL: Dodson, Elliott, K. Pena, B. Keating

ISSUE 1: Should the Commission grant the companies listed on Attachment A of staff's March 21, 2002 memorandum a cancellation of their respective certificates due to bankruptcy?

RECOMMENDATION: Yes. The Commission should grant each company listed on Attachment A a bankruptcy cancellation of their respective certificates with an effective date as listed on Attachment A. In addition, the Division of the Commission Clerk and Administrative Services will be notified that the unpaid RAFs, including statutory penalty and interest charges, should not be sent to the Comptroller's Office for collection, but that permission for the Commission to write off the uncollectible amount should be requested. If the certificates for each company as listed on Attachment A are cancelled in accordance with the Commission's Order from this recommendation, the respective companies should be required to immediately cease and desist providing IXC and ALEC telecommunications services in Florida.

ISSUE 2: Should these dockets be closed?

RECOMMENDATION: The Order issued from this recommendation will become final upon issuance of a Consummating Order,

Minutes of
Commission Conference
April 2, 2002

ITEM NO.

CASE

7**PAA

Bankruptcy cancellations by the Florida Public Service
Commission of interexchange telecommunications certificates.

(Continued from previous page)

unless a person whose substantial interests are affected by
the Commission's decision files a protest within 21 days of
the issuance of the Proposed Agency Action Order. The
dockets should then be closed upon cancellation of the
certificates. A protest in one docket should not prevent
the action in a separate docket from becoming final.

DECISION: The recommendations were approved.

Commissioners participating: Jaber, Deason, Baez, Palecki, Bradley

ITEM NO.

CASE

8**PAA

Docket No. 010859-WS - Application for original certificate to operate water and wastewater utility in Sumter County by North Sumter Utility Company, L.L.C.

Critical Date(s): None

Commissioners Assigned: Full Commission
Prehearing Officer: Palecki

Staff: ECR: Clapp, Walden
GCL: Harris

ISSUE 1: What are the appropriate initial water and wastewater rates and return on equity for this utility?

RECOMMENDATION: The staff recommends that the staff-recommended water, wastewater, and reuse rates, customer deposits, and miscellaneous service charges described in the analysis portion of staff's March 21, 2002 memorandum should be approved. NSU should be required to file tariffs within 30 days of the consummating order finalizing the Commission-approved rates and charges. NSU should charge these rates and charges 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, Florida Administrative Code. A return on equity of 11.34% should be approved. Should the utility propose to provide reuse to others beyond the golf course and the common areas in the future, the utility should inform this Commission of its proposal so that staff may review the proposal and bring it to the Commission for approval if necessary.

ISSUE 2: What are the appropriate service availability charges for North Sumter Utility Company?

RECOMMENDATION: The utility's proposed service availability charges set forth within the staff analysis are appropriate and should be approved effective for connections made on or after the stamped approval date on the tariff sheets.

ISSUE 3: Should the utility's proposed Allowance for Funds Used During Construction (AFUDC) rate be approved?

RECOMMENDATION: No. The utility's proposed Allowance for Funds Used During Construction rate should not be approved.

Minutes of
Commission Conference
April 2, 2002

ITEM NO.

CASE

8**PAA

Docket No. 010859-WS - Application for original certificate to operate water and wastewater utility in Sumter County by North Sumter Utility Company, L.L.C.

(Continued from previous page)

An annual AFUDC rate of 7.99% should be approved with a discounted monthly rate of 0.665590%. The approved rate should be applicable for eligible construction projects beginning on or after the date the certificate of authorization is issued.

ISSUE 4: Should this docket be closed?

RECOMMENDATION: No. The order arising from staff's recommendation will be issued as proposed agency action (PAA), which will require that persons whose substantial interests are affected be given 21 days to protest the Commission's actions. Upon expiration of the protest period, if there is no timely protest, a consummating order will be issued and the order will become final, and the docket should be closed. Should there be timely protests, the docket should be held open to resolve these protests.

DECISION: The recommendations were approved.

Commissioners participating: Jaber, Deason, Baez, Palecki, Bradley

Minutes of
Commission Conference
April 2, 2002

ITEM NO.

CASE

9**

Docket No. 011344-WS - Resolution No. 2001-128 by Nassau County, in accordance with Section 367.171, F.S., rescinding Florida Public Service Commission jurisdiction over investor-owned water and wastewater systems in Nassau County. (Deferred from March 5, 2002 conference; revised recommendation filed.)

Critical Date(s): None

Commissioners Assigned: Full Commission
Prehearing Officer: Administrative

Staff: ECR: Rieger, Mailhot
GCL: Crosby, Gervasi

ISSUE 1: Should the Commission acknowledge Resolution No. 2001-128, rescinding the Commission's jurisdiction over investor-owned water and wastewater utilities in Nassau County effective September 17, 2001?

RECOMMENDATION: Yes. The Commission should acknowledge Resolution No. 2001-128, rescinding the Commission's jurisdiction over investor-owned water and wastewater utilities in Nassau County, effective September 17, 2001. Certificate No. 001-W, held by Florida Public Utilities Company (FPUC), should be canceled and returned to the Commission within 30 days from when FPUC is no longer a party to, or at the conclusion of, Docket No. 990817-WS. The cancellation of the certificate does not affect the authority of the Commission to collect, or the obligation of FPUC to pay, regulatory assessment fees accrued prior to the September 17, 2001, transfer of jurisdiction to the County.

PAA

ISSUE 2: Did the Commission retain exclusive jurisdiction over United Water Florida Inc.'s (UWF) facilities in Nassau County after the date of the County Resolution pursuant to Section 367.171(7), Florida Statutes, and regulatory authority over UWF up to the date that the utility was subsequently sold to an exempt governmental entity?

RECOMMENDATION: Yes. Pursuant to Section 367.171(7), Florida Statutes, because UWF operates as a single utility system transversing county boundaries, the County resolution did not rescind the Commission's exclusive jurisdiction over UWF's facilities in Nassau County, as well as in St. Johns

Minutes of
Commission Conference
April 2, 2002

ITEM NO.

CASE

9**

Docket No. 011344-WS - Resolution No. 2001-128 by Nassau County, in accordance with Section 367.171, F.S., rescinding Florida Public Service Commission jurisdiction over investor-owned water and wastewater systems in Nassau County. (Deferred from March 5, 2002 conference; revised recommendation filed.)

(Continued from previous page)

and Duval counties. Nevertheless, pursuant to Order No. PSC-02-0280-FOF-WS, issued March 4, 2002, in Docket No. 020055-WS, the utility became exempt from Commission regulation on December 28, 2001, upon the sale of UWF to the JEA, an exempt governmental authority.

PAA

ISSUE 3: Does the Commission retain exclusive jurisdiction over Florida Water Services Corporation's (FWSC) facilities in Nassau County pursuant to Section 367.171(7), Florida Statutes?

RECOMMENDATION: Yes. Because FWSC's facilities in Nassau County are part of a single utility system transversing county boundaries between Nassau and Duval counties, the County resolution does not rescind the Commission's exclusive jurisdiction over FWSC's facilities in Nassau County.

ISSUE 4: Should this docket be closed?

RECOMMENDATION: No. If no protest is received from a substantially affected person to the proposed agency action issues, a consummating order should be issued and this docket should remain open until Docket No. 990817-WS has been closed, after which time this docket should be closed administratively and FPUC'S Certificate No. 001-W should be cancelled.

DECISION: The recommendations were approved.

Commissioners participating: Jaber, Deason, Baez, Palecki, Bradley

Minutes of
Commission Conference
April 2, 2002

ITEM NO.

CASE

10**

Docket No. 020111-SU - Request to establish new class of service in Brevard County for residential wastewater only, pursuant to Section 367.091(5), F.S., by Service Management Systems, Inc.

Critical Date(s): 4/14/02 (60-day suspension date)

Commissioners Assigned: Full Commission
Prehearing Officer: Administrative

Staff: ECR: Costner
GCL: Echternacht

ISSUE 1: Should SMSI's request for a new class of service for residential wastewater be approved?

RECOMMENDATION: Yes. SMSI's request for a new class of service for residential wastewater should be approved. The utility should be allowed to continue collection of the wastewater rates currently being charged and the tariff sheets reflecting the new class of service should become effective in accordance with Rule 25-30.475, Florida Administrative Code, for service rendered as of the stamped approval date on the tariff sheets provided the customers have received notice. The utility should provide proof that the customers have received notice within 10 days of the date of the notice.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no protest occurs within 21 days of the issuance date of the Order, the Tariff Order will become final upon issuance of a Consummating Order and the docket should be closed.

DECISION: The recommendation in Item 1 was approved. Item 2 was approved with the correction reflected in language on the vote sheet that the tariff will remain in effect if a protest is filed, with all wastewater-only charges held subject to refund.

Commissioners participating: Jaber, Deason, Baez, Palecki, Bradley

Minutes of
Commission Conference
April 2, 2002

ITEM NO.

CASE

10A**

Docket No. 001097-TP - Request for arbitration concerning complaint of BellSouth Telecommunications, Inc. against Supra Telecommunications and Information Systems, Inc. for resolution of billing disputes.

Critical Date(s): None

Commissioners Assigned: Jaber, Baez, Palecki
Prehearing Officer: Jaber

Staff: CMP: Wright
GCL: B. Keating, Christensen

ISSUE 1: Should the Commission acknowledge the Joint Notice of Voluntary Dismissal without Prejudice?

RECOMMENDATION: Yes. The Commission should acknowledge the Joint Voluntary Dismissal, cancel the hearing scheduled for April 5, 2002, find that the Voluntary Dismissal renders any and all outstanding motions moot, and close this docket.

DECISION: The recommendations were approved.

Commissioners participating: Jaber, Baez, Palecki

ITEM NO.

CASE

11 Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.

Critical Date(s): 4/10/02 (8-month effective date)

Commissioners Assigned: Jaber, Baez, Palecki
Prehearing Officer: Palecki

Staff: ECR: Jones, Wetherington, Merchant, Kummer, Willis
CAF: Demello, Johnson
GCL: Jaeger, Espinoza

ISSUE 1: Is the quality of service satisfactory?

RECOMMENDATION: No. The utility's overall quality of service is unsatisfactory. Due to Aloha's long-term problems with black water and other water quality complaints, long-term violation of its consumptive use permit, its lack of a proactive approach to finding acceptable solutions to these problems, and the customer complaints about the attitude of the utility, the overall quality of service of Aloha should be considered unsatisfactory.

DECISION: The recommendation was approved.

ISSUE 2: Should the utility's rate increase request be denied due to poor quality of service?

RECOMMENDATION: No. The utility's rates should be set so as to give it the opportunity to earn within the minimum of its authorized rate of return in accordance with the holding in Gulf Power v. Wilson, 597 So. 2d 270 (Fla. 1992). However, because of the dissatisfaction of the customers with the poor quality of the water service and the treatment that they receive from the utility in response to customer complaints, the rates should be set using the minimum of the range of return on equity. Also, to reflect the poor management of this utility, the salaries of both the President and Vice President should be reduced by 50% as set forth in the analysis portion of staff's March 21, 2002 memorandum. The utility should also be ordered to make improvements beginning with Wells 8 and 9 and then to all of

<u>ITEM NO.</u>	<u>CASE</u>
11	Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

its wells to implement a treatment process designed to remove at least 98% of the hydrogen sulfide in the raw water. Such improvements to all of Aloha's wells should be placed into service by no later than December 31, 2003. Moreover, Aloha should submit a plan within 90 days of the date of the Final Order in this docket showing how it intends to comply with the above-noted requirements for the removal of hydrogen sulfide. Finally, Aloha should implement the 5 customer service measures addressed in the staff analysis within 120 days from the date of the Final Order. An additional O&M expense of \$44,136 should be allowed to implement these customer service measures.

DECISION: The recommendation was approved with the noted modification.

ISSUE 3: What is the appropriate cost of the Commission-ordered pilot project to include in working capital for the Seven Springs water system?

RECOMMENDATION: The appropriate amount to include is \$54,270, which is the average cumulative balance of expenditures projected for the test year. This results in a \$135,730 decrease to the utility's requested amount of \$190,000.

DECISION: The recommendation was approved.

ISSUE 4: What is the appropriate working capital allowance?

RECOMMENDATION: This issue is a fall-out of Issue 3 and the recommended amount of rate case expense. The appropriate working capital allowance for the utility's Seven Springs water system is ~~\$446,284~~ \$445,482.

DECISION: The recommendation was approved with the noted modification.

<u>ITEM NO.</u>	<u>CASE</u>
11	<p>Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.</p> <p>(Continued from previous page)</p> <p><u>ISSUE 5</u>: What is the appropriate projected rate base? <u>RECOMMENDATION</u>: The projected 13-month average rate base is \$1,382,168 <u>\$1,381,612</u>.</p> <p><u>DECISION</u>: The recommendation was approved with the noted modification.</p> <p><u>ISSUE 6</u>: Stipulated at hearing.</p> <p><u>ISSUE 7</u>: What is the appropriate projected weighted average cost of capital for the projected test year ending December 31, 2001? <u>RECOMMENDATION</u>: The weighted average cost of capital should be 8.61% <u>8.52%</u>. This is based on a return on equity of 10.88% <u>10.34%</u>, which is the minimum of the newly established range of 10.88% to 12.88% <u>10.34% to 12.34%</u>. The cost of capital calculation also is based on Stipulations 7, 8, and 20, and stipulated Issue 6.</p> <p><u>DECISION</u>: The recommendation was approved with the noted modifications.</p> <p><u>ISSUE 8</u>: What are the appropriate number of gallons sold for the projected 2001 test year? <u>RECOMMENDATION</u>: The appropriate number of gallons sold for the projected test year 2001 are 905,635,244 for residential service and 110,486,540 for general service, as shown in Exhibit 21.</p> <p><u>DECISION</u>: The recommendation was approved.</p> <p><u>ISSUE 9(a)</u>: What is the appropriate projected number of purchased water gallons from Pasco County, and what is the resulting expense? <u>RECOMMENDATION</u>: The appropriate projected number of purchased water gallons from Pasco County at this time is zero with a resulting expense of \$0. Staff also recommends</p>

<u>ITEM NO.</u>	<u>CASE</u>
11	Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

that Aloha be required to perform a cost benefit analysis of an appropriate alternative water supply that allows it to fit permanently into the long-term alternative water supply plan in a manner that is not deleterious to the environment, or to Aloha's ratepayers. This analysis should include negotiating with Pasco County for a better bulk rate, which might include paying an impact fee up-front.

DECISION: The recommendation was approved.

ISSUE 9(b): Should a provision be made to monitor whether the gallons pumped from Aloha's wells differs from the maximum permitted quantity on an annual average basis under the Water Use Permit (WUP)?

RECOMMENDATION: Based on staff's recommendation in Issue 9(a), no additional monitoring requirements for earnings purposes are necessary. However, if the Commission denies or changes staff's recommendation regarding the purchase of water from Pasco County, the Commission should implement quarterly monitoring of statistics of water purchased and water pumped. This should be an immaterial cost to the utility and thus no additional costs should be included in this proceeding.

DECISION: The recommendation was approved.

ISSUE 9(c): What provision should the Commission make within rate setting for the potential shortfall or excess if usage by customers differs from that included in the rate setting?

RECOMMENDATION: No provision should be made in addition to those already provided for in Section 367.081 and 367.0814, Florida Statutes.

DECISION: The recommendation was approved.

<u>ITEM NO.</u>	<u>CASE</u>
11	Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

ISSUE 10: Should projected chemicals and purchased power be adjusted?

RECOMMENDATION: Yes. Chemical expense should be decreased by \$2,234 to remove the impact of inflation for the test year. No adjustment is needed for purchased power expense.

DECISION: The recommendation was approved.

ISSUE 11: Should an adjustment be made to employee salaries and wages for open positions?

RECOMMENDATION: Yes. Salaries and wage expense should be decreased by \$19,835 to remove the projected salary for a new utility director position. This position was not filled at the time of the hearing in January 2002. A corresponding adjustment should also be made to decrease pensions and benefits expense by \$4,384, for a total decrease of \$24,219. This represents the allocated portion for the new position for the Seven Springs water system.

DECISION: The recommendation was approved.

ISSUE 12: Stipulated at hearing.

ISSUE 13: What adjustments should be made to pension expense?

RECOMMENDATION: The parties agreed that pension expense should be increased by \$40,509 to correct a recording error and the benefits percentage of 22.10%. Pension expense should also be increased by \$10,580 to reflect the benefits for the pro forma salaries at the 22.10% level.

DECISION: The recommendation was approved.

ISSUE 14: Does the utility have excessive unaccounted-for water, and if so, what adjustments should be made?

Minutes of
Commission Conference
April 2, 2002

<u>ITEM NO.</u>	<u>CASE</u>
11	<p>Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.</p> <p>(Continued from previous page)</p> <p><u>RECOMMENDATION</u>: No. Aloha does not have excessive unaccounted-for water and an allowance of 10% has been used for the projected test year.</p> <p><u>DECISION</u>: The recommendation was approved.</p> <p><u>ISSUE 15</u>: Should an adjustment be made for related-party purchased water transactions?</p> <p><u>RECOMMENDATION</u>: The royalty fee charged by the related parties should be reduced to \$0.10 per thousand gallons.</p> <p><u>DECISION</u>: The recommendation was approved.</p> <p><u>ISSUE 16</u>: What is the appropriate amount of rate case expense?</p> <p><u>RECOMMENDATION</u>: The appropriate rate case expense for this docket is \$205,209. Pursuant to Section 367.0816, F.S., rate case expense shall be amortized over 4 years. This results in annual rate case expense of \$51,302. An adjustment should be made to O&M expenses of \$60,323 to adjust the amount requested by the utility in its MFRs.</p> <p><u>DECISION</u>: The recommendation was approved.</p> <p><u>ISSUE 17</u>: What conservation programs, and associated expenses, are appropriate for this utility at this time?</p> <p><u>RECOMMENDATION</u>: The utility should be allowed to recover \$120,000 in its rates for monthly service for the implementation of conservation programs as described in staff's March 21, 2002 memorandum.</p> <p><u>DECISION</u>: The recommendation was approved.</p>

<u>ITEM NO.</u>	<u>CASE</u>
11	Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

ISSUE 18: What is the test year operating income before any revenue increase?

RECOMMENDATION: Based on the adjustments discussed in previous issues, staff recommends that the test year operating income before any provision for increased revenues should be ~~\$115,045~~ \$117,714.

DECISION: The recommendation was approved with the noted modification.

ISSUE 19: What is the appropriate revenue requirement?

RECOMMENDATION: The following revenue requirement should be approved.

	Test Year <u>Revenues</u>	\$ <u>Increase</u> <u>Decrease</u>	Revenue <u>Requirement</u>	% <u>Increase</u> <u>Decrease</u>
Water	\$1,979,140	\$6,648 <u>\$ 0</u>	\$1,985,788 <u>\$1,979,140</u>	0.34% <u>0%</u>

DECISION: The recommendation was approved with the noted modifications.

ISSUE 20: What is the appropriate rate structure for this utility?

RECOMMENDATION: The recommended rate structure for residential customers is a BFC and two-tier inclining-block rate structure. The usage blocks should be for monthly usage of: 1) 0-10,000 gallons; and 2) in excess of 10,000 gallons. The rate in the second usage block should be 1.25 times greater than the rate in the first block, with a BFC cost recovery allocation of 28%. The traditional BFC and uniform gallonage charge rate structure should be implemented for the General Service class. All gallonage allotments included in the BFC should be eliminated.

DECISION: The recommendation was approved.

<u>ITEM NO.</u>	<u>CASE</u>
11	Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

ISSUE 21: Is repression of consumption likely to occur, and, if so, what is the appropriate adjustment and the resulting consumption to be used to calculate consumption charges?

RECOMMENDATION: No repression adjustment due to a change in rates is appropriate. However, a 2.5% reduction in residential consumption should be made to recognize the impact of conservation programs recommended in Issue 17. The resulting consumption to be used to calculate consumption charges is 993,482 Kgal.

DECISION: The recommendation was approved.

ISSUE 22: What are the appropriate monthly rates for service?

RECOMMENDATION: The appropriate monthly rates are listed below.

Residential Service Water Rates

Meter size	Current	Staff Recommended
<u>BFC</u>		
5/8" x 3/4"	\$7.32 (includes 3Kgal)	\$4.43 <u>\$4.02</u>
3/4"	\$0.00	\$6.65 <u>\$6.03</u>
1"	\$0.00	\$11.00 <u>\$10.05</u>
1 1/2"	\$0.00	\$22.15 <u>\$20.10</u>
<u>Usage charges</u>		
Per 1,000 gals		
0 - 3,000 gals	\$0.00	\$1.34 <u>\$1.38</u>
3,000-10,000	\$1.32	\$1.34 <u>\$1.38</u>
Over 10,000 gals	\$1.32	\$1.67 <u>\$1.72</u>

General Service Rates

Minutes of
 Commission Conference
 April 2, 2002

ITEM NO.

CASE

11 Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Meter Size	Current	Staff Recommended
<u>BFC</u>		
5/8" x 3/4"	\$7.32*	\$4.43 <u>\$4.02</u>
1"	\$19.46*	\$11.08 <u>\$10.05</u>
1 1/2"	\$36.49*	\$22.15 <u>\$20.10</u>
2"	\$58.80*	\$35.44 <u>\$32.16</u>
3"	\$116.83*	\$70.88 <u>\$64.32</u>
4"	\$182.85*	\$110.75 <u>\$100.50</u>
6"	\$282.76*	\$221.50 <u>\$201.00</u>
8"	\$577.67*	\$354.00 <u>\$321.60</u>
10"	\$841.62*	\$509.45 <u>\$462.30</u>

*Current General Service BFC include minimum gallonage allowances.

Usage Charges

All usage Per 1,000 gals	\$1.32	\$1.44 <u>\$1.49</u>
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In addition, tariffs should reflect that the Vacation Rate should be set at the new BFC of ~~\$4.43~~ \$4.02.

These rates, also shown on Schedule No. 4 of staff's March 21, 2002 memorandum, are designed to produce revenues of ~~\$1,985,788~~ \$1,946,855, 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), Florida Administrative Code. The rates should not be implemented until staff has approved the proposed customer notice, and the notice has been received by the customers. The utility should provide proof of the date

<u>ITEM NO.</u>	<u>CASE</u>
11	Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

notice was given no less than 10 days after the date of the notice.

DECISION: The recommendation was approved with the noted modifications.

ISSUE 23: What are the appropriate service availability charges for the Seven Springs water system?

RECOMMENDATION: An interim plant capacity charge of \$1,000 should be approved to offset future plant requirements. The utility shall deposit the difference between \$1,000 and the current charge of \$163.80 in its current interest-bearing escrow account to guarantee the interim funds collected subject to refund. The escrowed funds shall not be released until the Commission has verified that Aloha has sufficiently invested in the required plant improvements. All other escrow requirements as established by the Commission in Order No. PSC-00-1285-FOF-WS, issued on July 14, 2000, shall continue to apply. Revised tariff sheets and a proposed customer notice shall be filed by April 30, 2002, to reflect the \$1,000 interim plant capacity charge. The proposed notice shall include the date the notice will be issued, a statement that the utility is increasing its water plant capacity charge for new connections to the Seven Springs system from an interim charge of \$500 per ERC to \$1,000 per ERC, on a temporary basis, subject to refund; the utility's address, telephone number and business hours; and a statement that any comments concerning the charge should be addressed to the Director of the Division of the Commission Clerk and Administrative Services at 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0870. The approved charge shall be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code, providing the appropriate notice has been made.

The notice shall be mailed or hand-delivered to all

Minutes of
Commission Conference
April 2, 2002

ITEM NO.

CASE

11 Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

persons in the service area who have filed a written request for service within the past 12 calendar months or who have been provided service within the past 12 calendar months. In addition, the utility shall publish a copy of the approved notice in a newspaper of general circulation in its service area within 10 days of staff's approval of the notice. The utility shall provide proof of the date the notice was given within 10 days after the date of the notice. This increase is recommended in order to fund future plant requirements necessary to address solutions to the black water and long-term water supply issues.

DECISION: The recommendation was approved.

ISSUE 24: Is an interim refund appropriate and if so in what amount? (Issue not in Prehearing Order.)

RECOMMENDATION: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Based on this calculation, the utility should be required to refund ~~4.01%~~ 4.87% of water revenues collected under interim rates. The refund should be made with interest in accordance with Rule 25-30.360(4), Florida Administrative Code. The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code.

DECISION: The recommendation was approved with the noted modification.

Minutes of
Commission Conference
April 2, 2002

<u>ITEM NO.</u>	<u>CASE</u>
11	Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

ISSUE 25: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes? (Issue not in Prehearing Order.)

RECOMMENDATION: The water should be reduced as shown on Schedule 5 of staff's March 21, 2002 memorandum, to remove rate case expense grossed up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariff sheets and a proposed customer notice setting forth the lower rates and the reason for the reduction not later than one month prior to the actual date of the required rate reduction.

DECISION: The recommendation was approved.

ISSUE 26: Should this docket be closed?

RECOMMENDATION: The docket should be closed after the time for filing an appeal has run.

DECISION: The recommendation was approved.

Commissioners participating: Jaber, Baez, Palecki

ITEM NO.

CASE

12

Docket No. 010795-TP - Petition by Sprint Communications Company Limited Partnership for arbitration with Verizon Florida Inc. pursuant to Section 251/252 of the Telecommunications Act of 1996.

Critical Date(s): None

Commissioners Assigned: Baez, Palecki, Bradley
Prehearing Officer: Baez

Staff: CMP: Fulwood, Barrett
GCL: Teitzman, Banks

(Post-hearing decision - participation is limited to Commissioners and staff.)

LEGAL ISSUE A: What is the Commission's jurisdiction in this matter?

RECOMMENDATION: Staff believes that the Commission has jurisdiction pursuant to Chapter 364, Florida Statutes, and Section 252 of the Federal Telecommunications Act of 1996 (Act) to arbitrate interconnection agreements, and may implement the processes and procedures necessary to do so in accordance with Section 120.80 (13)(d), Florida Statutes. Section 252 of the Act states that a State Commission shall resolve each issue set forth in the petition and response, if any, by imposing the appropriate conditions required. This section requires this Commission to conclude the resolution of any unresolved issues not later than nine months after the date on which the ILEC received the request under this section. In this case, however, the parties have explicitly waived the nine-month requirement set forth in the Act.

Further, Section 252(e) of the Act reserves the state's authority to impose additional conditions and terms in an arbitration not inconsistent with the Act and its interpretation by the FCC and the courts.

ISSUE 1: In the new Sprint/Verizon interconnection agreement:

- (A) For the purposes of reciprocal compensation, how should local traffic be defined?

ITEM NO.

CASE

12

Docket No. 010795-TP - Petition by Sprint Communications Company Limited Partnership for arbitration with Verizon Florida Inc. pursuant to Section 251/252 of the Telecommunications Act of 1996.

(Continued from previous page)

- (B) What language should be included to properly reflect the FCC's recent ISP Remand Order?

RECOMMENDATION: For the purposes of reciprocal compensation, the jurisdiction of calls dialed via 00- or 7/10D should be defined based upon the end points of a call. Thus, calls dialed in this manner, which originate and terminate in the same local calling area, should be defined as local traffic.

ISSUE 2: For the purposes of the new Sprint/Verizon interconnection agreement:

- (A) Should Sprint be permitted to utilize multi-jurisdictional interconnection trunks?
- (B) Should reciprocal compensation apply to calls from one Verizon customer to another Verizon customer, that originate and terminate on Verizon's network within the same local calling area, utilizing Sprint's "00-" dial around feature?

RECOMMENDATION:

- (A) Until such time that Sprint demonstrates to Verizon or this Commission that its billing system can separate multi-jurisdictional traffic transported on the same facility, staff recommends that Sprint should not be allowed to utilize multi-jurisdictional trunks. Staff trusts that Sprint will work cooperatively with Verizon and the Ordering and Billing Forum on its billing system.
- (B) Staff recommends that when Sprint demonstrates to Verizon or this Commission that its billing system can separate multi-jurisdictional traffic transported on the same facility, Sprint's proposal for compensation should apply to "00-" calls that originate and terminate on Verizon's network within the same local calling area.

ISSUE 3: For the purposes of the new Sprint/Verizon interconnection agreement, should Verizon be required to

ITEM NO.

CASE

12

Docket No. 010795-TP - Petition by Sprint Communications Company Limited Partnership for arbitration with Verizon Florida Inc. pursuant to Section 251/252 of the Telecommunications Act of 1996.

(Continued from previous page)

provide custom calling/vertical features, on a stand-alone basis, to Sprint at wholesale discount rates?

RECOMMENDATION: Yes. Verizon should be required to provide custom calling/vertical features, on a stand-alone basis, to Sprint. The provision of these services should be at Verizon's current wholesale discount rate for all resold services, 13.04%. The current wholesale discount rate should apply until such time as Verizon may choose to calculate, and this Commission approves, an avoided cost calculation that specifically addresses stand-alone custom calling features.

ISSUE 12: Should changes made to Verizon's Commission-approved collocation tariffs, made subsequent to the filing of the new Sprint/Verizon interconnection agreement, supercede the terms set forth at the filing of this agreement?

RECOMMENDATION: Yes. Staff recommends that changes made to Verizon's Commission-approved collocation tariffs, made subsequent to the filing of the new Sprint/Verizon interconnection agreement, should supercede the terms set forth at the filing of this agreement. Staff recommends that this be accomplished by including specific reference to the Verizon collocation tariffs in the parties' interconnection agreement. However, staff believes that Sprint shall retain the right, when it deems appropriate, to contest any future Verizon collocation tariff revisions by filing a petition with the Commission.

ISSUE 15: For the purposes of the new interconnection agreement, should Sprint be required to permit Verizon to collocate equipment in Sprint's central offices?

RECOMMENDATION: Staff recommends that Sprint should not be required to allow Verizon to collocate its equipment in Sprint central offices when Sprint is not the incumbent local exchange carrier. However, staff believes that the parties should negotiate, since Verizon proposes a

Minutes of
Commission Conference
April 2, 2002

<u>ITEM NO.</u>	<u>CASE</u>
12	<p>Docket No. 010795-TP - Petition by Sprint Communications Company Limited Partnership for arbitration with Verizon Florida Inc. pursuant to Section 251/252 of the Telecommunications Act of 1996.</p> <p>(Continued from previous page)</p> <p>reasonable means to reduce the amount of transport involved in interconnection.</p> <p><u>ISSUE 17</u>: Should this docket be closed?</p> <p><u>RECOMMENDATION</u>: No. The parties should be required to submit a signed agreement that complies with the Commission's decisions in this docket for approval within 30 days of issuance of the Commission's Order. This docket should remain open pending Commission approval of the final arbitrated agreement in accordance with Section 252 of the Telecommunications Act of 1996.</p>

This item was deferred.