

**MINUTES OF  
COMMISSION CONFERENCE, April 19, 2005  
COMMENCED:** 9:35 a.m.  
**ADJOURNED:** 3:25 p.m.

**COMMISSIONERS PARTICIPATING:** Chairman Baez  
Commissioner Deason  
Commissioner Bradley  
Commissioner Davidson  
Commissioner Edgar

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

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1 Approval of Minutes  
March 29, 2005 Regular Commission Conference

DECISION: The minutes were approved.

Commissioners participating: Baez, Deason, Bradley, Davidson, Edgar

Agenda for  
Commission Conference  
April 19, 2005

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>
050191-TX	BLC Management LLC d/b/a Angles Communication Solutions
050177-TX	Meridian TeleSystems, Inc.
050067-TX	EFFECTEL CORP

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

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
050186-TC	Robert W. Pugh

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

DECISION: The recommendation was approved.

Commissioners participating: Baez, Deason, Bradley, Davidson, Edgar

Agenda for  
Commission Conference  
April 19, 2005

ITEM NO.

CASE

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3\*\*PAADocket No. 041413-EU - Joint petition for approval of amended territorial agreement in Levy and Marion Counties by Central Florida Electric Cooperative, Inc. and Progress Energy Florida, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners  
Prehearing Officer: Bradley

Staff: GCL: Rodan  
ECR: Breman, Windham

Issue 1: Should the Commission approve the joint petition for approval of the amended territorial agreement between Progress Energy Florida, Inc. and Central Florida Electric Cooperative, Inc.?

Recommendation: Yes. The proposed agreement is in the public interest and should be approved, effective upon the issuance of a Consummating Order finalizing the Commission's decision.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no protest is filed, this docket should be closed upon the issuance of a Consummating Order. If a protest is filed by a person whose substantial interests are affected within 21 days of the Commission Order approving this amendment, the docket should remain open.

DECISION: The recommendations were approved.

Commissioners participating: Baez, Deason, Bradley, Davidson, Edgar

ITEM NO.

CASE

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4\*\*PAADocket No. 050117-EI - Petition to relieve Progress Energy Florida, Inc. of the statutory obligation to provide electrical service to certain customers within the City of Winter Park, pursuant to Section 366.03 and 366.04, F.S.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: GCL: Brown

ECR: Breman, McNulty

Issue 1: Should the Commission relieve Progress of its obligation to provide retail electric service within the area to be served by Winter Park's municipal utility?

Recommendation: Yes. The Commission should relieve Progress of its obligation to provide electric service in the area that will be served by the new municipal utility, effective June 1, 2005, or at such later date that Winter Park begins operation of the new utility. Progress should inform the Commission if the transfer will not take place on June 1st, and inform the Commission when the transfer does take place. Progress should continue to pursue a territorial agreement with Winter Park to govern their future relationship.

Issue 2: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected has timely filed a protest to the Commission's Proposed Agency Action Order, a Consummating Order should be issued making the PAA Order final. The docket should remain open, however, until Progress files a notice with the Commission that the intended transfer has taken place. When the notice is filed the docket should be closed administratively.

DECISION: The recommendations were approved.

Commissioners participating: Baez, Deason, Bradley, Davidson, Edgar

ITEM NO.

CASE

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

Critical Date(s): None

Commissioners Assigned: All Commissioners  
Prehearing Officer: Edgar

Staff: GCL: Rojas  
CMP: Vickery, King

Issue 1: Should the Commission grant BellSouth's Motion to Consolidate Docket Nos. 050119-TP and 050125-TP?

Recommendation: Yes.

Issue 2: Should BellSouth's Transit Traffic Tariff be suspended pending the resolution of the petitions filed by the Joint Petitioners and AT&T?

Recommendation: No. BellSouth's General Subscriber Services Tariff A16.1, Transit Traffic Service should not be suspended. Staff does, however, recommend that revenues from the tariff be held subject to refund pending the outcome of this proceeding.

Issue 3: Should these dockets be closed?

Recommendation: No. If staff's recommendations are approved, these dockets should be consolidated and remain open pending the resolution of these petitions.

DECISION: The recommendations were approved with the understanding the Commission will move to hearing as soon as possible. Commissioner Deason dissented on Issue 2.

Commissioners participating: Baez, Deason, Bradley, Davidson, Edgar

Agenda for  
Commission Conference  
April 19, 2005

ITEM NO.

CASE

---

6\*\*Docket No. 041315-TI - Compliance investigation of D.G.A. Telecom, Inc. for apparent violation of Sections 364.02 and 364.04, F.S.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: CMP: Curry

GCL: Rojas

Issue 1: Should the Commission vacate Order PSC-05-0151-PAA-TI in regard to the compliance investigation of D.G.A. Telecom, Inc. for apparent violation of Sections 364.02 and 364.04, Florida Statutes?

Recommendation: Yes.

Issue 2: Should this docket be closed?

Recommendation: Yes.

DECISION: The recommendations were approved.

Commissioners participating: Baez, Deason, Bradley, Davidson, Edgar

ITEM NO.

CASE

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7\*\*PAADocket No. 050109-GU - Petition for disposition of final true-up for Non-Monitored Transportation Administration Charge [NTAC] and Transportation Cost Recovery [TCR] factors, by Florida Public Utilities Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: CMP: Makin, Bulecza-Banks

ECR: Slemkewicz

GCL: Jaeger

Issue 1: Should the Commission approve Florida Public Utilities Company's (FPUC) petition for disposition of final true-up for Non-Monitored Transportation Administration Charge (NTAC) and Transportation Cost Recovery (TCR) factors?

Recommendation: Yes. The Commission should approve Florida Public Utilities Company's (FPUC) petition for disposition of final true-up for Non-Monitored Transportation Administration Charge (NTAC) and Transportation Cost Recovery (TCR) factors, effective April 19, 2005, the date of the Commission's vote on this matter.

Issue 2: Should this docket be closed?

Recommendation: Yes. 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: Baez, Deason, Bradley, Davidson, Edgar

ITEM NO.

CASE

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8\*\*Docket No. 041291-EI - Petition for authority to recover prudently incurred storm restoration costs related to 2004 storm season that exceed storm reserve balance, by Florida Power & Light Company.  
Docket No. 050188-EI - 2005 comprehensive depreciation study by Florida Power & Light Company.  
Docket No. 050045-EI - Petition for rate increase by Florida Power & Light Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners  
Prehearing Officer: Baez (050045-EI)  
Davidson (041291-EI, 050188-EI)

Staff: ECR: Ballinger, Slemkewicz, Willis  
GCL: C. Keating, Fleming, Susac

Issue 1: How should the Commission resolve OPC's motion to consolidate FPL's storm cost recovery docket, depreciation study docket, and rate case?

Recommendation: The Commission should consolidate FPL's depreciation study docket and rate case but should not consolidate FPL's storm cost recovery docket with those two dockets.

Issue 2: Should these dockets be closed?

Recommendation: No. These dockets should remain open.

DECISION: The recommendations were approved with the understanding the Commission will issue a final order after the hearing in Docket No. 041291-EI but maintains the authority to consider all matters in the rate case (Docket No. 050045-EI) and set rates on a going-forward basis based on all relevant and germane matters.

Commissioners participating: Baez, Deason, Bradley, Davidson, Edgar



Agenda for  
Commission Conference  
April 19, 2005

ITEM NO.

CASE

---

9\*\*PAADocket No. 041376-EI - Petition for approval of new environmental program for cost recovery through Environmental Cost Recovery Clause, by Tampa Electric Company. (Deferred from April 5, 2005 conference.)

Critical Date(s): None

Commissioners Assigned: All Commissioners  
Prehearing Officer: Bradley

Staff: ECR: Breman, Haff, Lee, Wheeler  
GCL: Stern

Issue 1: Should the Commission approve TECO's petition for the Big Bend Units 1, 2, and 3 SCR systems and alkali injection systems as a new program for cost recovery through the ECRC?

Recommendation: Yes. The program is eligible for recovery through the ECRC and any prudently incurred costs for the Big Bend Units 1, 2, and 3 SCR and alkali injection systems are appropriate for recovery through the ECRC.

Issue 2: Should this docket be closed?

Recommendation: Yes. This docket should be closed 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 the issuance of the proposed agency action.

DECISION: The recommendations were approved.

Commissioners participating: Baez, Deason, Bradley, Davidson, Edgar

ITEM NO.

CASE

10\*\*PAADocket No. 040450-WS - Application for rate increase in Martin County by Indiantown Company, Inc.

Critical Date(s): 4/19/05 (5-month effective date - PAA rate case)

Commissioners Assigned: All Commissioners  
Prehearing Officer: Edgar

Staff: ECR: Fletcher, Revell, Edwards, Rendell, Lingo, Stallcup, Maurey, Willis  
GCL: Jaeger

Issue 1: Should the quality of service provided by Indiantown Company, Inc. be considered satisfactory?

Recommendation: Staff recommends that the utility's overall quality of service is marginal. Indiantown should be required to make all repairs or corrections mandated by the Department of Environmental Protection.

Issue 2: Should stipulated rate base adjustments be made?

Recommendation: Yes. Based on uncontested audit adjustments, plant should be decreased by (\$39,851) for water and (\$448) for wastewater, and accumulated depreciation should be decreased by \$42,938 for water and \$11,925 for wastewater. In addition, wastewater accumulated amortization of CIAC should be increased by \$3,030.

Issue 3: Should any plant items placed into service prior to 1975 be retired?

Recommendation: Yes. Because the utility has no detail regarding what types of plant are included in Accounts Nos. 348 and 398, Other Tangible Plant for water and wastewater, respectively, and because the plant in these accounts will be fully depreciated before the recommended rates go into effect in 2005, the following adjustments should be made to retire this plant.

	<u>Water</u>	<u>Wastewater</u>
Plant	(\$706,235)	(\$709,350)
Accumulated Depr.	\$706,235	\$709,350
Depreciation Expense	(\$17,656)	(\$9,817)

Issue 4: Should adjustments be made to reflect additional retirements?

Recommendation: Yes. Plant and accumulated depreciation should each be reduced by \$51,910 for water and \$94,634 for wastewater. Correspondingly, depreciation expense should be reduced by \$1,367 for water and \$3,934 for wastewater.

Issue 5: Should an adjustment be made to the utility's pro forma plant and expense items?

Recommendation: Yes. Plant should be increased by \$4,131 for water and decreased by (\$48,723) for wastewater. Corresponding adjustments should be made to increase water accumulated depreciation by (\$112) and decrease wastewater accumulated depreciation by

ITEM NO.

CASE

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10\*\*PAA

Docket No. 040450-WS - Application for rate increase in Martin County by Indiantown Company, Inc.

(Continued from previous page)

\$66,887. Corresponding adjustments should also be made to increase depreciation expense by \$226 for water and \$1,160 for wastewater. Further, operation and maintenance (O&M) expenses for wastewater should be increased by \$2,788.

Issue 6: Does the utility have any excessive unaccounted for water and infiltration and inflow, and, if so, are adjustments necessary?

Recommendation: Yes. Indiantown has 5.0% excessive unaccounted for water and 6.67% excessive infiltration and inflow for wastewater. Therefore, purchased power and chemicals should be reduced by \$2,231 for water and \$4,920 for wastewater.

Issue 7: What are the used and useful percentages for the utility's water treatment plant, wastewater treatment plant, water distribution system, and wastewater collection system?

Recommendation: Indiantown's used and useful percentages should be as follows:

Water Treatment Plant	100%
Wastewater Treatment Plant	73.86%
Water Distribution and Wastewater Collection Systems	100%

Wastewater rate base should be reduced by \$249,687 to reflect that 26.14% of treatment and disposal equipment should be considered non-used and useful. Corresponding adjustments should also be made to reduce wastewater depreciation expense and property tax expense by \$24,319 and \$5,597, respectively.

Issue 8: What is the appropriate working capital allowance?

Recommendation: The appropriate amount of working capital is \$68,841 for water and \$88,714 for wastewater.

Issue 9: What is the appropriate rate base?

Recommendation: Consistent with other recommended adjustments, the appropriate average rate base for the test year ending December 31, 2003 is \$387,964 for water and \$1,042,605 for wastewater.

Issue 10: What is the appropriate return on common equity?

Recommendation: The appropriate return on common equity is 10.13% based on the Commission leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

Issue 11: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2003?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2003 is 8.98%.

Issue 12: Should an adjustment be made to water revenues?

ITEM NO.

CASE

---

10\*\*PAA

Docket No. 040450-WS - Application for rate increase in Martin County by Indiantown Company, Inc.

(Continued from previous page)

Recommendation: Yes. To reflect the appropriate receipt of base facility charges for the Indiantown Marina, water revenues should be increased by \$2,107.

Issue 13: Should stipulated net operating income adjustments be made?

Recommendation: Yes. Based on uncontested audit adjustments, revenues should be reduced by (\$1,382) for water and increased by \$1,382 for wastewater, and O&M expenses should be reduced by (\$18,198) for water and (\$35,028) for wastewater. Further, depreciation expense should be reduced by (\$7,209) for water and (\$3,403) for wastewater, and payroll taxes should be increased by \$2,720 for water and decreased by (\$1,599) for wastewater.

Issue 14: Should any further adjustments be made to employee salaries?

Recommendation: Water salaries and benefits should be reduced by \$28,519 and \$4,818, respectively. Wastewater salaries and benefits should be reduced by \$25,561 and \$4,818, respectively. Corresponding reductions for water and wastewater taxes other than income of \$2,236 and \$1,957, respectively, should also be made.

Issue 15: Should an adjustment be made to sludge removal expense?

Recommendation: Yes. Test year sludge removal expense should be reduced by \$20,145.

Issue 16: Should any portion of purchased power for the utility's water system be removed as non-utility expense?

Recommendation: Yes. Purchased power for the water system should be reduced by (\$356) as non-utility expense.

Issue 17: Should any adjustments be made to amortize certain expenses?

Recommendation: Yes. O&M expenses should be reduced by (\$4,743) for water and (\$2,900) for wastewater, in order to amortize non-recurring expenses over five years.

Issue 18: Should any further adjustment be made to Materials and Supplies for wastewater?

Recommendation: Yes. To normalize the test year expense level, Material and Supplies (M&S) expense should be reduced by \$13,770 for wastewater.

Issue 19: Should any adjustments be made to management fees?

Recommendation: Yes. Management fees should be reduced by \$15,924 for both water and wastewater. Because it is the utility's burden to prove that its requested costs are reasonable, the utility should begin keeping time logs of the Postco, Inc. and Indiantown Telephone System, Inc. employees who spend time on Indiantown's water and wastewater operations, in order to reflect the actual time spent.

Issue 20: Should water and wastewater expenses be adjusted due to repression?

Recommendation: Yes. It is Commission practice to reduce chemicals and purchased power for repression of water and wastewater gallons. Thus, chemicals and purchased power should be reduced by (\$830) for water and (\$1,198) for wastewater.

ITEM NO.

CASE

10\*\*PAA

Docket No. 040450-WS - Application for rate increase in Martin County by Indiantown Company, Inc.

(Continued from previous page)

Issue 21: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense for this docket is \$115,442. This expense should be recovered over four years for an annual expense of \$28,861.

Issue 22: What is the appropriate amount of the utility's parent debt adjustment?

Recommendation: The appropriate parent debt adjustment should be \$994 for water and \$2,672 for wastewater.

Issue 23: What is the test year water and wastewater operating income before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, staff recommends that the test year water operating loss before any provision for increased revenues should be (\$11,812). The test year wastewater operating income before any provision for increased revenues should be \$7,888.

Issue 24: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved.

	<u>Test Year</u> <u>Revenues</u>	<u>\$ Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>% Increase</u>
Water	\$611,975	\$78,325	\$690,300	12.80%
Wastewater	\$872,434	\$143,954	\$1,016,388	16.50%

Issue 25: Are continuations of the utility's current rate structures for its water and wastewater systems appropriate in this case, and, if not, what are the appropriate rate structures for the respective water and wastewater systems?

Recommendation: No. The utility's current rate structures for its water and wastewater systems should not be continued. The water system rate structure should be changed to a three-tier inclining-block rate structure, with usage blocks of: a) 0-8 kgal; b) 8.001-15 kgal; and c) usage in excess of 15 kgal. The usage block rate factors should be 1.0, 1.25 and 1.5, respectively, with the BFC cost recovery percentage set at 40%. The wastewater gallonage cap for residential customers should be increased from 6 kgal to 10 kgal.

Issue 26: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments for the water and wastewater systems and the resulting kgal for ratesetting for the respective systems?

Recommendation: Yes. Repression adjustments are appropriate for both the water and wastewater systems. Residential consumption should be reduced by 2.3%, resulting in a consumption reduction of approximately 3.7 kgal. The resulting total water consumption for ratesetting is 210,645 kgal. Residential wastewater usage, capped at 10 kgal, should also be reduced by 2.3%, resulting in a consumption reduction of approximately 2.7 kgal.

ITEM NO.

CASE

---

10\*\*PAA

Docket No. 040450-WS - Application for rate increase in Martin County by Indiantown Company, Inc.

(Continued from previous page)

The resulting total wastewater consumption for ratesetting is 151,035 kgals. In order to monitor the effects of both the changes in rate structures and revenues, the utility should prepare monthly reports for both the water and wastewater systems, detailing the number of bills rendered, the consumption billed, and the revenues billed. These reports should be provided to staff. In addition, the reports should be prepared, by customer class and meter size, on a quarterly basis for a period of two years, beginning the first billing period after the approved rates go into effect.

Issue 27: What are the appropriate water and wastewater rates?

Recommendation: The appropriate water and wastewater monthly rates are shown on Schedules Nos. 4-A and 4-B of staff's April 7, 2005 memorandum, respectively.

Excluding miscellaneous service revenues, the recommended water and wastewater rates are designed to produce revenues of \$664,960 and \$1,014,823, respectively. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given no less than 10 days after the date of the notice.

Issue 28: 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 revenues granted. Based on this calculation, no water interim refund should be made and the total wastewater amount of what would have been the interim refund plus interest should be credited to CIAC. Further, upon issuance of the Consummating Order in this docket, the letter of credit should be released.

Issue 29: 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 Schedules Nos. 4-A and 4-B of staff's April 7, 2005 memorandum to remove \$15,318 for water and \$14,841 for wastewater 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,

ITEM NO.

CASE

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10\*\*PAA

Docket No. 040450-WS - Application for rate increase in Martin County by Indiantown Company, Inc.

(Continued from previous page)

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 30: 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 the applicable NARUC USOA primary accounts associated with the Commission-approved adjustments?

Recommendation: Yes. To ensure that the utility adjusts its books in accordance with the Commission's decision, Indiantown should provide proof, within 90 days of the date of the Consummating Order finalizing this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

Issue 31: Should this docket be closed?

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

DECISION: The item was deferred.

Commissioners participating: Baez, Deason, Bradley, Davidson, Edgar

ITEM NO.

CASE

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11\*\*Docket No. 050167-WU - Notification of Braden River Utilities, Inc. concerning exemption from regulation in Manatee and Sarasota Counties by the Public Service Commission, pursuant to Section 367.022(11), Florida Statutes, and request for cancellation of Certificate No. 569-W.

Critical Date(s): None

Commissioners Assigned: All Commissioners  
Prehearing Officer: Administrative

Staff: ECR: Rieger, Kaproth  
GCL: Gervasi

Issue 1: Should the Commission acknowledge Braden River Utilities, Inc.'s exemption from PSC regulation pursuant to Section 367.022(11), Florida Statutes, and cancel Certificate No. 569-W effective on the date of the Commission vote?

Recommendation: Yes. The Commission should acknowledge Braden River Utilities, Inc.'s exemption from PSC regulation pursuant to Section 367.022(11), Florida Statutes, and cancel Certificate No. 569-W effective on the date of the Commission vote.

Issue 2: Should the docket be closed?

Recommendation: Yes. Because no further action is necessary, the docket should be closed.

DECISION: The recommendations were approved.

Commissioners participating: Baez, Deason, Bradley, Davidson, Edgar