

**MINUTES OF AUGUST 3, 2004**

**COMMISSION CONFERENCE**

**COMMENCED:** 9:40 a.m.

**ADJOURNED:** 12:55 p.m.

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

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

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1 Approval of Minutes

June 29, 2004 Regular Commission Conference

July 6, 2004 Regular Commission Conference

DECISION: The minutes were approved.

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

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Commission Conference  
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ITEM NO. CASE

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2\*\*Consent Agenda

PAA A) Application for certificates to provide alternative access vendor service.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
040658-TA	Global Internetworking, Inc.

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

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
040619-TX	Excel Pager, Cellular, and Home Phone, Inc.
040603-TX	Optical Telecommunications, Inc.

PAA C) Applications for certificates to provide pay telephone service.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
040638-TC	Scala Hotel Group, LLC
040709-TC	Maria C. Martinez-Canino d/b/a National Communications Network

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, Jaber, Bradley, Davidson

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3\*\*PAADocket No. 040659-TL - Petition for emergency temporary waiver of Rules 25-4.066(2) and (3); 25-4.070(3)(a), (3)(b), and (5); 25-4.073(1)(a), (1)(c), and (1)(d); 25-4.0770(2); 25-4.040(5); 25-4.111; and 25-22.032(4)(b) and (6)(b), F.A.C., by BellSouth Telecommunications, Inc.

Critical Date(s): 8/3/04 (Pursuant to Rule 28-104.005, F.A.C., decision due within 30 days of petition unless waived; BellSouth has agreed to a limited waiver through this date.)

Commissioners Assigned: All Commissioners  
Prehearing Officer: Administrative

Staff: GCL: Susac  
CMP: Moses  
RCA: Hicks

Issue 1: Should the Commission approve BellSouth's Petition for emergency temporary waiver of Rules 25-4.066(2) and (3); 25-4.070(3)(a), (3)(b), and (5); 25-4.073(1)(a), (1)(c), and (1)(d); 25-4.0770(2); 25-4.040(5); 25-4.111; and 25-22.032(4)(b) and (6)(b), F.A.C.?

Recommendation: Yes. With the exception of the portion of 25-4.040(5) that requires the company to maintain a listing for Poison Information Centers and Rules 25-4.111(2) and (3), staff recommends that the Commission should approve BellSouth's Petition for a temporary and emergency waiver of Rules 25-4.066(2) and (3); 25-4.070(3)(a), (3)(b), and (5); 25-4.073(1)(a), (1)(c), and (1)(d); 25-4.0770(2); 25-4.040(5); 25-4.111; and 25-22.032(4)(b) and (6)(b), F.A.C, for a period beginning the day work stoppage occurs, and ending the day BellSouth and CWA sign a work agreement. BellSouth should file notice of any work stoppage, or signing of an agreement, with the Division of the Commission Clerk and Administrative Services no later than the next business day after it occurs.

Issue 2: Should the Commission acknowledge BellSouth's intention to invoke the provisions of Section 2(D)(1) of the Settlement between the Office of Public Counsel and BellSouth as approved by Order Numbers PSC-01-1643-AS-TL and PSC-02-0197-PAA-TL for a period beginning the day work stoppage occurs, and ending the day BellSouth and CWA sign a work agreement?

Recommendation: Yes. Staff recommends that the Commission should acknowledge BellSouth's intention to invoke the provisions of Section 2(D)(1) of the Settlement between the Office of Public Counsel and BellSouth as approved by Order Numbers PSC-01-1643-AS-TL and PSC-02-0197-PAA-TL for a period beginning the day work stoppage occurs, and ending the day BellSouth and CWA sign a work agreement. BellSouth should file notice of any work stoppage, or signing of an agreement, with the

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3\*\*PAA

Docket No. 040659-TL - Petition for emergency temporary waiver of Rules 25-4.066(2) and (3); 25-4.070(3)(a), (3)(b), and (5); 25-4.073(1)(a), (1)(c), and (1)(d); 25-4.0770(2); 25-4.040(5); 25-4.111; and 25-22.032(4)(b) and (6)(b), F.A.C., by BellSouth Telecommunications, Inc.

(Continued from previous page)

Division of the Commission Clerk and Administrative Services no later than the next business day after it occurs.

Issue 3: Should the Commission order BellSouth to publicize, through radio, television, and newspaper advertisements, the potential of delays in service and support to customers, if there is a work stoppage by the CWA?

Recommendation: Yes. Staff recommends that the Commission should order BellSouth to publicize, through radio, television, and newspaper advertisements, the potential of delays in service and support to customers, if there is a work stoppage by the CWA. BellSouth should prepare announcements in advance, for staff review, and immediately release the prepared announcements if a work stoppage occurs.

Issue 4: Should this docket be closed?

Recommendation: No. If staff's recommendations are approved or denied, the result will be a proposed agency action order. If no timely protest to the proposed agency action is filed within 21 days of the date of the issuance of the Order, the Commission's decision shall be final and effective upon issuance of the consummating order. This docket shall remain open pending notification that an agreement has been reached by BellSouth and the CWA. Thereafter, this docket shall be closed administratively if no further action from the Commission is required.

DECISION: The recommendations were approved.

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

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4\*\*PAADocket No. 040543-EI - Complaint by Michael Hedrick against Florida Power & Light Company regarding backbilling for alleged meter tampering.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: GCL: Vining  
RCA: Plescow

Issue 1: Is there sufficient evidence to demonstrate that meter tampering occurred at the residence of Michael Hedrick at 2011 North 57th Terrace, Hollywood, Florida, to allow FPL to backbill Mr. Hedrick's account for unmetered kilowatt hour consumption?

Recommendation: Yes. Prima facie evidence of meter tampering outlined in FPL's reports demonstrates that meter tampering occurred at Mr. Hedrick's residence. As the customer of record during the entire period in question, Mr. Hedrick should be held responsible for a reasonable amount of backbilling.

Issue 2: Is FPL's calculation of the backbilled amount of \$4,889.75, which includes investigation charges of \$553.33, reasonable?

Recommendation: Yes.

Issue 3: 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: This item was deferred.

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5\*\*PAADocket No. 040488-TP - Complaint of BellSouth Telecommunications, Inc. against IDS  
Telcom LLC to enforce interconnection agreement deposit requirements. (Deferred from  
July 20, 2004 conference.)

Critical Date(s): 7/21/04 (Service to IDS may be terminated by BellSouth if the  
Commission does not render a decision by this date.)

Commissioners Assigned: All Commissioners  
Prehearing Officer: Jaber

Staff: CMP: Barrett  
GCL: Christensen

Issue 1: Pursuant to the terms of the Interconnection Agreement, can BellSouth collect a  
security deposit from IDS? If so, what is the appropriate amount?

Recommendation: Yes. Under the terms of the Interconnection Agreement,  
BellSouth is entitled to collect a security deposit from IDS; however, the amount  
BellSouth is requesting is inappropriate. Therefore, as an interim measure, subject to  
true-up, IDS should place \$2 million in an escrow account within 7 calendar days of the  
Commission's vote on this item until a final deposit amount can be determined by this  
Commission, or negotiated by the parties. IDS should provide the Commission with  
proof that the escrow account has been established within the designated time frame. If  
IDS does not establish an escrow account as per this Commission's vote, then BellSouth  
should be allowed to enforce the deposit provisions of the Interconnection Agreement.

DECISION: The recommendation was approved with the modification that, under terms agreed to at the  
conference, IDS will be required to pay \$1 million initially to BellSouth, followed by payments of  
\$200,000 per month until \$2 million has been paid; IDS may then continue paying \$200,000 per month  
to BellSouth until all or part of \$1.9 million more has been paid, or present a corporate guarantee for the  
remaining \$1.9 million (or balance thereof). Deposit subject to refund with interest. \$1 million due 10  
days after order. Additional payments due on 10<sup>th</sup> of each month; default if not paid by 25<sup>th</sup> of each  
month.

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5\*\*PAA

Docket No. 040488-TP - Complaint of BellSouth Telecommunications, Inc. against IDS Telcom LLC to enforce interconnection agreement deposit requirements. (Deferred from July 20, 2004 conference.)

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Issue 2: Should the Commission grant the IDS Counterclaim?

Recommendation: No. The Commission should not grant the IDS Counterclaim. Staff does not believe that the language IDS seeks to adopt in Docket No. 040611-TP has retroactive application, and thus, has no direct impact on the current dispute addressed herein. Staff believes the language in place on the date the Petitioner brought forth this matter is the only language this Commission should consider.

DECISION: The recommendation was approved.

Issue 3: Should this docket be closed?

Recommendation: No. This docket should remain open until a final deposit amount is determined or pending further proceedings.

DECISION: The recommendation was approved.

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

ITEM NO.

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6Docket No. 981834-TP - Petition of Competitive Carriers for Commission action to support local competition in BellSouth Telecommunications, Inc.'s service territory. Docket No. 990321-TP - Petition of ACI Corp. d/b/a Accelerated Connections, Inc. for generic investigation to ensure that BellSouth Telecommunications, Inc., Sprint-Florida, Incorporated, and GTE Florida Incorporated comply with obligation to provide alternative local exchange carriers with flexible, timely, and cost-efficient physical collocation.

Critical Date(s): None

Commissioners Assigned: All Commissioners  
Prehearing Officer: Deason

Staff: CMP: T. Brown, S. Brown, Cater, King, Marsh  
ECR: Brinkley, Gardner, Maurey  
GCL: Teitzman, Rojas

Issue 9A: For which collocation elements should rates be set for each ILEC?

Recommendation: Staff recommends that AT&T's single model approach should not be adopted. Therefore, rates should be set for the collocation elements identified in the individual collocation cost studies of BellSouth, Sprint, and Verizon, subject to incorporating staff's recommended changes in all other applicable issues. The collocation elements (and associated rates) are listed in Appendices B-D of staff's July 22, 2004 recommendation.

Issue 9B: For those collocation elements for which rates should be set, what is the proper rate and the appropriate application of those rates?

Recommendation: Due to the large number of inputs and elements contained within this issue, staff has provided the table shown in staff's July 22, 2004 memorandum containing each input and element.

Issue 10: What are the appropriate definitions, and associated terms and conditions for the collocation elements to be determined by the Commission?

Recommendation: The definitions and associated terms and conditions for the collocation elements identified in Issue 9A are those proposed by BellSouth, Sprint, and Verizon subject to incorporating staff's recommended changes in all other applicable issues.

Issue 11: Should these dockets be closed?

Recommendation: If Verizon is ordered to make a compliance filing, these dockets should remain open until staff has the opportunity to evaluate the filing and bring its findings before the Commission. If a compliance filing is not required, the dockets may be closed. Recurring and non-recurring rates and charges should take effect when existing interconnection agreements are amended to incorporate the approved rates, and



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Docket No. 981834-TP - Petition of Competitive Carriers for Commission action to support local competition in BellSouth Telecommunications, Inc.'s service territory. Docket No. 990321-TP - Petition of ACI Corp. d/b/a Accelerated Connections, Inc. for generic investigation to ensure that BellSouth Telecommunications, Inc., Sprint-Florida, Incorporated, and GTE Florida Incorporated comply with obligation to provide alternative local exchange carriers with flexible, timely, and cost-efficient physical collocation.

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the amended agreements are deemed approved by the Commission. For new interconnection agreements, the rates shall become effective when the agreements are deemed approved by the Commission. Pursuant to Section 252(e)(4) of the Telecommunications Act of 1996, a negotiated agreement is deemed approved by operation of law after 90 days from the date of submission to the Commission.

DECISION: This item was deferred.

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7\*\*PAADocket No. 040607-TI - Petition for waiver of carrier selection requirements of Rule 25-4.118, F.A.C., to allow Covista, Inc. to transfer certain commercial long distance customer accounts to PaeTec Communications, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: CMP: Hawkins

GCL: Rojas

Issue 1: Should PaeTec Communications, Inc. be relieved in this instance of the interexchange carrier selection requirement of Rule 25-4.118, Florida Administrative Code?

Recommendation: Yes. Staff agrees that PaeTec Communications, Inc. should be relieved in this instance of the interexchange carrier selection requirement of Rule 25-4.118, Florida Administrative Code.

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 order.

DECISION: The recommendations were approved.

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

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8\*\*PAA Compliance investigation for apparent violation of Rule 25-4.0161, F.A.C., Regulatory Assessment Fees; Telecommunications Companies.

Docket No. 040399-TC - Gene McDonald d/b/a McDonald Communications

Docket No. 040402-TC - Keith R. Zinke & Michael Singletary d/b/a Communication Partners

Docket No. 040404-TC - Payphone Partners, Inc.

Docket No. 040405-TC - Roberta Rich d/b/a Street Phones Co

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: CMP: Isler

GCL: Rojas, Rockette-Gray, Scott

Issue 1: Should the Commission deny the companies listed on Attachment A of staff's July 22, 2004 memorandum voluntary cancellation of their respective certificates and instead, on the Commission's own motion, cancel the companies' respective certificates with prejudice?

Recommendation: Yes.

Issue 2: Should these dockets 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 company listed on Attachment A of staff's July 22, 2004 memorandum fails to timely file a protest and to request a Section 120.57, Florida Statutes, hearing, the facts should be deemed admitted and the right to a hearing waived. If any company listed on Attachment A of staff's memorandum fails to pay the Regulatory Assessment Fees, including statutory late payment charges, within fourteen (14) calendar days after the issuance of the Consummating Order, each company's respective certificate, as listed on Attachment A, should be cancelled administratively

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8\*\*PAA

Compliance investigation for apparent violation of Rule 25-4.0161, F.A.C., Regulatory Assessment Fees; Telecommunications Companies.

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and the collection of the past due fees should be referred to the Department of Financial Services for further collection efforts. If any company's certificate as listed on Attachment A is cancelled in accordance with the Commission's Order from this recommendation, the respective company should be required to immediately cease and desist providing pay telephone service in Florida. A protest in one docket should not prevent the action in a separate docket from becoming final.

DECISION: The recommendations were approved.

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

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9\*\*Docket No. 040403-TC - Compliance investigation of Daytona Telephone Company for apparent violation of Rule 25-4.0161, F.A.C., Regulatory Assessment Fees; Telecommunications Companies.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: CMP: Isler

GCL: Rockette-Gray

Issue 1: Should the Commission grant Daytona Telephone Company a voluntary cancellation of its Pay Telephone Certificate No. 6006 with an effective date of June 23, 2004?

Recommendation: Yes.

Issue 2: Should this docket be closed?

Recommendation: Staff recommends that if the Commission approves staff's recommendation in Issue 1, this docket should be closed upon cancellation of the certificate as no other issues need to be addressed by the Commission. If the company's certificate is cancelled in accordance with the Commission's Order from this recommendation, Daytona Telephone Company should be required to immediately cease and desist providing pay telephone service in Florida.

DECISION: The recommendations were approved.

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

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10\*\*PAADocket No. 030772-TI - Cancellation of tariff and removal from register by Florida Public Service Commission of IXC Registration No. TJ292 issued to TransNet Connect, Inc. for violation of Section 364.336, Florida Statutes.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: CMP: Isler  
GCL: Rojas

Issue 1: Should the Commission grant TransNet Connect, Inc. cancellation of its tariff and removal from the register with an effective date of July 10, 2003, due to bankruptcy; notify the Division of the Commission Clerk and Administrative Services that any unpaid Regulatory Assessment Fees, including statutory penalty and interest 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 interexchange telecommunications service in Florida?

Recommendation: Yes.

Issue 2: Should this docket be closed?

Recommendation: Yes. Staff recommends that the Order issued from this recommendation will become final 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 Order. The docket should then be closed upon issuance of a Consummating Order.

DECISION: The recommendations were approved.

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

ITEM NO.

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11\*\*PAADocket No. 030409-EI - Petition for approval of 2003 depreciation study by Tampa Electric Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Deason

Staff: ECR: Gardner, Harlow, Lester

GCL: Jaeger

Issue 1: Should the preliminary depreciation rates, amortizations, recovery schedules, and provision for dismantlement for Tampa Electric Company be changed?

Recommendation: Yes. Staff recommends the Commission approve the revised lives, net salvage, reserves, resultant depreciation rates, and provision for dismantlement as shown on Attachments A, B, and C of staff's July 22, 2004 memorandum.

Issue 2: What should be the implementation date for new depreciation rates, amortizations, recovery schedules, and dismantlement accruals?

Recommendation: Staff recommends January 1, 2004, as the implementation date for Tampa Electric's new depreciation rates, amortizations, recovery schedules, and dismantlement provision as shown in Attachments A, B, and C of staff's July 22, 2004 memorandum. For all practicable purposes, the depreciation rates, amortizations, recovery schedules, and dismantlement provisions based upon the January 1, 2003 investment will remain pursuant to Order No. PSC-03-0736-PCO-EI.

Issue 3: Should any corrective reserve allocations be made?

Recommendation: Yes. Staff recommends the corrective reserve allocations for the major imbalances that affect Tampa Electric's investment and reserves as shown in the table in staff's memorandum. Also, staff recommends that the company make the necessary corrections to the reserve position for the remaining affected plant accounts, and provide a report to staff within 6 months from the date of the order consummating the proposed agency action order.

Issue 4: Should the depreciation rates, amortization, and recovery schedules be changed?

Recommendation: Yes. Staff recommends the Commission approve the lives, net salvages, reserves, and resultant depreciation rates shown on Attachments A and B of staff's July 22, 2004 memorandum.

Issue 5: Should the preliminary approved annual provision for fossil dismantlement be changed?

Recommendation: Yes. Staff recommends an annual provision for fossil dismantlement of \$3,874,572 beginning January 1, 2004, as shown on Attachment C of staff's July 22, 2004 memorandum. This represents a decrease of approximately \$4.1 million that was approved pursuant to Order No. PSC-03-0736-PCO-EI.

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Docket No. 030409-EI - Petition for approval of 2003 depreciation study by Tampa Electric Company.

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Issue 6: 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 issuance of a consummating order.

DECISION: The recommendations were approved.

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



ITEM NO.

CASE

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12\*\*PAA Docket No. 030444-WS - Application for rate increase in Bay County by Bayside Utility Services, Inc.

Critical Date(s): 8/3/04 (5-month effective date extended - PAA rate case)

Commissioners Assigned: All Commissioners

Prehearing Officer: Deason

Staff: ECR: Fletcher, Bruce, Daniel, Lingo, Merchant, Redemann, Stallcup,  
Willis

GCL: Jaeger

Issue 1: Is the quality of service provided by Bayside Utility Services, Inc. considered satisfactory, and, if not, what action, including pro forma plant improvements, is needed to improve the quality of service?

Recommendation: No. The quality of service provided by Bayside Utility Services, Inc. should be considered marginal at this time. Staff believes that the utility is taking appropriate action to improve the quality of service. The utility has requested pro forma plant improvements to improve the quality of service, which is discussed in more detail in Issue 2. Further, due to the numerous problems with the original construction of the collection system, the utility should file a plan of improvement for the wastewater collection system within 120 days of the consummating order finalizing the initial PAA order for this docket.

Issue 2: What are the appropriate pro forma plant projects for this docket and when should they be completed?

Recommendation: The Commission should allow \$25,000 in pro forma plant for wastewater lift station improvements in this recommendation. Pro forma plant should be reduced by \$80,000 for water and \$25,000 for wastewater. Corresponding adjustments should be made to reduce both accumulated depreciation and depreciation expense by \$4,248 for water and \$556 for wastewater. Also, corresponding adjustments should be made to reduce property taxes by \$34 for water and \$6 for wastewater. The lift station improvements should be completed within 90 days of the consummating order finalizing the initial PAA order for this docket. The utility should be required to complete the water main and wastewater gravity main improvements projects within 180 days of the consummating order finalizing the initial PAA order for this docket. Upon the completion of these projects, the utility should submit supporting documentation reflecting the actual costs and prudence associated with these projects. Staff will review this information and file another recommendation addressing whether a Phase II rate increase should be considered.

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12\*\*PAA

Docket No. 030444-WS - Application for rate increase in Bay County by Bayside Utility Services, Inc.

(Continued from previous page)

Issue 3: Are there any rate base adjustments that should be made as a result of staff's audit?

Recommendation: Yes. Based on uncontested audit adjustments, plant should be decreased by \$52,982 for water and \$6,050 for wastewater, and accumulated depreciation should be increased by \$3,888 for water and \$63,053 for wastewater. In addition, accumulated amortization of CIAC should be increased by \$4,317 for water. Further, corresponding adjustments should be made to decrease depreciation expense by \$1,494 for water and to increase depreciation expense by \$6,045 for wastewater.

Issue 4: Should any adjustments be made to the utility's Water Service Corporation allocations?

Recommendation: To appropriately allocate rate base and other costs, plant for both water and wastewater should be decreased by \$533, and depreciation expense for both water and wastewater should be decreased by \$57. In addition, operation and maintenance (O&M) expenses should be reduced by \$1,426 for both water and wastewater. Further, Utilities, Inc. (UI), the utility's parent, should revise its allocation methodology beginning January 1, 2004, to a weighted average of each calendar year in order to properly spread costs to customers.

Issue 5: What are the used and useful percentages for the utility's water distribution and wastewater collection systems?

Recommendation: The water distribution and wastewater collection systems should be considered 100% used and useful.

Issue 6: What is the appropriate working capital allowance?

Recommendation: The appropriate amount of working capital is \$10,019 for water and \$10,787 for wastewater based on the formula method.

Issue 7: What is the appropriate rate base?

Recommendation: Consistent with other recommended adjustments, the appropriate simple average rate base for the test year ending December 31, 2002 is \$66,672 for water and \$194,663 for wastewater.

Issue 8: Are any adjustments necessary to Bayside's capital structure and what is the appropriate weighted cost of capital including the proper components, amounts and cost rates associated with the capital structure for the test year ending December 31, 2002?

Recommendation: Deferred taxes should be increased by \$21,718 to reflect the correct balance and the special tax depreciation allowance claim by the utility. The appropriate cost of equity should be 11.21%, with a range of 10.21% to 12.21%, and the overall cost of capital should be 8.28%, with a range of 7.90% to 8.67%.

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12\*\*PAA

Docket No. 030444-WS - Application for rate increase in Bay County by Bayside Utility Services, Inc.

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Issue 9: Should an adjustment be made to employee salaries?

Recommendation: Yes. To reflect current staffing levels, employee salaries should be reduced by \$9,589 for both water and wastewater. Corresponding adjustments should also be made to reduce pensions and benefits by \$3,652 for both water and wastewater. Further, corresponding adjustments should be made to reduce payroll taxes by \$734 for both water and wastewater.

Issue 10: Are there any operating expense adjustments that should be made as a result of staff's audit?

Recommendation: Yes. Based on uncontested audit adjustments, O&M expenses should be reduced by \$714 for water and \$679 for wastewater.

Issue 11: Should an adjustment be made for unaccounted for water?

Recommendation: Yes. A reduction of 4.54%, or \$2,184, should be made to purchased water. The utility should investigate the source of water loss and provide a report identifying the cause of the unaccounted for water within 90 days of the consummating order finalizing the initial PAA order for this docket.

Issue 12: Should an adjustment be made to materials and supplies expense?

Recommendation: Yes. To normalize the test year expense level, material and supplies expense should be reduced by \$1,020 for water and \$10,257 for wastewater.

Issue 13: Should an adjustment be made to bad debt expense?

Recommendation: Yes. To normalize the test year expense level, bad debt expense should be reduced by \$435 for water and \$592 for wastewater.

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

Recommendation: The appropriate rate case expense for this docket is \$59,369. This expense is to be recovered over four years for an annual expense of \$14,842. To remove duplicate and unsupported costs, the test year amortization should be decreased by \$5,656 for both water and wastewater.

Issue 15: What is the test year water and wastewater operating income before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, the operating income before any provision for increased revenues is (\$13,251) for water and (\$7,472) for wastewater.

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12\*\*PAA

Docket No. 030444-WS - Application for rate increase in Bay County by Bayside Utility Services, Inc.

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Issue 16: What is the appropriate revenue requirement?

Recommendation: The following revenue requirements should be approved.

	<u>TY Revenues</u>	<u>\$ Increase</u>	<u>Rev Requirement</u>	<u>% Increase</u>
Water	\$65,894	\$31,517	\$97,411	47.83%
Wastewater	\$92,613	\$39,609	\$132,222	42.77%

Issue 17: What are the appropriate water and wastewater rate structures?

Recommendation: The appropriate water rate structure is a continuation of the current base facility (BFC) and uniform gallonage charge rate structure. The water rates should be designed such that 40% of the revenue requirement from rates (pre repression) is recovered in the BFC. No conservation adjustment is recommended. Further, the appropriate wastewater rate structure is a continuation of the current BFC and gallonage charge rate structure with a 6,000-gallon cap for residential customers and a differential in the gallonage charge between residential and general service.

Issue 18: Are adjustments to reflect repression of consumption appropriate due to the price changes in this case, and, if so, what are the appropriate repression adjustments for the water and wastewater systems?

Recommendation: Yes. A repression adjustment of 563 kgal is appropriate for the water system, with a corresponding adjustment of 453 kgal for the wastewater system. In order to monitor the effects of the recommended revenue changes, the utility should be ordered to prepare monthly reports detailing the number of bills rendered, the consumption billed and the revenue billed. These reports should be provided, by type of service, customer class and meter size, on a quarterly basis for a period of two years, beginning with the first billing period after the rate changes go into effect.

Issue 19: 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 July 22, 2004 memorandum, respectively. Excluding miscellaneous service revenues, the recommended water and wastewater rates are designed to produce revenues of \$96,456 and \$130,880, 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.

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12\*\*PAA

Docket No. 030444-WS - Application for rate increase in Bay County by Bayside Utility Services, Inc.

(Continued from previous page)

Issue 20: 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. 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 15.37% of water and 14.81% of wastewater revenues collected under interim rates. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C.

Issue 21: 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 memorandum to remove \$7,771 separately for both water and 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, 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 22: Should the utility be required to provide proof that it has adjusted its books for all Commission-approved adjustments?

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

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12\*\*PAA

Docket No. 030444-WS - Application for rate increase in Bay County by Bayside Utility Services, Inc.

(Continued from previous page)

Issue 23: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by this initial PAA decision files a protest within 21 days of the issuance of the order, a consummating order will be issued. Staff should be given administrative authority to verify that the revised tariff sheets and customer notice have been filed by the utility and approved by staff, and the refund has been completed and verified by staff. Once these actions are complete, the corporate undertaking should be released. This docket should remain open for staff to verify that the additional recommended plant improvements, discussed in Issue 2, have been completed and to file another PAA recommendation to address a Phase II rate increase for those plant projects.

DECISION: The recommendations were approved with a modification to Issue 1 that show cause proceedings will be initiated if the company does not meet the required deadline.

Commissioner Deason dissented.

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

ITEM NO.

CASE

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13\*\*PAADocket No. 030446-SU - Application for rate increase in Pinellas County by Mid-County Services, Inc.

Critical Date(s): 8/3/04 (5-month effective date extended by utility - PAA rate case)

Commissioners Assigned: All Commissioners

Prehearing Officer: Deason

Staff: ECR: Revell, Edwards, Merchant

GCL: Jaeger

Issue 1: Is the quality of service provided by Mid-County satisfactory?

Recommendation: Yes. The quality of service should be considered satisfactory.

However, staff believes that the utility should be ordered to make the plant improvements as outlined in the analysis portion of staff's July 22, 2004 memorandum to reduce the odors being released from the plant. The utility should be required to install and place in service improvements to the static screen and two return pipes on the North plant no later than 90 days after issuance of the consummating order.

Issue 2: Are there any adjustments that should be made to land?

Recommendation: Yes. Land should be decreased by \$2,603 to remove an overstated balance.

Issue 3: Are there any additional rate base adjustments that should be made as a result of the staff audit?

Recommendation: Yes. Plant and accumulated depreciation should be reduced by \$1,148,015 and by \$370,955 respectively. Depreciation expense should also be increased by \$53,838. Further, accumulated amortization of CIAC should be increased by \$37,000, and CIAC amortization expense should be increased by \$9,866. Additionally, O&M expenses as a result of these adjustments should be increased by \$3,493.

Issue 4: Should an adjustment be made to reflect the utility's common plant allocations from Water Service Corporation (WSC)?

Recommendation: Yes. Plant should be increased by \$26,602.

Issue 5: What is the used and useful percentage for the utility's wastewater system?

Recommendation: The wastewater treatment plant should be considered 92% used and useful. The wastewater collection system should be considered 100% used and useful. Staff recommends that rate base should be reduced by \$65,559, with corresponding reductions to depreciation expense of \$9,497 and property taxes of \$918.

Issue 6: What is the appropriate treatment of the utility's deferred taxes?

Recommendation: The utility's \$10,964 net debit balance of deferred taxes should be included as a separate line item in rate base.

Issue 7: What is the appropriate working capital allowance?

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13\*\*PAA

Docket No. 030446-SU - Application for rate increase in Pinellas County by Mid-County Services, Inc.

(Continued from previous page)

Recommendation: The appropriate working capital allowance is \$74,108 using the balance sheet method.

Issue 8: What is the appropriate rate base?

Recommendation: The appropriate rate base for the test year ending December 31, 2002, is \$1,982,244.

Issue 9: Are any adjustments necessary to Mid-County's capital structure and 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, 2002?

Recommendation: All deferred taxes should be removed from the capital structure because staff has previously recommended that the utility's net debit balance of deferred taxes should be included as a part of rate base. Based on the current leverage formula in effect, the appropriate cost of equity should be 11.00%, with a range of 10.00% to 12.00%. The overall cost of capital should be 9.00%, with a range of 8.56% to 9.45%.

Issue 10: What adjustments, if any, should be made to the utility's test year revenues?

Recommendation: Test year revenues should be reduced by \$2,443 to properly reflect test year revenues.

Issue 11: Are there any O&M expense adjustments that should be made related to employee benefits as a result of staff's audit?

Recommendation: Yes. Employee benefits should be reduced by \$2,116.

Issue 12: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense for this docket is \$75,813. This expense should be recovered over four years for an annual expense of \$18,953.

Issue 13: What is the test year wastewater operating income before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, staff recommends that the test year wastewater operating loss before any provision for increased revenues should be (\$17,156).

Issue 14: 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>
\$1,026,215	\$328,399	\$1,354,614	32.00%

Issue 15: What are the appropriate wastewater rates for this utility?



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13\*\*PAA

Docket No. 030446-SU - Application for rate increase in Pinellas County by Mid-County Services, Inc.

(Continued from previous page)

Recommendation: The appropriate bi-monthly rates are shown on Schedule No. 4 of staff's memorandum. Staff's recommended rates are designed to produce revenues of \$1,354,294 excluding miscellaneous service charge revenues. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 16: 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. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Using these principles, staff recommends that no interim refund is required.

Issue 17: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense ?

Recommendation: The rates should be reduced as shown on Schedule 4 to remove \$19,846 for rate case expense, grossed up for regulatory assessment fees (RAFs), which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction.

Issue 18: Should the utility be required to provide proof that it has adjusted its books for all Commission-approved adjustments?

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

Issue 19: Should the 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

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13\*\*PAA

Docket No. 030446-SU - Application for rate increase in Pinellas County by Mid-County Services, Inc.

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consummating order will be issued. This docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. Once the tariff and customer notice have been approved by staff, the corporate undertaking may be released. When the PAA issues are final, the tariff and notice actions are complete, this docket may be closed administratively.

DECISION: The recommendations were approved.

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

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ITEM NO.

CASE

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14\*\*Docket No. 000694-WU - Petition by Water Management Services, Inc. for limited proceeding to increase water rates in Franklin County.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Davidson

Staff: ECR: Kyle, Merchant, Willis

GCL: Vining

Issue 1: Should the Commission approve WMSI and OPC's Settlement Agreement?

Recommendation: Yes. The Agreement should be approved as filed.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open pending Commission action on the utility's request for permanent rates to be addressed in Phase 3.

DECISION: The recommendations were approved.

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