

MINUTES OF MAY 17, 2005
COMMISSION CONFERENCE
COMMENCED: 9:35 a.m.
ADJOURNED: 11:20 a.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 (**).

1 Approval of Minutes

April 19, 2005 Regular Commission Conference

DECISION: The minutes were approved.

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

Minutes of
Commission Conference
May 17, 2005

ITEM NO. _____ CASE _____

2**Consent Agenda

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

| <u>DOCKET NO.</u> | <u>COMPANY NAME</u> |
|-------------------|------------------------|
| 050189-TX | CloseCall America, Inc |

RECOMMENDATION: The Commission should approve the action requested in the docket referenced above and close this docket.

DECISION: The recommendation was approved.

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

ITEM NO.

CASE

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

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Davidson

Staff: CMP: Moses, Casey

GCL: Rojas

Issue 1: Should the Commission approve FTRI's proposed budget (Attachment A of staff's May 5, 2005 memorandum) for the fiscal year 2005-2006 effective July 1, 2005, and retain the TASA surcharge at the current amount of \$.15?

Recommendation: Yes.

Issue 2: Should the Commission continue to include in its Order regarding FTRI's budget, the requirement that FTRI may not move amounts between the five categories of costs in excess of 10% of the category from which the funds are being moved, without prior Commission authorization?

Recommendation: Yes. The Commission should maintain the requirement that FTRI may not move amounts between the five categories of costs in excess of 10% of the category from which the funds are being moved, without prior Commission authorization.

Issue 3: Should this docket be closed?

Recommendation: No. This docket should not be closed. If the Commission approves staff's recommendation in Issue 1, the result will be a Proposed Agency Action Order, which will become final upon issuance of a Consummating Order, if no person whose substantial interests are affected timely files a protest.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

4**Docket No. 050183-WU - Request by homeowners for the Commission to initiate deletion proceedings against Aloha Utilities, Inc. for failure to provide sufficient water service consistent with the reasonable and proper operation of the utility system in the public interest, in violation of Section 367.111(2), Florida Statutes.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Davidson

Staff: GCL: Gervasi
ECR: Stallcup

Issue 1: What action should the Commission take with respect to the requests by homeowners in the Natura, Heritage Lake, Veterans Villas, Wedgwood Village, Heritage Springs, Twin Lakes Village, Briar Patch, and Foxwood subdivisions for deletion of those areas from Aloha's service territory?

Recommendation: The Commission should direct staff to conduct an investigation into the areas at issue, as well as into the other remaining areas located within Aloha's Seven Springs service territory, including conducting a customer survey of these areas much like the survey conducted with respect to the areas at issue in Docket No. 050018-WU, to determine the extent of the black water problem in these areas. Staff should be directed to bring a recommendation on whether another deletion proceeding should be initiated once the staff investigation is completed. The Commission should order Aloha to provide staff with the names and addresses of all of its water customers residing in the areas at issue and any other remaining areas in its Seven Springs service territory in order to facilitate the mailing of the staff survey.

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open in order for staff to conduct an investigation into the areas at issue and then bring another recommendation to the Commission on whether another deletion proceeding should be initiated once the investigation is completed.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

5**PAADocket No. 050207-TP - Request for waiver of carrier selection requirements of Rule 25-4.118, F.A.C., due to transfer of certain assets of Global Crossing Telecommunications, Inc. (holder of IXC Registration No. TI720), Global Crossing Local Services, Inc. (Holder of CLEC Certificate No. 5574), and Global Crossing Telemangement, Inc. (holder of CLEC Certificate No. 5308) to Matrix Telecom, Inc. d/b/a IECOM (holder of IXC Registration No. TI299) and Matrix Telecom, Inc. (CLEC application pending).

Critical Date(s): None

Commissioners Assigned: All Commissioners
Prehearing Officer: Administrative

Staff: CMP: M. Watts
GCL: Susac

Issue 1: Should the Commission approve the waiver of the carrier selection requirements of Rule 25-4.118, Florida Administrative Code, in the transfer of customers from Global Crossing Telecommunications, Inc. (holder of IXC Registration No. TI720), Global Crossing Local Services, Inc. (holder of CLEC Certificate No. 5574), and Global Crossing Telemangement, Inc. (holder of CLEC Certificate No. 5308) to Matrix Telecom, Inc. d/b/a IECOM (holder of IXC Registration No. TI299) and Matrix Telecom, Inc. (CLEC application approved at the May 3, 2005, Agenda Conference)?

Recommendation: Yes.

Issue 2: Should this docket be closed?

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

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

6**PAADocket No. 050182-TP - Joint petition for waiver of carrier selection requirements of Rule 25-4.118, FAC, to allow KMC Telecom III LLC to transfer certain customer accounts to TelCove Investment, LLC.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Davidson

Staff: CMP: Watts, Holman

GCL: Rojas

Issue 1: Should the Commission approve the waiver of the carrier selection requirements of Rule 25-4.118, Florida Administrative Code, in the transfer of customers from KMC Telecom III LLC to TelCove Investment, LLC?

Recommendation: Yes.

Issue 2: Should this docket be closed?

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

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

7**PAADocket No. 050260-TI - Compliance investigation of U S P & C Corporation for apparent violations of Sections 364.336, F.S., Regulatory Assessment Fees; Telecommunications Companies, and Section 364.02(13), F.S., Definitions.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: CMP: Watts
GCL: Fordham

Issue 1: Should the Commission impose a penalty and a cost of collection, together totaling \$1,000, on U S P & C Corporation for its apparent second violation of Section 364.336, F.S., Regulatory Assessment Fees?

Recommendation: Yes.

Issue 2: Should the Commission impose a penalty of \$500 upon U S P & C Corporation for its apparent violation of Section 364.02(13), F.S.?

Recommendation: Yes.

Issue 3: Should this docket be closed?

Recommendation: Staff recommends that the Order issued from this recommendation 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 U S P & C Corporation fails to timely file a protest and to request a Section 120.57, Florida Statutes, hearing, the facts should be deemed admitted and the right to a hearing waived. If the company fails to pay the penalties in Issues 1 and 2 within fourteen (14) calendar days after the issuance of the Consummating Order, U S P & C Corporation's IXC tariff should be canceled and IXC Registration No. TJ147 should be removed from the register administratively and the collection of the past due Regulatory Assessment Fees, including statutory late payment charges, should be referred to the Florida Department of Financial Services for further collection efforts. For any payment received applicable to the penalty, including cost of collection, in Issue 1, the cost of collection should be subtracted from the amount received and should be deposited in the Florida Public Service Regulatory Trust Fund, pursuant to Section 350.113, Florida Statutes. Any monetary amount exceeding the cost of collection should be remitted to the Florida Department of Financial Services for deposit in the State of Florida General Revenue Fund, pursuant to Section 364.285(1), Florida Statutes. If the company is removed from the register in accordance with the

Minutes of
Commission Conference
May 17, 2005

ITEM NO.

CASE

7**PAA

Docket No. 050260-TI - Compliance investigation of U S P & C Corporation for apparent violations of Sections 364.336, F.S., Regulatory Assessment Fees; Telecommunications Companies, and Section 364.02(13), F.S., Definitions.

(Continued from previous page)

Commission's Order from this recommendation, the company should be required to immediately cease and desist providing intrastate interexchange telecommunications service in Florida. This docket should be closed administratively either upon receipt of the payment of the penalties and cost of collection, and Regulatory Assessment Fees, including statutory late payment charges, or upon removal of the company from the register.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

8**Docket No. 050045-EI - Petition for rate increase by Florida Power & Light Company.

Critical Date(s): 5/23/05 (60-day suspension date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Baez

Staff: ECR: Merta, Rendell

GCL: C. Keating, Fleming, Susac

Issue 1: Should the Commission suspend the new rate schedules accompanying FPL's proposed base rate increase?

Recommendation: Yes. The new rate schedules should be suspended pending the Commission's final decision in this docket.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open to process the revenue increase request of the company.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

9**PAA Docket No. 040450-WS - Application for rate increase in Martin County by Indiantown Company, Inc. (Deferred from April 19, 2005 conference; revised recommendation filed.)

Critical Date(s): 6/14/05 (5-month effective date - PAA rate case)

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: ECR: Fletcher, Edwards, Lingo, Maurey, Rendell, Revell, Stallcup, 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 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.

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 \$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.

ITEM NO.

CASE

9**PAA

Docket No. 040450-WS - Application for rate increase in Martin County by Indiantown Company, Inc. (Deferred from April 19, 2005 conference; revised recommendation filed.)

(Continued from previous page)

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% |

Issue 8: What is the appropriate working capital allowance?

Recommendation: The appropriate amount of working capital is \$68,841 for water and \$91,232 ~~\$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 \$1,045,123 ~~\$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?

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.

ITEM NO.

CASE

9**PAA

Docket No. 040450-WS - Application for rate increase in Martin County by Indiantown Company, Inc. (Deferred from April 19, 2005 conference; revised recommendation filed.)

(Continued from previous page)

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. (As discussed in the case background in staff's May 5, 2005 memorandum, Issue 15 has been dropped.)~~

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.

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.

ITEM NO.

CASE

9**PAA

Docket No. 040450-WS - Application for rate increase in Martin County by Indiantown Company, Inc. (Deferred from April 19, 2005 conference; revised recommendation filed.)

(Continued from previous page)

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 ~~\$2,679~~ ~~\$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 ~~(\$11,811)~~ ~~(\$11,812)~~. The test year wastewater operating loss income before any provision for increased revenues should be ~~(\$4,634)~~ ~~\$7,888~~.

Issue 24: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved.

| | <u>Test Year Revenues</u> | <u>\$ Increase</u> | <u>Revenue Requirement</u> | <u>% Increase</u> |
|------------|---------------------------|-----------------------------------|---------------------------------------|-----------------------------|
| Water | \$611,975 | \$78,334 \$78,325 | \$690,309 \$690,300 | 12.80% |
| Wastewater | \$872,434 | \$165,384 \$143,954 | \$1,037,818 \$1,016,388 | 18.96% 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

ITEM NO.

CASE

9**PAA

Docket No. 040450-WS - Application for rate increase in Martin County by Indiantown Company, Inc. (Deferred from April 19, 2005 conference; revised recommendation filed.)

(Continued from previous page)

approximately 2.7 kgal. 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 May 5, 2005 memorandum, respectively.

Excluding miscellaneous service revenues, the recommended water and wastewater rates are designed to produce revenues of ~~\$664,968~~ ~~\$664,960~~ and ~~\$1,036,253~~ ~~\$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 or wastewater interim refunds 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 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

ITEM NO.

CASE

9**PAA

Docket No. 040450-WS - Application for rate increase in Martin County by Indiantown Company, Inc. (Deferred from April 19, 2005 conference; revised recommendation filed.)

(Continued from previous page)

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 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 recommendations were approved.

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

ITEM NO.

CASE

10**PAADocket No. 041145-WU - Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc.

Critical Date(s): 2/24/06 (15-month effective date - SARC)

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: ECR: Hudson, Massoudi, Rendell, Bruce, Lingo

GCL: Jaeger

Issue 1: Is the quality of water service provided by Holiday Utility Company, Inc. considered satisfactory?

Recommendation: Yes. The quality of service provided by Holiday Utility Company, Inc. should be considered satisfactory. Although the operational conditions at both water treatment plants are not 100% satisfactory, DEP's inspector and staff believe that the utility is cooperating and is improving the operational conditions. Therefore, the utility should complete any and all improvements to the system that are necessary to satisfy the standards set by DEP. Also, staff recommends that a local emergency phone number, which can be easily seen, be posted at both water treatment plants within 60 days from the date of the Consummating Order.

Issue 2: Does Holiday Utility Company, Inc. have an excessive unaccounted for water problem?

Recommendation: Yes. Anclote WTP has approximately 19.32% excessive unaccounted for water. Therefore, allowable expenses for purchased electricity and chemicals should be reduced by 19.32% for Anclote WTP.

Issue 3: What portions of Holiday's systems are used and useful?

Recommendation: Both the water treatment plants and water distribution systems should be considered 100% used and useful.

Issue 4: What is the appropriate average test year rate base for the utility?

Recommendation: The appropriate average test year rate base for Holiday is \$30,174 for water.

Issue 5: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

Recommendation: The appropriate return on equity is 9.10% with a range of 8.10% - 10.10%. The appropriate overall rate of return is 8.63%.

Issue 6: What is the appropriate test year revenue?

Recommendation: The appropriate test year revenue for this utility is \$60,269 for water.

Issue 7: What is the appropriate amount of operating expenses?

Recommendation: The appropriate amount of operating expenses for the utility is \$83,586 for water.

ITEM NO.

CASE

10**PAA

Docket No. 041145-WU - Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc.

(Continued from previous page)

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$86,190 for water.

Issue 9: Should the Commission approve pro forma plant additions and expenses for the utility and, if so, what is the appropriate return on equity, overall rate of return, revenue requirement and when should the resulting rates be implemented?

Recommendation: Yes. The Commission should approve pro forma plant additions and expenses for the utility. With the pro forma items, the utility's appropriate return on equity should be 11.40% with a range of 10.40% - 12.40%. The appropriate overall rate of return is 6.74%. The utility's revenue requirement should be \$120,914. The utility should complete the pro forma additions within 12 months of the issuance of the consummating order. The utility should be allowed to implement the resulting Phase II rates (as shown in Issue 12) once the completed pro forma additions have been verified by staff. If the utility fails to complete all of the pro forma additions within 12 months of the consummating order, it should not be entitled to the revenue requirement with the pro forma plant additions and the resulting Phase II rates.

Issue 10: What is the appropriate rate structure and base facility charge cost recovery percentage for this utility ?

Recommendation: The appropriate rate structure for this utility is a continuation of its base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage should be 30%.

Issue 11: Are adjustments to reflect repression of consumption appropriate in this case due to the price increases in Phase I and Phase II, and, if so, what are the appropriate repression adjustments to be applied in order to calculate Phase I and Phase II rates?

Recommendation: Yes. Repression adjustments of 2,106.77 kgals for Phase I rates and 866.67 kgals for Phase II rates are appropriate. In order to monitor the effects of the recommended revenue increases for Phases I and II, 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 customer class, meter size and Phase, on a quarterly basis for a period of two years, beginning with the first billing period after the increased rates go into effect.

Issue 12: What are the appropriate monthly rates for service?

Recommendation: The recommended rates should be designed to produce revenues of \$86,190 and \$120,914 for Phases I and II, respectively. The utility should be allowed to implement Phase II rates once the completed pro forma additions have been verified by staff. For each phase, 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

ITEM NO.

CASE

10**PAA

Docket No. 041145-WU - Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc.

(Continued from previous page)

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

Issue 13: 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?

Recommendation: The water rates should be reduced as shown on Schedule 4, 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 rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. 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. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 14: Should the utility be authorized to collect miscellaneous charges and, if so, what are the appropriate charges?

Recommendation: Yes. The utility should be authorized to collect miscellaneous service charges and the appropriate charges as specified in the analysis portion of staff's May 5, 2005 memorandum. The approved charges should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the charges 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 15: Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), Florida Statutes, the recommended rates should be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility. Prior to implementation of any temporary rates, the utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the utility should be subject to the refund provisions discussed in the analysis portion of staff's May 5, 2005 memorandum. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the

ITEM NO.

CASE

10**PAA

Docket No. 041145-WU - Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc.

(Continued from previous page)

end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Issue 16: Should this docket be closed?

Recommendation: No. If no timely protest is received from a substantially affected person upon expiration of the protest period, the PAA Order will become final upon the issuance of a Consummating Order. However, this docket should remain open for an additional 12 months from the date of the Consummating Order to allow staff to verify completion of pro forma plant items described in Issue No. 9. Once staff has verified that the pro forma items have been completed, the docket should be closed administratively.

DECISION: The recommendations were approved, with the exception of Issue 10, which was denied. In Issue 10, the conservation rate structure set out in Column C (CA=30%; BCF=40%), page 44 of Staff's recommendation and as discussed at the conference, was approved, with the understanding that Commission policy is not being established with this decision. Appropriate fallout adjustments will be made.

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

ITEM NO.

CASE

11 Docket No. 041144-TP - Complaint against KMC Telecom III LLC, KMC Telecom V, Inc., and KMC Data LLC for alleged failure to pay intrastate access charges pursuant to its interconnection agreement and Sprint's tariffs and for alleged violation of Section 364.16(3)(a), F.S., by Sprint-Florida, Incorporated.

Critical Date(s): 7/12/05 (hearing)

Commissioners Assigned: Deason, Bradley, Davidson
Prehearing Officer: Bradley

Staff: GCL: B. Keating, Fordham
CMP: Marsh, Pruitt

Issue 1: Should the Commission grant KMC's request for oral argument or presentation regarding Sprint's Motion to Strike, Motion to Dismiss and, in the alternative, Motion to Bifurcate?

Recommendation: Yes. Because this matter has not yet been to hearing and the questions presented are somewhat unique, staff recommends that the Commission entertain oral presentations from the parties. The length of such presentations is at the Commission's discretion. Staff recommends that they be limited to 10 minutes per party.

Issue 2: Should Sprint's Motion to Strike KMC's Answer, Affirmative Defenses, and Counterclaim and Motion to Dismiss the Counterclaims or, in the alternative, Motion to Bifurcate the Counterclaim, or any portion thereof, be granted?

Recommendation: Staff recommends that the Motions be granted, in part, and denied, in part, to the extent that the Counterclaim should be stricken.

Issue 3: Should KMC's Motion for Audit be granted?

Recommendation: If the Commission approves staff's recommendation in Issue 2, staff believes that KMC's Motion for Audit is rendered moot; therefore, no vote would be required.

If the Commission denies staff's recommendation in Issue 2, staff recommends that the Motion for Audit be denied.

Issue 4: Should this docket be closed?

Recommendation: No. If the Commission approves staff's recommendation in Issues 2 and 3, this docket should remain open pending resolution of Sprint's Complaint.

DECISION: The recommendations were approved.

Commissioners participating: Deason, Bradley, Davidson

ITEM NO.

CASE

12**Docket No. 031047-TP - Request for approval of interconnection agreement between Sprint-Florida, Incorporated, KMC Telecom III LLC, KMC Telecom V, Inc. and KMC Data LLC.

Critical Date(s): None

Commissioners Assigned: Deason, Bradley, Davidson
Prehearing Officer: Davidson

Staff: GCL: Fordham
CMP: Brown

Issue 1: Should the Commission acknowledge KMC's Notice of Voluntary Withdrawal of its Petition?

Recommendation: Yes. The Commission should acknowledge KMC's Notice of Voluntary Withdrawal of its Petition. In addition, the Commission should find that the voluntary withdrawal renders any and all outstanding motions moot.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open pending approval of the submitted Agreement. Thereafter, the docket should be closed administratively.

DECISION: The recommendations were approved.

Commissioners participating: Deason, Bradley, Davidson