

Long Range Program Plan

Fiscal Year 2005-06 through 2009-10



AUGUST 2, 2004

**FLORIDA PUBLIC SERVICE COMMISSION
LONG RANGE PROGRAM PLAN
FISCAL YEARS 2005-06 – 2009-10**

TABLE OF CONTENTS

	Page No.
Agency Mission.....	1
Agency Goals, Objectives, Outcomes and Projection Tables.....	2
Trends and Conditions Statement	4
Agency Workforce Plan [Exhibit I]	16
Performance Measures and Standards [Exhibit II]	18
Performance Measure Assessment Forms [Exhibit III]	21
Performance Measure Validity & Reliability Forms [Exhibit IV]	37
Glossary of Terms and Acronyms	42

AGENCY MISSION

**Facilitate the efficient provision
of safe and reliable utility services
at fair prices**

PUBLIC SERVICE COMMISSION
Long Range Program Plan FY 2005-06 - 2009-10
Goals and Objectives
In Priority Order

GOAL #1: Ensure that the regulatory process results in fair and reasonable rates while offering rate-base-regulated utilities an opportunity to earn a fair return on their investments.

OBJECTIVE 1A: To establish rates and charges which result in fair and equitable treatment of all customer classes and competitive providers.

OUTCOME 1A: Percentage increase in annual utility bill for average residential usage compared to inflation as measured by the Consumer Price Index plus 1%: Electric, Gas, and Water/Wastewater Industries

	FY 2000-01 Baseline (Actual)	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
<i>Actual CPI/Actual FL</i>	CPI 3.4%/FL 1.84%	CPI + 1	CPI + 1	CPI + 1	CPI + 1	CPI + 1

OBJECTIVE 1B: To ensure that Commission established returns on equity are commensurate with the level of risk associated with similar investments and initiate corrective proceedings when appropriate.

OUTCOME 1B: Average allowed Return on Equity (ROE) in Florida compared to average ROE in the USA.

	FY 2000-01 Baseline (Actual)	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
<i>USA/ Florida</i>	Electric USA 12.2 / FL 11.38; Gas USA 11.6 / FL 11.31; W/W USA 11.2 / FL 9.69	USA +/- 1	USA +/- 1	USA +/- 1	USA +/- 1	USA +/- 1

OBJECTIVE 1C: To monitor the earnings of all utilities to ensure that achieved returns on equity do not exceed authorized returns, and initiate corrective proceedings when appropriate.

OUTCOME 1C: Percentage of utilities achieving within range or over range of last authorized ROE.

	FY 2000-01 Baseline (Actual)	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
<i>Within Range/ Over Range</i>						
Electric	67% / 33%	100% / 0%	100% / 0%	100% / 0%	100% / 0%	100% / 0%
Gas	25% / 0%	29% / 0%	29% / 0%	29% / 0%	29% / 0%	29% / 0%
Water & Wastewater	10% / 5%	10% / 5%	10% / 5%	10% / 5%	10% / 5%	10% / 5%

GOAL #2: Provide appropriate regulatory oversight to protect consumers and facilitate the development of fair and effective competition in provision of telecommunications services.

OBJECTIVE 2: To facilitate development of competitive markets and provide the appropriate level of regulatory review and oversight.

OUTCOME 2: Percentage of state access lines served by Competitive Local Exchange Companies (CLECs).

	FY 2000-01 Baseline (Actual)	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
	6.1%	16.1%	16.3%	16.5%	16.7%	16.9%

Long Range Program Plan FY 2005-06 - 2009-10 Goals and Objectives

GOAL #3: Facilitate the provision of safe utility services at levels of quality and reliability that satisfy customer needs.

OBJECTIVE 3: To enforce Commission quality and safety standards for regulated utilities.

OUTCOME 3A: Percentage of communications service variances per inspection points examined: Local Exchange Companies, Interexchange Companies, and Pay Telephone Companies.

FY 2000-01 Baseline (Actual)	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
18.77%	15%	15%	15%	15%	15%

OUTCOME 3B: Percentage of electric and gas safety variances corrected on first re-inspection.

FY 2000-01 Baseline (Actual)	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
65.6%	60.1%	60%	60%	60%	60%

GOAL #4: Inform utility consumers regarding utility matters and expedite resolution of disputes between consumers and utilities.

OBJECTIVE 4: To provide timely and quality assistance to customers regarding utility complaints and inquiries.

OUTCOME 4A: Consumer Calls: Percentage of calls answered.

FY 2000-01 Baseline (Actual)	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
93%	86%	86%	86%	86%	86%

OUTCOME 4B: Consumer Calls: Average waiting time.

FY 2000-01 Baseline (Actual)	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
.83 min.	1.4 min.	1.4 min.	1.4 min.	1.4 min.	1.4 min.

GOAL #5: Encourage and facilitate responsible use of resources and technology in the provision and consumption of electric utility services.

OBJECTIVE 5: To reduce the rate of growth of energy consumption and weather sensitive peak demand as required by Florida Energy Efficiency and Conservation Act (FEECA).

OUTCOME 5: Per capita annual kWh energy savings through conservation programs.

FY 2000-01 Baseline (Actual)	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
193 kWh	238 kWh	238 kWh	238 kWh	238 kWh	238 kWh

TRENDS AND CONDITIONS STATEMENT

The Florida Public Service Commission (FPSC) is charged by statute with the regulation of all investor-owned electric, gas, and telecommunications utilities in the State, and the investor-owned water and wastewater utilities in those counties that have opted to transfer jurisdiction to the FPSC. The work of the FPSC is a balancing act. The FPSC must balance the needs of a utility and its shareholders with the needs of consumers.

RESPONSIBILITY AND JURISDICTION

- The Florida Public Service Commission is a regulatory agency created by the State Legislature under its constitutional power to pass laws for the correction of abuses and to prevent unjust discrimination and excessive charges by persons and corporations engaged in performing services of a public nature.
- Specifically, the Commission's jurisdiction extends to electric, telephone, and natural gas utilities. Water and wastewater utilities are also regulated in counties in which the Boards of County Commissioners by resolution have turned over jurisdiction to the Florida Public Service Commission. The rates and services of city-owned electric utility systems and electric cooperatives are not generally under Commission jurisdiction, but the Commission does have certain jurisdiction over rate structure, accounting procedures, territorial disputes, Ten Year Site Plans, power plant siting, and transmission line siting.
- The Commission's authority for its activity is contained in the following Florida Statutes: Chapter 120, Rulemaking; Chapter 350, Organization, Powers and Duties; Chapter 364, Telecommunications; Chapter 366, Public Utilities (generally), Ratemaking; Chapter 367, Water and Wastewater Systems; Chapter 368, Gas Transmission and Distribution Facilities; and Chapter 403 Transmission Line Siting.
- Rules adopted by the Commission to implement the above laws are contained in Chapter 25, F.A.C.
- The Commission is also governed by other statutes and rules which apply to agencies of state government generally, in matters such as personnel and finance and accounting.

To meet its statutory responsibilities, the FPSC has established five primary goals. These are as follows:

1. Ensure that the regulatory process results in fair and reasonable rates while offering rate-base-regulated utilities an opportunity to earn a fair return on their investments.
2. Provide appropriate regulatory oversight to protect consumers and facilitate the development of fair and effective competition in provision of telecommunications services.
3. Facilitate the provision of safe utility services at levels of quality and reliability that satisfy customer needs.
4. Inform utility consumers regarding utility matters and expedite resolution of disputes between consumers and utilities.
5. Encourage and facilitate responsible use of resources and technology in the provision and consumption of electric utility services.

Traditionally, the FPSC's responsibilities related to ensuring fair and equitable rates and safe and reliable service for consumers through rate of return regulation of the utilities providing those services. Goals 1 and 3 address these responsibilities. The FPSC achieves these goals by regulating the rates and profits of utilities and placing an affirmative obligation on utilities to provide service to all who request it. The electric and natural gas industries, as well as the water and wastewater industry, remain subject to rate of return regulation.

The FPSC establishes and monitors earnings levels for regulated electric, natural gas, water, and wastewater companies. In the electric and gas industries the FPSC must ensure the availability of adequate energy reserves at reasonable prices, which is especially critical in this state where energy needs are of such paramount importance. The FPSC also regulates the quality of service of the investor-owned electric companies and of the investor-owned water and wastewater companies in counties which have turned over jurisdiction to the FPSC.

The FPSC's primary responsibility in the telecommunications industry is to facilitate entry of new firms into the local telecommunications market, while ensuring that consumers have the information they need to make informed decisions. Increased competition in the telecommunications industry has led to increasing complexity of that industry and a multitude of new (and often confusing) choices being offered to consumers, dramatically expanding the FPSC's role in ensuring that customers are aware of their rights in this new market. Goals 2 and 4 address the FPSC's responsibility with respect to regulatory oversight during the transition to competition and its expanded and increasingly important role of consumer protection in the telecommunications industry. Goal 4 also addresses the FPSC's efforts to assist customers with complaints and concerns about the other regulated industries.

The oil crisis of the 1970s led to the enactment of the Florida Energy Efficiency and Conservation Act of 1980 (Sections 366.80-366.85 and 403.519, F.S.) giving the FPSC

responsibility for developing conservation goals and approving conservation programs of public utilities. This responsibility, which is addressed by Goal 5, fits very well into the FPSC's traditional regulatory framework.

The FPSC has quasi-legislative and judicial responsibilities, as well as some executive powers and duties. In its legislative capacity, the FPSC makes rules governing utility operations. In a judicial manner, the FPSC hears and decides complaints, issues written orders similar to court orders, and may have its decisions appealed to the 1st District Court of Appeal and the Florida Supreme Court. In its executive role, the FPSC enforces state laws affecting the utility industries.

During Calendar Year 2003, the FPSC regulated five investor-owned electric companies, seven investor-owned gas utilities, and more than 180 investor-owned water/wastewater utilities. Additionally, the FPSC had regulatory authority and competitive market oversight for 10 incumbent local exchange telephone companies (ILECs), more than 390 competitive local exchange telephone companies (CLECs), over 660 long distance (interexchange) telephone companies, over 475 competitive pay telephone service providers, 31 shared tenant service providers, and 43 alternative access vendors. Further, while the FPSC does not regulate the rates and services of publicly-owned municipal or rural electric cooperative utilities, it does have limited jurisdiction over 33 municipally-owned electric systems, 18 rural electric cooperatives, 27 municipally-owned natural gas utilities, and four special gas districts. Finally, the FPSC has power supply planning and power plant and transmission line need determination authority over all electric utilities.

Telecommunications Issues

The FPSC has numerous responsibilities related to the telecommunications industry, including facilitating the development of competition in the local telephone market by arbitrating agreements between ILECs and CLECs when negotiations fail. The FPSC also is active in monitoring and assessing the status of local competition, processing negotiated agreements, interpreting agreements and tariffs, providing input on legislative and Federal Communications Commission (FCC) initiatives, and conducting generic proceedings to implement approved initiatives and to address recurring issues. Reviews of industry practices are conducted to determine whether entities are engaging in anti-competitive practices that could dampen the development of competition.

The FPSC also provides oversight of numbering resources and processes area code relief cases as necessary.

Competitive Market Issues

In August 2003 Verizon Florida Inc. (Verizon), Sprint-Florida, Incorporated (Sprint), and BellSouth Telecommunications, Inc. (BellSouth), each filed petitions pursuant to Section 364.164, Florida Statutes, to reduce access charges in a revenue-neutral manner to the companies by increasing basic local rates.

Section 364.164 sets forth the criteria the FPSC must consider in determining whether to grant the ILECs' petitions. Those criteria are as follows:

Whether granting the petition will:

- Remove current support for basic local telecommunications services that prevents the creation of a more attractive competitive local exchange market for the benefit of residential consumers.
- Induce enhanced market entry.
- Require intrastate switched network access rate reductions to parity over a period of not less than two years or more than four years.
- Be revenue neutral.

The FPSC received the testimony of 26 witnesses on behalf of the ILECs, intervenors, the consumer advocates, and FPSC staff. The FPSC also received testimony from customers at 14 customer service hearings conducted throughout the state, as well as written comments from customers submitted to the docket files associated with this case. In addition, the PSC received into evidence 86 exhibits.

Based on the record developed through an evidentiary hearing, the PSC determined that intrastate access rates currently provide support for basic local telecommunications services that would be reduced by bringing such rates to parity with interstate access rates. The existence of such support prevents the creation of a more attractive competitive local exchange market by keeping local rates at artificially low levels, thereby raising an artificial barrier to entry into the market by efficient competitors. The elimination of such support will induce enhanced entry into the local exchange market.

Enhanced market entry will result in the creation of a more competitive local exchange market that will benefit residential consumers through:

- increased choice of service providers;
- new and innovative service offerings, including bundles of local and long distance service, and bundles that may include cable TV service and high speed internet access service; technological advances;
- increased quality of service; and
- over the long run, reductions in prices for local service.

The proposals will reduce intrastate switched network access rates to parity over a period of not less than two years or more than four years. The proposals will be revenue neutral within the meaning of the statute, which permits access charge reductions to be offset, dollar for dollar, by increases in basic local service rates for flat-rate residential and single-line business customers.

After reconsideration, the decisions have been appealed to the Florida Supreme Court.

Technology/Infrastructure Issues

Also in the area of telecommunications, the FPSC has been reviewing both existing and emerging Internet access technology and backbone infrastructure. In doing so, the FPSC recognizes the blurring distinction between the traditional telephone network and the data transmission networks. The FPSC continues its efforts to identify the different technologies involved, assess the direction of those technologies, analyze pricing differences between voice and data networks, and determine what, if any, policy actions the FPSC should consider.

On August 21, 2003, the FCC released its Triennial Review Order (TRO), which contained revised unbundling rules. These unbundling rules generally indicated which network components (such as loops or switching – referred to as unbundled network elements, or UNEs) must be unbundled and provided to competitive local exchange carriers (CLECs) by incumbent local exchange carriers (ILECs) at incremental-cost based prices. However, these rules also provided for further reviews, to be conducted by the various state commissions, to see if local conditions were such that there were geographic areas where unbundling was not necessary, and if so, where.

This Commission opened two dockets on August 22, 2003, to ascertain whether a requesting carrier is impaired by lack of access to certain UNEs. Docket No. 030851-TP was initiated to address local circuit switching for mass market customers, and Docket No. 030852-TP was initiated to address the location-specific review for DS1, DS3, and dark fiber loops and route-specific review for DS1, DS3, and dark fiber transport. Pursuant to the TRO the state commission was required to complete such proceedings within nine months from the TRO's effective date, October 2, 2003. A hearing in Docket No. 030851-TP (whether or not there was impairment absent mass market switching) was held February 24-27, 2004. Just a few days later, on March 2, 2004, the D.C. Circuit Court of Appeals released its decision which vacated and remanded certain key provisions of the TRO. In particular, the D.C. Circuit held that the FCC's delegation of authority to state commissions to make impairment findings was unlawful, and further found that the FCC's national findings of impairment for mass market switching and high capacity transport were improper and could not stand on their own. Accordingly, the Court vacated the TRO's subdelegation to the states for determining the existence of impairment with regards to mass market switching and high-capacity transport, and vacated and remanded back to the FCC the TRO's nation impairment finding regarding mass market switching and dedicated transport [below the Optical Carrier Number (OCn) level].

In light of the D.C. Circuit Court decision, Docket No. 030851-TP has been held in abeyance indefinitely until further action is deemed appropriate. At the commencement of the scheduled hearing in Docket No. 030852-TP on March 3, 2004, the parties also agreed to hold this proceeding in abeyance indefinitely pending the outcome of litigation regarding the D.C. Circuit Court of Appeals decision.

The deployment and provision of advanced telecommunications services continues to be an important issue in the telecommunications arena. Under Section 706 of the Telecommunications Act of 1996, the FCC and the States were given authority to encourage widespread deployment of broadband technologies. In its efforts to comply with

the requirements of Section 706, the FCC convened a Federal-State Joint Conference. In 2002, the PSC worked in conjunction with the Joint Conference to develop a report that sought to explain the reasons for variance in "take rates" among the States. The report was published in 2003 and is titled *Broadband Services in the United States: An Analysis of Availability and Demand for 2003*. The PSC also worked in conjunction with the National Association of Regulatory Utility Commissioners (NARUC), the National Exchange Carrier Association (NECA) and the Federal-State Joint Conference on Advanced Services to conduct the Second National Summit on Broadband Deployment held in Washington, D.C. The topics addressed included: Wi-Fi Networks, Rural Issues, Rights of Way, Demand Side Issues, Wall Street View, Digital Rights, Fiber Security, and Spectrum Issues.

In March 2004 the FCC released a Notice of Proposed Rulemaking for IP-enabled services. In furtherance of its Legislative mandate to promote competitive markets and expand consumer choice, the FPSC filed comments in this proceeding supporting a "light" regulatory touch to certain IP-enabled services. The FPSC noted its own Legislative directive which requires an approach to IP-enabled services free of unnecessary regulation and excludes IP-enabled service providers from the definition of telecommunications "service" for the purposes of regulation by the FPSC. The comments filed by the FPSC recommended a similar deregulatory model on a national scale. Further, the FPSC recommended IP-enabled services might best be addressed in a way that recognized their unique characteristics rather than trying to fit IP-enabled services into legacy classifications and existing rules.

Socio-Economic Initiatives

During 2003, the PSC continued to work with the Department of Children and Families (DCF) to implement the DCF Lifeline Program. The DCF has modified its procedures so that information about the Lifeline and Link-Up Florida Programs is provided during client interviews and on client eligibility notices. As part of its regular procedures, the DCF provides an eligibility notice to all clients who are determined to be eligible for Medicaid, Food Stamps, or Temporary Assistance for Needy Families. Effective April 21, 2003, the eligibility notice began including specific language to inform the clients that they are also eligible for Lifeline Assistance. The local telephone companies accept the DCF notice as proof of eligibility for Lifeline Assistance. It is anticipated that the DCF Lifeline Program will make the enrollment process easier for many eligible individuals and ultimately increase participation in the Lifeline and Link-Up Programs

In May 2003, the Tele-Competition Innovation and Infrastructure Enhancement Act of 2003 became law, by the signature of the Governor. The 2003 Act requires that each state agency providing benefits to persons eligible for the Lifeline Assistance Program shall, in cooperation with the DCF, the PSC, and telecommunications companies providing Lifeline service, develop procedures to promote participation in Lifeline. In July 2003, the PSC initiated a joint Lifeline project with other state and federal agencies, organizations, and local telephone companies to implement the new statutory requirements. The project participants include the American Association of Retired Persons, Agency for Workforce Innovation, Agency for Health Care Administration (AHCA), DCF, Florida Department of

Community Affairs, Florida Department of Elder Affairs, Florida Office of the Public Counsel, Federal Social Security Administration –Tallahassee District, Workforce Florida, Inc. (WFI), and a number of Florida's local telephone companies. New procedures currently being implemented include dissemination of Lifeline educational materials to all of Florida's nursing homes through AHCA's Long Term Care Monitoring Program, and to more than 200 One-Stop Career Centers through WFI's 24 regional workforce boards. During 2004, the PSC continued to work with the project participants to implement new procedures that have already been developed and develop additional procedures to increase awareness of Lifeline and Link-Up. Additional information about the project is available in the PSC's report entitled *Number of Customers Subscribing to Lifeline Service and the Effectiveness of Any Procedures to Promote Participation*. A printed copy of the report may be requested from the PSC or accessed on the PSC's Web site at http://www.floridapsc.com/general/publications/report/2003_Lifeline_Report.pdf.

Electric Issues

In June 2001, Florida Power and Light (FPL), Florida Power Corporation now known as Progress Energy Florida, Inc. (PEF) and Tampa Electric Company (TECO) filed petitions asking the Florida Public Service Commission to determine the prudence of the formation of, and their participation in, a for-profit regional transmission organization (RTO) to be known as GridFlorida. GridFlorida would be responsible for the operation and maintenance of the bulk power transmission system in peninsular Florida. In addition, the RTO would be responsible for the planning, siting, and construction of all new transmission facilities in peninsular Florida. The proposed for-profit RTO would, in effect, be the sole provider of transmission service within peninsular Florida. GridFlorida would transmit electric power from competitive utility and non-utility generators to load serving utilities at rates set by the Federal Energy Regulatory Commission (FERC) which has sole jurisdiction over wholesale generation and transmission rates. The potential effect of this proposal could be significant to Florida's retail consumers.

Hearings were held in October 2001 and the Commission issued its order in December 2001. The Commission found that the GridFlorida Companies were prudent in proactively forming GridFlorida. However, the Commission stated its belief that certain aspects of GridFlorida were not in the best interests of Florida's retail ratepayers at this time, most particularly the transfer of ownership of transmission assets. In addition, it was found that GridFlorida should be structured as an independent system operator (ISO) rather than as an RTO. The GridFlorida Companies were ordered to modify the GridFlorida proposal consistent with the terms of the order.

In September 2002, upon review of the revised proposal submitted by the GridFlorida utilities, the Commission approved the structure and governance, the planning and operations, and certain aspects of the pricing protocols and rate design elements of the GridFlorida ISO. The Commission also scheduled an evidentiary hearing in late-October, 2002, to evaluate the merits of a market design proposal.

Upon issuance of the Commission's September, 2002 order, however, the Office of Public Counsel (OPC) filed a notice of administrative appeal to the Florida Supreme Court. As a

result of this appeal, the Commission abated further evidentiary proceedings regarding GridFlorida pending the Supreme Court's decision. In June, 2003, the Florida Supreme Court dismissed, without prejudice, OPC's appeal as being premature.

During the appellate process in the Florida Supreme Court, the Commission continued to gather information and to facilitate ongoing discussions about the effects of an ISO on Florida's ratepayers. These activities led to the Commission and the FERC conducting a joint technical conference in Tallahassee in September 2003 to discuss the principles surrounding the creation of an ISO in Florida and to address Florida-specific issues related to wholesale market design. In November 2003, a meeting was held with the GridFlorida Companies and stakeholders to discuss future activities to resolve outstanding issues related to the development of GridFlorida. At this meeting, it was decided that a series of collaborative workshops would be held during 2004 to identify and attempt to resolve the outstanding issues. The first workshop, held in March 2004, addressed pricing issues. At the second workshop, held in May, market design issues were discussed.

Throughout the evolution of the GridFlorida proposal, the Commission has been attentive to the need for continued review of the costs and benefits of an ISO to Florida's ratepayers. To the extent that the basic structure of the original GridFlorida proposal has changed over time to reflect new market structures endorsed by the FERC, it is important that the costs and benefits associated with such changes be evaluated. In response to these concerns, during the first workshop held in March 2004, the GridFlorida Companies proposed that a cost-benefit analysis of GridFlorida be performed. The cost-benefit study will assess the costs and benefits to peninsular Florida consumers of restructuring the power market from the existing primarily bilateral contract market to a centrally organized market. To the extent that an ISO based on the principles stated in the current GridFlorida filing differ from an ISO based on FERC's current published guidelines, those differences will also be analyzed. The study will assess both the quantifiable and qualitative costs and benefits associated with the formation of an ISO in peninsular Florida.

On June 30, 2004, the Commission conducted a workshop to gather information on the cost-benefit study and to discuss the underlying assumptions. Comments from various stakeholders on the proposed cost-benefit study were also received. On completion of the study, a Commission workshop will be held for a presentation of the study results.

On January 3, 2003, the Commission revised Rule 25-22.082, Selection of Generating Capacity. This rule requires utilities to issue a Request For Proposals (RFP) before filing for a determination of need for a major generating facility. The purpose of the rule is to ensure that each electric utility evaluates all options for meeting the need for additional electric capacity including purchased power, reduced demand through conservation, and renewable energy alternatives. On March 8, 2004, FPL filed a need determination for Turkey Point Unit 5. The Turkey Point Unit 5 facility would add approximately 1,100 MWs to FPL's system. The unit is projected to have a June 2007 in-service date. The Commission approved FPL's need petition on June 2, 2004.

The Commission continues to seek to ensure that Florida's citizens receive safe, adequate, and reliable electric power at the most cost-effective rates achievable.

Gas Issues

The competitiveness of the gas industry continues to evolve. In the Spring of 2004, the Commission approved a gas unbundling pilot program for Sebring Gas System, Inc. Under the pilot program, Sebring would establish two transportation service programs through its tariff. The first program would revise Sebring's existing "pro-forms" transportation tariff to establish an Individual Transportation Service (ITS) Program as an option for customer using over 100,000 therms per year. Under the proposed ITS program, larger customers would be able to select a gas marketer, negotiate the terms of service, and individually schedule gas deliveries to the company's distribution system.

The second program, an Aggregated Transportation Service (ATS) tariff, would be established to facilitate the conversion of the small volume sales service customers using less than 100,000 therms per year, to a single aggregated customer pool. Customers who previously purchased gas from the utility would receive gas supply through a single qualified pool manager. A qualified gas marketer would be retained to administer the pool. This pool manager would have the capability of combining the gas supply requirements of customer in the ATS pool with other customers served by the pool manager, both on and off the company's distribution system.

The ATS tariff includes a phased-in transition period to be completed over two years on an experimental basis and is similar to the proposals by the Florida Divisions of Chesapeake Utilities Corporation and Indiantown Gas Company.

Indiantown Gas Company, Florida Public Utilities Company and Sebring Gas System filed for an increase in base revenue in 2003. Indiantown Gas has been completed with the others still pending. All are being handled through the Proposed Agency Action process. Also, AGL Resources announced its merger agreement with NUI Corporation. AGL will purchase all of the outstanding common stock of NUI and the assumption of NUI's outstanding debt at closing.

Water and Wastewater Issues

The water and wastewater industry, although not subject to competitive pressures, faces unique challenges of its own. Water and wastewater is an increasing cost industry. Rapid population growth exerts upward pressure on water rates as demand continually increases for this finite resource. In addition, compliance with the standards in the federal Safe Drinking Water Act and the Clean Water Act has increased the costs of providing water and wastewater services to the public, in some instances dramatically. Compared to other utility industries, the water and wastewater utilities generally have much smaller customer bases over which to spread the increasing costs. Therefore, the impacts of increased costs may be greater for the individual customer of a water or wastewater utility than for customers of other utility services.

Given the rising cost and scarcity of this resource, it is important that customers be aware of water and wastewater proceedings before the FPSC and have access to and participate

in these proceedings. In the water and wastewater industries, the FPSC continues to oversee quality-of-service issues such as water pressure and capacity. Service quality issues often arise when a utility files an application for a rate change because the FPSC conducts customer hearings as a part of the rate case process. Consumers' comments at rate case hearings typically include service quality issues. The FPSC continues to review and respond to consumer concerns and work with the utility to resolve service issues.

During 2003, Florida Water Services, Inc., the largest investor-owned water and wastewater utility in Florida, sold the majority of its systems to ten governmental entities. The application for the sale of the remaining systems to an existing, regulated utility, Aqua Utilities Florida, Inc., is expected to be filed in mid-2004. The transfer will involve 43 utility systems with a total of 10,233 water customers and 3,093 wastewater customers. Aqua America, parent company of Aqua Utilities of Florida, Inc., currently owns six other systems in Florida.

The issue of reuse (using effluent water for a beneficial purpose, such as irrigation) is a growing one for the FPSC and has significant implications in the area of rate base/economic regulation. The Legislature has recognized the benefits of reuse to Florida and has enacted provisions in the governing statutes for the Florida Department of Environmental Protection (DEP), the five Water Management Districts and wastewater utilities to employ reuse as the chosen means for effluent disposal and as a method of water conservation. The FPSC has clearly been given direction from the Legislature that reuse should be considered a public good and should be implemented by utilities wherever feasible. The FPSC's charge is to identify reuse issues related to its jurisdiction and to establish policies that are consistent with the statewide goals, while mitigating the effect on water and wastewater rates.

Water conservation is another area with major economic implications. As an economic regulator, the FPSC is actively involved in demand-side water conservation through rate level and rate structure. Rates and rate structure have a direct bearing on water usage and, therefore, on water resource allocation.

In May 2001, a statewide Water Conservation Initiative (WCI) was launched by the DEP and the Water Management Districts in response to the Governor's Drought Action Plan. The DEP requested that the FPSC participate in the project. The overall goal of the Water Conservation Initiative was to provide specific recommendations for improving water use efficiency that are significant, permanent, and cost effective. The FPSC co-chaired the Water Pricing Work Group with DEP and participated on the Reuse Work Group.

After formal presentation of Phase I of the WCI in August 2002, work accelerated on finding more efficient, cost effective ways to utilize Florida's water supplies. In June 2003, the Reuse Coordinating Committee issued its study, "Water Reuse for Florida: Strategies for Effective Use of Reclaimed Water." The study was a comprehensive look at water reuse and includes sixteen strategies designed to encourage efficient and effective use of reclaimed water in Florida. The FPSC continues to participate in the Reuse Coordinating Committee and work with regulated utilities to develop viable reuse programs.

In late 2003, the Conservation Pricing Subgroup developed a Joint Statement of Commitment for the Development and Implementation of a Statewide Comprehensive Water Conservation Program for Public Water Supply (JSOC). The JSOC set forth the intent of key water supply and regulatory entities to work cooperatively to design workable, cost effective conservation measures for a broad spectrum of users. In November, 2003, the FPSC joined with the DEP, the Utility Council of the American Water Works Association - Florida Section, the Utility Council of the Florida Water Environment Association and the Florida Rural Water Association in committing their agencies to supply time and resources to move the program forward. The proposed work plan included developing a data base for information relating to conservation programs, establishing standardized measurement tools and definitions for conservation activities, implementing a series of pilot projects to help measure the conservation impact of various programs, and developing a conservation manual to assist utilities in designing conservation programs to meet their specific customer base and needs.

The efforts of the WCI were further defined when Chapter 2004-381, L.O.F. was enacted in June 2004. This law requires, among other measures, the creation of a clearinghouse for water conservation programs and practices available to public water supply utilities to provide "an integrated statewide data base for the collection, evaluation and dissemination of quantitative and qualitative information on public water supply conservation programs and practices and their effectiveness." The Conservation Pricing Subgroup is currently working on compiling a resource data base and developing standardized terminology and performance measures for evaluating conservation projects. Work also continues on defining the pilot projects and selecting participating utilities to achieve the broadest applicable results as envisioned in the JSOC. The FPSC continues to work with the other agencies and associations on this important project.

Conclusion

In conclusion, the work of the FPSC is a balancing act. The FPSC's primary responsibility is to ensure that customers of regulated utility companies receive safe and reliable service at fair and reasonable rates. At the same time, the Commission is required by law to ensure that the rate-base-regulated companies are allowed an opportunity to earn a fair return on their investments in property dedicated to providing utility service.

The FPSC's role in ensuring Florida's utility customers have safe and reliable service at fair and reasonable rates and its obligation to foster a stable economic environment are critical to the State of Florida. These responsibilities are incorporated into the FPSC's outcome measures which focus on customer protection and assistance, conservation, safety oversight, service evaluations, competitive market oversight, and ratemaking.

The FPSC's responsibilities in conjunction with other economic forces facilitate a positive business and social environment for Florida's residents and businesses. The Commission collects regulatory assessment fees (RAFs) from the companies it regulates and uses that income to meet its statutorily mandated responsibilities. Economic factors resulting in a loss or reduction of revenues for many regulated companies have caused a reduction in the RAFs collected by the FPSC. Decreased collections, coupled with increased workload in certain industries, and the depletion of the FPSC trust fund surplus, have

created a critical fiscal environment for the agency which cannot be ignored. The FPSC is taking aggressive action to eliminate the disparity between revenues collected and increased regulatory costs. On the expense side, these efforts include reduction of staff and associated facilities, and streamlining of regulatory processes. On the revenue side, the FPSC is considering different fee options and, where appropriate, increasing fees sufficient to cover the cost for on-going regulation.

The FPSC does not anticipate policy changes that will affect its Legislative Budget Request or the Governor's Recommended Budget, nor do we anticipate changes that require legislative action. The FPSC does not have any task forces or legislative studies at this time. The FPSC does not anticipate proposing any new programs or services.

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LRPP Exhibit I: Agency Workforce Plan - Florida Public Service Commission

Fiscal Years	Total FTE Reductions	Description of Reduction Issue	Positions per Issue	Impact of Reduction
<u>FY 2005-2006</u>	<u>22</u>			
		Close the PSC Orlando District Office	8.00	Audits will have to be done by staff from the remaining field offices and the Tallahassee office, increasing travel expense.
		Reduce the Type and Frequency of Audits	2.00	Reducing audits will impact the ability to verify utility compliance with PSC orders and rules and with Florida Statutes.
		Streamline Regulation of Water/Wastewater Companies	3.00	Streamlining water/wastewater regulation will involve less detailed scrutiny of utility finances and operations and may result in inappropriate rates being established.
		Streamline Regulatory Oversight of Telecommunications Companies	3.00	Streamlining regulatory oversight may result in an increase in anti-competitive behavior on the part of companies with market power and a deterioration in the quality of service and assistance provided to customers.
		Reduce Administrative Support Services	4.00	May affect the timeliness and quality of access to data on the PSC website and the processing of filings by outside parties.
		Reduce Strategic Analysis	2.00	Less information on market development, technological advancements and product strategies will be available to the Commission for use in decision making.
		Close the PSC Tampa District Office	8.00	Fewer audits and safety inspections will be done and those will be by staff in the Tallahassee office. This may impact the ability to verify regulated utility compliance with PSC orders, rules and Florida Statutes and may result in safety code variances going undetected.
		Close the PSC Miami District Office	11.00	Quality of telephone service will decline, and without Commission oversight, response times and missed appointments will increase.
		Eliminate Telephone Service Evaluations	6.00	Fewer attorneys will be needed as workload is reduced through streamlining of regulatory efforts.
<u>FY 2006-2007</u>	<u>49.25</u>	Reduce Legal Support Services	4.25	

Fiscal Years	Total FTE Reductions	Description of Reduction Issue	Positions per Issue	Impact of Reduction
FY 2006-07 (continued)		Streamline Certification of Water/Wastewater Companies	2.00	Streamlined certification process will mean a less thorough review of companies seeking to provide water and wastewater services.
		Streamline the Tariff Process	3.00	Unauthorized changes to tariffs, discriminatory offerings, errors in filings and anti-competitive provisions in tariffs may not be detected.
		Reduce the Consumer Outreach Program	2.00	The agency's efforts to educate consumers about various utility issues and the offerings and services available to customers will be reduced.
		Privatize the Consumer Call Center	8.00	Privatization of the call center may create a disconnect between the call center staff and the expertise of technical staff in other PSC divisions, resulting in consumers calling but not getting resolution of their complaint.
		Further Reduce Administrative Support Services	5.00	Fewer support services will be needed as a result of reduced workload and technical staff.
Total*	71.25			

*to equal remainder of target

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LRPP Exhibit II - Performance Measures and Standards

Department:	Florida Public Service Commission	Department No.:	61000000
Program:	Utilities Regulation/Consumer Assistance	Code:	1205.00.00.00
Service/Budget Entity:	Consumer Safety/Protection	Code:	61010000

NOTE: Approved primary service outcomes must be listed first.

Msr. No.	Approved Performance Measures for FY 2004-05	Approved Prior Year Standard FY 2003-04	Prior Year Actual FY 2003-04	Approved Standards for FY 2004-05	Requested FY 2005-06 Standard
1	Percentage of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index (CPI): Composite	CPI+1 (CPI = 2.3)	3.83%	CPI+1	Delete - use industry composite only (existing measure no. 1) CPI+1
2	Percentage of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index: Electric	CPI+1 (CPI = 2.3)	9.53%	CPI+1	Delete - use industry composite only (existing measure no. 1)
3	Percentage of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index: Gas	CPI+1 (CPI = 2.3)	13.52%	CPI+1	Delete - use industry composite only (existing measure no. 1)
4	Percentage of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index: Water & Wastewater	CPI+1 (CPI = 2.3)	(10.41%)	CPI+1	Delete - use industry composite only (existing measure no. 1)
5	Percentage of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index: Communications	CPI+1 (CPI = 2.3)	2.70%	CPI+1	Delete - use industry composite only (existing measure no. 1)
6	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Electric	USA +/- 1 (USA = 11.34)	11.42	USA +/- 1	Delete - use new industry composite only
7	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Gas	USA +/- 1 (USA = 10.88)	11.27	USA +/- 1	Delete - use new industry composite only
8	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Water & Wastewater	USA +/- 2.5 (USA = 10.18)	10.82	USA +/- 2.5	Delete - use new industry composite only

Msr. No.	Approved Performance Measures for FY 2004-05	Approved Prior Year Standard FY 2003-04	Prior Year Actual FY 2003-04	Approved Standards for FY 2004-05	Requested FY 2005-06 Standard
	NEW - Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Composite				USA +/- 1
9	Percent of utilities achieving within range and over range of last authorized ROE: Electric	100% / 0%	67% / 0%	100% / 0%	100% / 0%
10	Percent of utilities achieving within range and over range of last authorized ROE: Gas	29% / 0%	29% / 0%	29% / 0%	29% / 0%
11	Percent of utilities achieving within range and over range of last authorized ROE: Water & Wastewater	10% / 5%	9% / 4%	10% / 5%	10% / 5%
12	Percent of communications service variances per inspection points examined: Local exchange and alternate local exchange telephone companies	33%	20.9%	20%	Delete - use new industry composite only
13	Percent of communications service variances per inspection points examined: Interexchange	15%	15%	25%	Delete - use new industry composite only
14	Percent of communications service variances per inspection points examined: Pay telephone companies	4%	5.6%	4%	Delete - use new industry composite only
15	NEW - Percent of communications service variances per inspection points examined				15%
16	Percent of electric safety variances corrected on first reinspection	58.3%	74.2%	60.1%	Delete - use new industry composite only
17	Percent of gas safety variances corrected on first reinspection	80%	90.6%	80%	Delete - use new industry composite only
18	Consumer Calls: Percent of calls answered	85%	91%	86%	60.1%
19	Consumer Calls: Average waiting time (in minutes)	1.6	.46	1.4	86%
20	Consumer Calls: Complaints handled within 30 days	50%	82%	51%	1.4
21	Consumer Calls: Complaints handled within 60 days	70%	95%	71%	Delete
22	Conservation programs reviewed and conservation proceedings undertaken	87	87	87	Delete
23	Per capita annual kWh energy savings through conservation programs (in kWh)	208.9	238.3	224.8	87
					238

Mstr. No.	Approved Performance Measures for FY 2004-05	Approved Prior Year Standard FY 2003-04	Prior Year Actual FY 2003-04	Approved Standards for FY 2004-05	Requested FY 2005-06 Standard
23	Percent of combined conservation goals achieved by 7 FEECA utilities	133%	144%	141%	Delete
24	Utility companies for which rates or earnings were reviewed/adjusted: Electric	28	19	28	19
25	Utility companies for which rates or earnings were reviewed/adjusted: Gas	7	7	7	7
26	Utility companies for which rates or earnings were reviewed/adjusted: Water & Wastewater	185	182	170	170
27	Proceedings, reviews, and audits examining rates, rate structure, earnings, and expenditures: Electric	151	153	151	Delete
28	Proceedings, reviews, and audits examining rates, rate structure, earnings, and expenditures: Gas	59	97	59	Delete
29	Proceedings, reviews, and audits examining rates, rate structure, earnings, and expenditures: Water & Wastewater	783	656	744	Delete
30	Proceedings to evaluate or resolve retail and wholesale telecommunications competitive issues	1700	1,705	1,750	1,600
31	Number of proceedings granting certificates to operate as a telecommunications company and registering intrastate interexchange telecommunications companies	400	249	200	200
32	Number of proceedings granting service authority: Electric	3	11	3	3
33	Number of proceedings granting service authority: Gas	1	2	1	1
34	Number of proceedings granting service authority: Water & Wastewater	75	91	75	75
35	Number of proceedings relating to wholesale competition or electric reliability	33	37	33	33
36	Utility consumer inquiries, complaints, and information requests handled	59,060	56,278	59,060	56,000
37	Safety inspections performed (Electric & Gas)	2,870	4,367	2,870	3,000
38	Communications service evaluations performed	6,000	9,639	7,000	8,000

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LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Percentage of Annual Utility Increases for Average Residential Usage Compared to Inflation as Measured by the Consumer Price Index - Composite

Action:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference
CPI + 1 (2.3+1=3.3)	3.83	.53	16.1%

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | |
| <input type="checkbox"/> Other (Identify) | |

Explanation:

External Factors (check all that apply):

- | | |
|--|---|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster |
| <input type="checkbox"/> Target Population Change | <input checked="" type="checkbox"/> Other (Identify) Economic Factors |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem | |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission | |

Explanation:

Outcome 1 is a composite of all industries that includes the electric and natural gas utility industries. The price of natural gas caused Outcome Measures 2 and 3 to be exceeded, thereby causing the composite Outcome 1 to exceed the established standard.

Management Efforts to Address Differences/Problems (check all that apply):

- | | |
|------------------------------------|---|
| <input type="checkbox"/> Training | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

Recommendations:

N/A

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Percentage of Annual Utility Increases for Average Residential Usage Compared to Inflation as Measured by the Consumer Price Index - Electric

Action:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference
CPI + 1(2.3 + 1 = 3.3)	9.53	6.23	189%

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | |
| <input type="checkbox"/> Other (Identify) | |

Explanation:

External Factors (check all that apply):

- | | |
|--|---|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster |
| <input type="checkbox"/> Target Population Change | <input checked="" type="checkbox"/> Other (Identify) Economic Factors |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem | |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission | |

Explanation:

The price of natural gas used in large part to generate electricity increased dramatically in the last few years. These prices are beyond the agency's control.

Management Efforts to Address Differences/Problems (check all that apply):

- | | |
|------------------------------------|---|
| <input type="checkbox"/> Training | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

Recommendations:

N/A

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Percentage of Annual Utility Increases for Average Residential Usage Compared to Inflation as Measured by the Consumer Price Index - Gas

Action:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference
CPI + 1(2.3 + 1 = 3.3)	13.52	10.22	310%

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | |
| <input type="checkbox"/> Other (Identify) | |

Explanation:

External Factors (check all that apply):

- | | |
|--|---|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster |
| <input type="checkbox"/> Target Population Change | <input checked="" type="checkbox"/> Other (Identify) Economic Factors |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem | |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission | |

Explanation:

The price of natural gas sold to customers increased dramatically in the last few years. These prices are beyond the agency's control.

Management Efforts to Address Differences/Problems (check all that apply):

- | | |
|------------------------------------|---|
| <input type="checkbox"/> Training | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

Recommendations:

N/A

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Percent of Communications Service Variances per Inspection Points Examined - Pay Telephone Companies

Action:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference
4%	5.6%	1.6	40%

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity |
| <input checked="" type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | |
| <input type="checkbox"/> Other (Identify) | |

Explanation:

In order to facilitate other critical tasks, enforcement in this area was cut back and pay telephone company infractions increased as a result.

External Factors (check all that apply):

- | | |
|--|---|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster |
| <input type="checkbox"/> Target Population Change | <input checked="" type="checkbox"/> Other (Identify) Economic Factors |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem | |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission | |

Explanation:

The number of the pay phones is declining with some of the larger pay phone providers exiting the market. This leaves a higher percentage of pay phones being operated by small pay phone providers with fewer resources and expertise in providing pay phone service which results in a higher number of service variances.

Management Efforts to Address Differences/Problems (check all that apply):

- | | |
|------------------------------------|---|
| <input type="checkbox"/> Training | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

Recommendations:

Staff resources will be reviewed and, when possible, reallocated to more diligently enforce the pay telephone quality of service.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Utility Companies for which Rates or Earnings were Reviewed/ Adjusted - Electric

Action:

- | | |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference
28	19	(9)	(32%)

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | |
| <input type="checkbox"/> Other (Identify) | |

Explanation:

External Factors (check all that apply):

- | | |
|--|---|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster |
| <input type="checkbox"/> Target Population Change | <input checked="" type="checkbox"/> Other (Identify) Reduced Demand |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem | |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission | |

Explanation:

The number of municipal/cooperative electric utilities that filed tariffs decreased from prior years. The number of tariff filings by utilities is beyond the agency's control.

Management Efforts to Address Differences/Problems (check all that apply):

- | | |
|------------------------------------|---|
| <input type="checkbox"/> Training | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

Recommendations:

N/A

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Utility Companies for Which Rates or Earnings Were Reviewed/ Adjusted - Water & Wastewater

Action:

- | | |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference
185	182	(3)	(1.6%)

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | |
| <input type="checkbox"/> Other (Identify) | |

Explanation:

External Factors (check all that apply):

- | | |
|--|---|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster |
| <input checked="" type="checkbox"/> Target Population Change | <input type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem | |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission | |

Explanation:

The number of water and wastewater utilities subject to FPSC jurisdiction declined due to 1) counties reasserting jurisdiction as allowed by statute; 2) sale of jurisdictional utility to non-jurisdictional entities; or 3) purchase or merger of smaller utilities.

Management Efforts to Address Differences/Problems (check all that apply):

- | | |
|------------------------------------|---|
| <input type="checkbox"/> Training | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

Recommendations:

N/A

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Proceedings, Reviews, and Audits Examining Rates, Rate Structure, Earnings, and Expenditures - Water & Wastewater

Action:

- | | |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference
783	656	(127)	(16%)

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | |
| <input type="checkbox"/> Other (Identify) | |

Explanation:

External Factors (check all that apply):

- | | |
|--|---|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster |
| <input checked="" type="checkbox"/> Target Population Change | <input checked="" type="checkbox"/> Other (Identify) Normal Variances |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem | |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission | |

Explanation:

Most, but not all, of the 127 difference is due to the sale of 61 of Florida Water systems to non-jurisdictional entities, thereby reducing the number of Regulatory Assessment Filings and our review of them. The agency does not initiate sales of utilities and has no control over when utilities file indexes or tariffs for agency processing. The remaining difference is due to random variation [previous years' actual results have varied from 744 in FY 2002-03 to 783 in FY 2001-02 (the year on which the 2003-04 standard was established)].

Management Efforts to Address Differences/Problems (check all that apply):

- | | |
|------------------------------------|---|
| <input type="checkbox"/> Training | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

Recommendations:

N/A

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Number of Proceedings Granting Certificates to Operate as a Telecommunications Company and Registering Intrastate Interexchange Telecommunications Companies

Action:

- | | |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference
400	249	(151)	(37.8%)

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|---|--|
| <input type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | |
| <input type="checkbox"/> Other (Identify) | |

Explanation:

Our estimate was based upon historical information. Due to the economy, the general financial problems of the telecommunications industry and an optimistic view of the number of certificate applications we would receive, we overestimated this measure.

External Factors (check all that apply):

- | | |
|--|---|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster |
| <input type="checkbox"/> Target Population Change | <input checked="" type="checkbox"/> Other (Identify) Economic Factors |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem | |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission | |

Explanation:

This standard is a function of the requests for petitions for certifications and requests for registration filed by the industry. Due to the downturn of the economy and the financial posture of the telecommunications industry, certificate applications and negotiation requests were down. In addition, portions of the market may be becoming saturated.

Management Efforts to Address Differences/Problems (check all that apply):

- | | |
|------------------------------------|---|
| <input type="checkbox"/> Training | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

Recommendations:

Adjust the requested standard for FY 2005-06 based on recent experience.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Utility Consumer Inquiries, Complaints, and Information Requests Handled

Action:

- | | |
|--|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure
<input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure
<input type="checkbox"/> Adjustment of GAA Performance Standards | <input type="checkbox"/> Revision of Measure
<input type="checkbox"/> Deletion of Measure |
|--|--|

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference
59,060	56,278	(2,782)	(4.7%)

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- | | |
|---|---|
| <input type="checkbox"/> Personnel Factors
<input type="checkbox"/> Competing Priorities
<input checked="" type="checkbox"/> Previous Estimate Incorrect
<input type="checkbox"/> Other (Identify) | <input type="checkbox"/> Staff Capacity
<input type="checkbox"/> Level of Training |
|---|---|

Explanation:

This measure was amended beginning in FY 2003-04 to include information requests. The lack of experience with the measure produced an inaccurate estimate of the standard to apply.

External Factors (check all that apply):

- | | |
|--|---|
| <input type="checkbox"/> Resources Unavailable
<input type="checkbox"/> Legal/Legislative Change
<input type="checkbox"/> Target Population Change
<input type="checkbox"/> This Program/Service Cannot Fix The Problem
<input type="checkbox"/> Current Laws Are Working Against The Agency Mission | <input type="checkbox"/> Technological Problems
<input type="checkbox"/> Natural Disaster
<input type="checkbox"/> Other (Identify) |
|--|---|

Explanation:

Management Efforts to Address Differences/Problems (check all that apply):

- | | |
|---|--|
| <input type="checkbox"/> Training
<input type="checkbox"/> Personnel | <input type="checkbox"/> Technology
<input type="checkbox"/> Other (Identify) |
|---|--|

Recommendations:

Adjust the requested standard for FY 2005-06 based on this past year's experience.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utilities Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection

Measure: Percentage of Annual Utility Increases for Average Residential Usage Compared to Inflation as Measured by the Consumer Price Index - Electric, Gas, Water & Wastewater, and Communications (**Measures 2 through 5**)

Action:

- | | |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference

Recommendations:

Measures 2, 3, 4, and 5 are “subsets” of Measure 1, which is the PSC’s primary service outcome measure. The performance that is measured in these four measures will continue to be captured and reported in Measure 1. Deleting these four measures will streamline the agency’s performance measures process and eliminate the redundancy of reporting them individually as well as in composite form. Reporting the composite measure alone will provide adequate information regarding this aspect of the Ratemaking Activity of the Public Service Commission.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utilities Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection

Measure: Average Allowed Return on Equity (ROE) in Florida Compared to Average ROE in the USA – Electric, Gas, and Water/Wastewater (**Measures 6 through 8**)

Action:

- | | |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference

Recommendations:

Measures 6, 7, and 8 should be combined into one new measure to report a composite of the industries.

The PSC establishes rate of return on equity (ROE) for electric, gas and water and wastewater utilities in a similar manner based on similar economic principles. All three of these industries remain rate based regulated; therefore, risk profiles are similar. The models (for example, Discounted Cash Flow) used to determine ROE are the same for the three industries. Therefore, consolidating the outcomes for allowed ROE for the three industries into one factor is a more efficient method of reporting.

Reporting the composite measure alone will provide adequate information regarding this aspect of the Ratemaking Activity of the Public Service Commission.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utilities Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection

Measure: Percent of Communications Service Variances per Inspection Points Examined:
 Local Exchanges, Interexchanges, and Pay Telephones (**Measures 12 through 14**)

Action:

- | | |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference

Recommendations:

Measures 12, 13, and 14 should be combined into one composite measure for the three telecommunications subindustries. The number of telecommunications service evaluations are reported as one total number in Output Measure 38, and this requested change will be consistent with that corresponding output measure. The composite number is more meaningful and will provide a better picture over time of the results of the service evaluations. Reporting the composite measure alone will provide adequate information regarding this aspect of the Service Evaluation Activity of the Public Service Commission.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utilities Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection

Measure: Percentage of Electric Safety Variance Corrected on First Reinspection, and Percentage of Gas Safety Variance Corrected on First Reinspection (**Measures 15 and 16**)

Action:

- | | |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference

Recommendations:

Measures 15 and 16 should be combined into one composite measure for the electric and gas industries. The number of safety inspections performed are reported as one total number in Output Measure 37, and this requested change will be consistent with that corresponding output measure. The composite number is more meaningful and will provide a better picture over time of the results of the service evaluations. Reporting the composite measure alone will provide adequate information regarding this aspect of the Safety Oversight Activity of the Public Service Commission.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utilities Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection

Measure: Percentage of Consumer Complaints Resolved Within 30 Days, and Percentage of Consumer Complaints Resolved Within 60 Days (**Measures 19 and 20**)

Action:

- | | |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference

Recommendations:

Measures 19 and 20 should be deleted for the following reasons:

1. Procedures resulting from the requirements of recent revisions to Rule 25-22.032, F.A.C., Customer Complaints, make measurement of 30 and 60 day complaint resolution inappropriate outcome measures of FPSC performance. Different timeframes for new procedures and the utilities' participation required by the rule changes make these timeframes obsolete.
2. The Auditor General's operational audit report (Report No. 2004-031) recommends development of a "customer satisfaction measure as part of the PSC's performance measurement system." This new measure is under development and should replace these two outcome measures as a more appropriate measure of FPSC performance based on customer satisfaction.

In addition to these two measures requested to be deleted, Outcome Measures 16 and 17 also pertain to the Consumer Protection Assistance Activity of the Public Service Commission and will adequately measure that activity's performance until the new measure referenced above is adopted.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utilities Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection

Measure: Percentage of Combined Conservation Goals Achieved by 7 FEECA Utilities
(Measure 23)

Action:

- | | |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference

Recommendations:

Conservation goals for electric utilities are re-set every five years per Commission rule. The variability in utilities' meeting or not meeting these goals increases each year because of the error inherent in all forecasts upon which the goals are based. Outcome 22 (*Per Capita Annual kWh Energy Savings through Conservation Programs*) captures the results of utility conservation programs more understandably and does not contain the nuances of an aggregate percent error of Outcome 23 based on projections. For these reasons, we recommend Outcome 23 be deleted.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utilities Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection

Measure: Proceedings, Reviews, and Audits Examining Rates, Rate Structure, Earnings, and Expenditures – Electric, Gas, and Water/Wastewater (**Measures 27 through 29**)

Action:

- | | |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards | |

Approved Standard	Actual Performance Results	Difference Over/(Under)	Percentage Difference

Recommendations:

These measures are somewhat duplicative of Output Measures 24 through 26; furthermore, double counting can occur in certain instances (e.g., counting both a docket and an audit). Additionally, some year-end spillover occurs, and proceedings, reviews, and audits that take varying lengths of time to conduct all count as the same weight. The composite total of Output Measures 24 through 26 serves as the Unit Cost Measure for the Ratemaking Activity; therefore, deleting measures 27 through 29 will not negatively impact representation of the productivity of that activity.

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utilities Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection
Measure: Average Allowed Return on Equity (ROE) in Florida Compared to Average ROE in the USA

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure. *
- Backup for performance measure nor previously approved or for which validity, reliability and/or methodology information has not been provided.

* This new measure is a composite of existing approved Outcome Measures 6 – 8. Refer to Exhibit III for the justification for this request.

Data Sources and Methodology:

Florida Statutes require the Florida Public Service Commission to ensure that the regulatory process results in fair and reasonable rates while offering rate base regulated utilities an opportunity to earn a fair return on their investments. The Commission currently has rate setting authority over the investor-owned electric and gas utilities and the water and wastewater utilities in counties that have opted to give jurisdiction to the Commission. Rate setting actions are taken by the Commission during the course of a rate case initiated by the filing of a petition by a regulated utility, or upon the Commission's own motion if there is evidence of over earnings. This outcome measure evaluates the Commission's performance in ensuring the utilities an opportunity to earn a fair return on investments by comparing the Return on Equity (ROE) authorized for Florida utilities to ROEs authorized for comparable utilities in other states. The determination of the ROE to be authorized for the utility is one of, if not the most, complex and important decisions made in a rate case. The fact that a specific ROE is authorized for a utility does not mean that the utility is guaranteed to receive that return on its investments. Economic conditions, management practices, and other factors have a significant effect on actual ROE achieved.

The amounts reported under this measure compare the Weighted Average Allowed ROE for electric, natural gas, and water and wastewater companies in Florida to the Weighted Average Allowed ROE for comparable companies in the USA. The weighted averages are calculated based upon asset size. The Average Allowed ROE in the USA is computed as follows:

Electric:

All electric companies in the USA with a Standard and Poor's (S&P's) investment grade credit rating and that derive the majority of revenues from regulated operations are included in the calculation. The ROE for the USA index is calculated using a weighted average of the ROEs reported by C. A. Turner Utility Reports (CAT) based on asset size as reported in the companies' SEC reports.

Gas:

All natural gas companies in the USA followed by CAT and that derive the majority of revenues from regulated operations are included in the calculation. The weighted average ROE for the USA is then calculated based on asset size as reported by CAT.

Water and Wastewater:

All water and wastewater companies reported by CAT are selected for inclusion in the USA average. As with the gas companies, the figure for the Average Allowed ROE in the USA is a weighted average based on asset size as reported by CAT.

The average allowed ROE for each industry (USA) are combined (weighted average by asset size) to produce the Weighted Average Allowed ROE in the USA. The average allowed ROE for each industry in Florida are combined (weighted average by asset size) to produce the Weighted Average Allowed ROE in Florida.

The average ROE in Florida should be within plus or minus 100 basis points of the USA ROE. Many risk factors can impact the determination of ROE. These factors include, but are not limited to, the customer mix, the fuel mix, the regulatory environment, the opportunity offered to achieve the authorized return, and the extent of competition. The risk factors that exist yearly will determine whether Florida's ROE should be higher or lower than the USA ROE.

Validity:

This measure uses the ROEs established by regulatory commissions in other states for comparable utilities as a benchmark for evaluating the reasonableness of ROEs established for Florida utilities. This measure is a valid indicator of the Commission's achievement of this goal in a broad sense. To truly evaluate the Commission's performance in setting ROE, one would have to review the evidence presented in each rate case and base a conclusion thereon. Also, external factors beyond the control of the Commission such as economic, geographic, environmental, and political circumstances all affect ROE and must be considered in evaluating the Commission's performance under this measure. As a result, this measure should be considered as only a general indicator of the Commission's performance in this area. However, viewed as a trend over a number of years, this measure provides a valid general indication of the Commission's performance in this area.

Reliability:

The Commission's Division of Economic Regulation provides the data for this measure. The data for other states is based on their review and determination of comparable systems and research regarding ROEs. A list of utilities selected for comparison and the factors evaluated in selecting have been documented. Standard operating procedures have been developed to ensure that this data is developed and recorded consistently and accurately.

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utilities Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection
Measure: Percent of Communications Service Variances per Inspection Points Examined

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure. *
- Backup for performance measure nor previously approved or for which validity, reliability and/or methodology information has not been provided.

* **This new measure is a composite of existing approved Outcome Measures 12 – 14.**

Refer to Exhibit III for the justification for this request.

Data Sources and Methodology:

One of the Florida Public Service Commission's primary goals is to "Facilitate the provision of safe utility services at levels of quality and reliability that satisfy customer needs." The Commission has an ongoing service evaluation program for the telecommunications industry under which the three largest companies (BellSouth, Sprint, and Verizon) are evaluated annually. Small local exchange companies are evaluated every four years. The remaining telecommunications companies are evaluated periodically on a sample basis. This measure evaluates the Commission's performance in facilitating quality telecommunications service by looking at the percentage of service variances found per total inspection points examined for each inspected telecommunications company. Data for this measure will be reported on the fiscal year basis.

Validity:

The percent of service variances found by the Commission's ongoing service evaluation program and the changes in that number from one year to the next should be valid indications of the companies' attention to the provision of quality service, and therefore the Commission's performance in promoting high quality service.

Reliability:

The data for this measure is based on service evaluations conducted during the course of the year. It is maintained and reported by the Commission's Division of Competitive Markets and Enforcement. Service evaluations are routinely conducted and requirements consistently applied. This should therefore be a reliable indicator of performance.

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission
Program: Utilities Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection
Measure: Percent of Electric and Gas Safety Variances Corrected on First Reinspection

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure. *
- Backup for performance measure nor previously approved or for which validity, reliability and/or methodology information has not been provided.

* This new measure is a composite of existing approved Outcome Measures 15 – 16. Refer to Exhibit III for the justification for this request.

Data Sources and Methodology:

One of the Florida Public Service Commission's primary goals is to "Facilitate the provision of safe utility services at levels of quality and reliability that satisfy customer needs." Data for this measure is extracted from electric and gas safety inspection reports prepared by Commission inspectors and is reported by fiscal year.

The Commission has adopted rules relating to safety standards of the electric utilities which require, among other things, compliance with the National Electric Safety Code (NESC). The Commission conducts routine inspections of new electric utility construction for safety compliance, conducts investigations into complaints regarding safety, and promotes safety through consumer outreach activities. This measure attempts to evaluate the Commission's performance in facilitating safe electric utility service by looking at the percentage of safety variances corrected on the first reinspection after their initial citing. Safety inspection point samples are selected from utility electrical work orders submitted by electric utilities and physically inspected for compliance with the NESC. Variances are inspection points not in compliance with NESC requirements.

The Commission has also adopted rules relating to safety standards for gas utilities which require, among other things, compliance with the U. S. Department of Transportation's Federal Code of Regulations for Gas Pipelines. The Commission conducts annual inspections of all gas distribution systems operating in the state. This measure attempts to evaluate the Commission's performance in promoting safety in the provision of gas utility service by looking at the percentage of gas safety variances found to have been corrected on the first reinspection following the initial citing.

Validity:

The percent of safety variances found by the Commission's ongoing safety inspection program, the percentage corrected on first reinspection, and the changes in these numbers from one year to the next are certainly indications of the utilities' attention to ensuring compliance with safety requirements and therefore the Commission's performance in promoting that compliance.

Reliability:

The data for this measure is maintained and reported by the Commission's Division of Regulatory Compliance and Consumer Assistance for safety inspections conducted during the course of the fiscal year. Standard operating procedures have been developed to ensure the consistency and accuracy of this data. Safety inspections are routinely conducted and requirements consistently applied. This should therefore be a reliable indicator of performance.

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Glossary of Terms and Acronyms

NOTE: This Glossary includes terms and acronyms required in the ***Long Range Program Plan Instructions*** dated June 2004, as well as terms and acronyms unique to and used by the FPSC.

ACHA - Agency for Health Care Administration

Activity: A set of transactions within a budget entity that translates inputs into outputs using resources in response to a business requirement. Sequences of activities in logical combinations form services. Unit cost information is determined using the outputs of activities.

Actual Expenditures: Includes prior year actual disbursements, payables and encumbrances. The payables and encumbrances are certified forward at the end of the fiscal year. They may be disbursed between July 1 and December 31 of the subsequent fiscal year. Certified forward amounts are included in the year in which the funds are committed and not shown in the year the funds are disbursed.

Appropriation Category: The lowest level line item of funding in the General Appropriations Act which represents a major expenditure classification of the budget entity. Within budget entities, these categories may include: salaries and benefits, other personal services (OPS), expenses, operating capital outlay (OCO), data processing services, fixed capital outlay, etc.

ATS - Aggregated Transportation Service

Baseline Data: Indicators of a state agency's current performance level, pursuant to guidelines established by the Executive Office of the Governor in consultation with legislative appropriations and appropriate substantive committees.

Budget Entity: A unit or function at the lowest level to which funds are specifically appropriated in the appropriations act. "Budget entity" and "service" have the same meaning.

CIO - Chief Information Officer

CIP - Capital Improvements Program Plan

CLEC - Competitive Local Exchange Carrier

Competitive Local Exchange Carrier (CLEC): Any telecommunications company certificated by the Public Service Commission to provide local exchange telecommunications services in Florida on or after July 1, 1995.

CPI - Consumer Price Index

Consumer Price Index (CPI): A measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

D3-A: A legislative budget request (LBR) exhibit which presents a narrative explanation and justification for each issue for the requested years.

DCF - Department of Children and Families

Demand: The number of output units which are eligible to benefit from a service or activity.

DEP - Department of Environmental Protection

DSL - Digital Subscriber Line

EOG - Executive Office of the Governor

Estimated Expenditures: Includes the amount estimated to be expended during the current fiscal year. These amounts will be computer generated based on the current year appropriations adjusted for vetoes and special appropriations bills.

FCC - Federal Communications Commission

FCO - Fixed Capital Outlay

Federal Communications Commission (FCC): The federal agency empowered by law to regulate all interstate and foreign radio and wire communication services originating in the United States, including radio, television, facsimile, telegraph, and telephone systems. The agency was established under the Communications Act of 1934.

Federal Energy Regulatory Commission (FERC): An agency of the government of the United States created by an Act of Congress, the Department of Energy Organization Act, in 1977.

FEECA - Florida Energy Efficiency and Conservation Act

FERC - Federal Energy Regulatory Commission

FFMIS - Florida Financial Management Information System

Fixed Capital Outlay (FCO): Real property (land, buildings including appurtenances, fixtures and fixed equipment, structures, etc.), including additions, replacements, major repairs, and renovations to real property which materially extend its useful life or materially improve or change its functional use. Includes furniture and equipment necessary to furnish and operate a new or improved facility.

FLAIR - Florida Accounting Information Resource Subsystem

Florida Public Service Commission (FPSC or PSC): An agency of the State of Florida that regulates the state's investor-owned electric and natural gas companies, local and long distance telephone companies, and certain water and wastewater companies. The PSC's primary responsibility is to ensure that customers of regulated utility companies receive safe and reliable service at fair and reasonable rates.

FPL - Florida Power and Light

FPSC - Florida Public Service Commission

F.S. - Florida Statutes

GAA - General Appropriations Act

GR - General Revenue Fund

ILEC - Incumbent Local Exchange Carrier

Incumbent Local Exchange Carrier (ILEC): A term coined from the Telecommunications Act of 1996 to describe the incumbent local telephone company providing local transmission and switching services.

Indicator: A single quantitative or qualitative statement that reports information about the nature of a condition, entity or activity. This term is used commonly as a synonym for the word "measure."

Information Technology Resources: Includes data processing-related hardware, software, services, telecommunications, supplies, personnel, facility resources, maintenance, and training.

Input: See Performance Measure.

IOE - Itemization of Expenditure

ISO - Independent System Operator

Interexchange Telecommunications Company (IXC): Any certificated company providing telecommunications service between local calling areas as those areas are described in the approved tariffs of individual local exchange companies. IXC providers include: operator service providers, resellers, switchless rebillers, multi-location discount aggregators, prepaid debit card providers, and facilities based interexchange carriers.

IT - Information Technology

ITS - Individual Transportation Service

IXC - Interexchange Telecommunications Company

JSOC - Joint Statement of Commitment

Judicial Branch: All officers, employees, and offices of the Supreme Court, district courts of appeal, circuit courts, county courts, and the Judicial Qualifications Commission.

kWh - Kilowatt-Hour

LAN - Local Area Network

LAS/PBS - Legislative Appropriations System/Planning and Budgeting Subsystem. The statewide appropriations and budgeting system owned and maintained by the Executive Office of the Governor.

LBC - Legislative Budget Commission

LBR - Legislative Budget Request

Legislative Budget Commission (LBC): A standing joint committee of the Legislature. The Commission was created to: review and approve/disapprove agency requests to amend original approved budgets; review agency spending plans; and take other actions related to the fiscal matters of the state, as authorized in statute. It is composed of 14 members appointed by the President of the Senate and by the Speaker of the House of Representatives to two-year terms, running from the organization of one Legislature to the organization of the next Legislature.

Legislative Budget Request (LBR): A request to the Legislature, filed pursuant to section 216.023, Florida Statutes, or supplemental detailed requests filed with the Legislature, for the amounts of money an agency or branch of government believes will be needed to perform the functions that it is authorized, or which it is requesting authorization by law, to perform.

LEC - Local Exchange Carrier (Telecommunications Company)

Local Exchange Carrier (LEC): Any telecommunications company certificated by the Public Service Commission to provide local exchange telecommunications service in Florida on or before June 30, 1995.

L.O.F. - Laws of Florida

Long-Range Program Plan (LRPP): A plan developed on an annual basis by each state agency that is policy-based, priority-driven, accountable, and developed through careful examination and justification of all programs and their associated costs. Each plan is developed by examining the needs of agency customers and clients and proposing programs and associated costs to address those needs based on state priorities as established by law, the agency mission, and legislative authorization. The plan provides the framework and context for preparing the legislative budget request and includes performance indicators for evaluating the impact of programs and agency performance.

LRPP - Long-Range Program Plan

MAN - Metropolitan Area Network (Information Technology)

MW - Megawatt

NASBO - National Association of State Budget Officers

Narrative: Justification for each service and activity is required at the program component detail level. Explanation, in many instances, will be required to provide a full understanding of how the dollar requirements were computed.

NARUC - National Association of Regulatory Utility Commissioners

NECA - National Exchange Carrier Association

NID - Network Interface Devices

Nonrecurring: Expenditure or revenue which is not expected to be needed or available after the current fiscal year.

NRRI - National Regulatory Research Institute

NTIA - National Telecommunications and Information Administration

NXXs: The office code consisting of the first three digits of the seven digit local telephone number.

OCn - Optical Carrier Number

OPB - Office of Policy and Budget, Executive Office of the Governor

OPC - Office of Public Counsel

Outcome: See Performance Measure.

Output: See Performance Measure.

Outsourcing: Describes situations where the state retains responsibility for the service, but contracts outside of state government for its delivery. Outsourcing includes everything from contracting for minor administration tasks to contracting for major portions of activities or services which support the agency mission.

Pass Through: Funds the state distributes directly to other entities, e.g., local governments, without being managed by the agency distributing the funds. These funds flow through the agency's budget; however, the agency has no discretion regarding how the funds are spent, and the activities (outputs) associated with the expenditure of funds are not measured at the state level. **NOTE: This definition of "pass through" applies ONLY for the purposes of long-range program planning.**

PBPB/PB2 - Performance-Based Program Budgeting

PEF - Progress Energy Florida, Inc.

Performance Ledger: The official compilation of information about state agency performance-based programs and measures, including approved programs, approved outputs and outcomes, baseline data, approved standards for each performance measure and any approved adjustments thereto, as well as actual agency performance for each measure.

Performance Measure: A quantitative or qualitative indicator used to assess state agency performance.

- Input means the quantities of resources used to produce goods or services and the demand for those goods and services.
- Outcome means an indicator of the actual impact or public benefit of a service.
- Output means the actual service or product delivered by a state agency.

Policy Area: A grouping of related activities to meet the needs of customers or clients which reflects major statewide priorities. Policy areas summarize data at a statewide level by using the first two digits of the ten-digit LAS/PBS program component code. Data collection will sum across state agencies when using this statewide code.

Primary Service Outcome Measure: The service outcome measure which is approved as the performance measure which best reflects and measures the intended outcome of a service. Generally, there is only one primary service outcome measure for each agency service.

Privatization: Occurs when the state relinquishes its responsibility or maintains some partnership type of role in the delivery of an activity or service.

Program: A set of activities undertaken in accordance with a plan of action organized to realize identifiable goals based on legislative authorization (a program can consist of single or multiple services). For purposes of budget development, programs are identified in the General Appropriations Act by a title that begins with the word "Program." In some instances a program consists of several services, and in other cases the program has no services delineated within it; the service is the program in these cases. The LAS/PBS code is used for purposes of both program identification and service identification. "Service" is a "budget entity" for purposes of the LRPP.

Program Component: An aggregation of generally related objectives which, because of their special character, related workload and interrelated output, can logically be considered an entity for purposes of organization, management, accounting, reporting, and budgeting.

Program Purpose Statement: A brief description of approved program responsibility and policy goals. The purpose statement relates directly to the agency mission and reflects essential services of the program needed to accomplish the agency's mission.

PSC - Public Service Commission

RAF - Regulatory Assessment Fee

Regulatory Assessment Fee (RAF): Money collected from regulated utility companies under the jurisdiction of the PSC which is used in the operations of the PSC as authorized by the Legislature. Fees are based upon gross operating revenues.

Reliability: The extent to which the measuring procedure yields the same results on repeated trials and data are complete and sufficiently error free for the intended use.

Return on Equity (ROE): A company's profit level as a percentage of investment.

RFP - Request for Proposals

ROE - Return on Equity

RTO - Regional Transmission Organization

Service: See Budget Entity.

Standard: The level of performance of an outcome or output.

STO - State Technology Office

SWOT - Strengths, Weaknesses, Opportunities and Threats

TCS - Trends and Conditions Statement

TECO - Tampa Electric Company

TF - Trust Fund

TRO - Triennial Review Order

TRW - Technology Review Workgroup

Unbundled Network Elements (UNE): The Telecommunications Act of 1996 requires that Incumbent Local Exchange Carriers unbundle their network elements and make them available to Competitive Local Exchange Carriers on the basis of incremental cost. UNEs are defined as physical and functional elements of the network, e.g., circuit-switching and switch parts, interoffice transmission facilities, signaling and call-related databases, operator services and directory assistance, and packet or data switching. UNEs is a term used in negotiations to describe the various network components that will be used or leased.

UNE - Unbundled Network Elements

Unit Cost: The average total cost of producing a single unit of output – goods and services for a specific agency activity.

Validity: The appropriateness of the measuring instrument in relation to the purpose for which it is being used.

WAGES - Work and Gain Economic Stability (Agency for Workforce Innovation)

WAN - Wide Area Network (Information Technology)

WCI - Water Conservation Initiative

WFI - Workforce Florida, Inc.