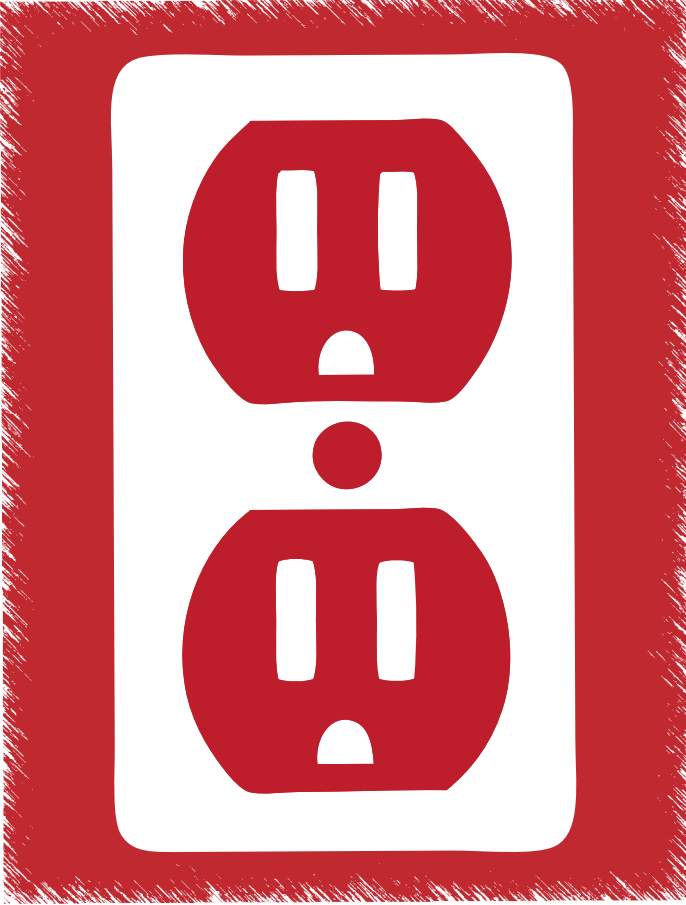
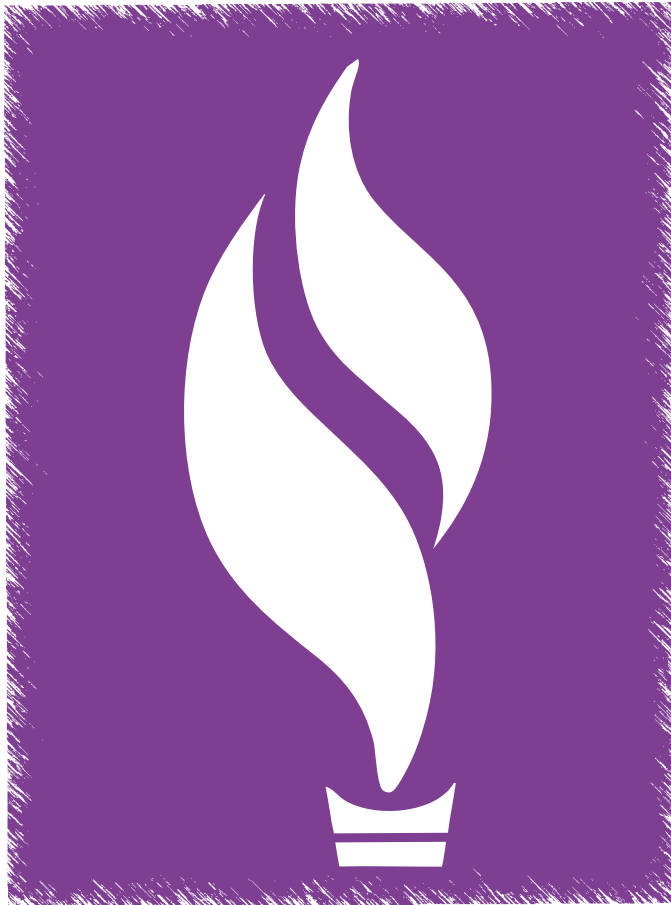
A blue square panel with a white megaphone icon on the right side. The text "FLORIDA PUBLIC SERVICE COMMISSION" is stacked vertically in white, uppercase letters to the left of the megaphone. Below this, the year "2010" is written in a large white font, followed by "ANNUAL REPORT" in a smaller white font.

FLORIDA  
PUBLIC  
SERVICE  
COMMISSION

2010  
ANNUAL  
REPORT



F L O R I D A  
P U B L I C  
S E R V I C E  
C O M M I S S I O N

**2010 Annual Report**

## CHAIRMAN'S MESSAGE

Our historic beginning in 1887 as a railroad regulator to our present day responsibility as utility regulators was featured through artifacts and memorabilia in an exhibit at Florida's Historic Capitol during the 2010 Legislative Session. Throughout its 123-year history, Florida's Public Service Commission (FPSC) has steadfastly upheld its mission to facilitate safe and reliable utility services at fair prices.

Recognizing the financial constraints the economic downturn imposed on consumers, in January the Commission reduced rate increase requests from the state's two largest electric utilities. Subsequently, both companies successfully negotiated with the Office of Public Counsel and several user groups to reach Settlements that freeze base rates and provide stability for customers and the companies through 2012. The Commission approved one agreement last spring, and the other agreement was approved in December.

Helping shape a sustainable energy future, the Commission assisted a local community with its vision to embrace renewable energy by approving the need determination for a biomass plant that will turn wood byproducts into electricity. To ensure sustainable electric reliability for storm seasons, the Commission approved storm hardening plans for Florida's investor-owned utilities that meet FPSC rule requirements established in 2006.

For the second time, the Commission granted a telecommunications company a two-year trial waiver to discontinue automatic delivery of its White Pages telephone directory. During the trial period(s), the FPSC is conducting outreach to gauge consumer preference for and use of the directories. A second prepaid wireless carrier was granted eligibility to offer the Lifeline Assistance program this year. Prepaid phones are a popular choice among eligible consumers, and this newly qualified carrier should help even more Floridians benefit from Lifeline.

One of the largest water companies in Florida applied for a rate increase in September. Although the decision on this request will occur next year, the Commission has already implemented a monitoring program to assess the company's attempts to improve water quality, and nine customer meetings held throughout its service territory allowed customers to voice their concerns about the rate increase request and the company's service quality.

Four new Commissioners were appointed to the FPSC this year and while change brings fresh outlooks and ideas, one constant remains: our charge to balance the customer's need for affordable, safe, and reliable utility service with the utility company's need to remain fiscally sound. I am committed to harmonizing these needs in a fair and open way. Please take a few minutes to review the *2010 Annual Report* and learn more about our important work.

Sincerely,



Art Graham  
Chairman

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# I Introduction

## Information Directory

The Florida Public Service Commission's (FPSC or Commission) responsibilities in utility regulation directly affect the public. The FPSC welcomes requests for information about utility regulation or utility-related matters. Inquiries may be made in writing to the address below or by telephone, e-mail, or toll-free fax.

Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850  
Toll-Free: 1-800-342-3552 (Nationwide)  
Toll-Free Fax: 1-800-511-0809 (Florida)

E-mail address: [contact@psc.state.fl.us](mailto:contact@psc.state.fl.us)  
Internet home page: [www.floridapsc.com](http://www.floridapsc.com)

(Detailed telephone contact information is available at  
<http://www.floridapsc.com/about/contact/phonedirectory.aspx>)

# FPSC Organizational Chart

## COMMISSIONERS

Art Graham, Chairman	Appointed through 01/01/14
Lisa Polak Edgar	Appointed through 01/01/13
Ronald A. Brisé	Appointed through 01/01/14
Eduardo E. Balbis	Appointed through 01/01/15
Julie I. Brown	Appointed through 01/01/15

**Inspector General**  
*Steven J. Stolting*

**General Counsel**  
*S. Curtis Kiser*

**Executive Director**  
*Timothy J. Devlin*

Sections:  
 ◆ Appeals, Rules and Mediation  
 ◆ Economic Regulation  
 ◆ Regulatory Analysis

**Deputy Executive Director**  
*Charles H. Hill*

DIVISION OF  
**Administrative Services**  
*Apryl Lynn*

Bureau:  
 ◆ General Services  
 Sections:  
 ◆ Fiscal Services  
 ◆ Human Resources

DIVISION OF  
**Service, Safety and Consumer Assistance**  
*Dan Hoppe*

Bureaus:  
 ◆ Safety  
 ◆ Service Quality  
 ◆ Consumer Assistance

OFFICE OF  
**Commission Clerk**  
*Ann Cole*

Sections:  
 ◆ Hearing Reporter Services  
 ◆ Documents  
 ◆ Scheduling and Reports  
 ◆ Case Management Review

OFFICE OF  
**Information Technology Services**  
*Lee Kissell*

Sections:  
 ◆ Hardware Services  
 ◆ Network and Application Services  
 ◆ Custom Programming and Internet Services

DIVISION OF  
**Economic Regulation**  
*Marshall Willis*

Bureaus:  
 ◆ Certification, Economics and Tariffs  
 ◆ Rate Filings, Surveillance, Finance and Tax  
 ◆ Cost Analysis and Recovery

DIVISION OF  
**Regulatory Analysis**  
*Beth Salak*

Sections:  
 ◆ Strategic Analysis  
 ◆ Energy Resource Planning  
 ◆ Special Studies  
 ◆ Market Practices  
 ◆ Certifications and Enforcement  
 ◆ Intercarrier Services

OFFICE OF  
**Auditing and Performance Analysis**  
*Dale Mailhot*

Bureau:  
 ◆ Auditing  
 Section:  
 ◆ Performance Analysis

OFFICE OF  
**Public Information**  
*Cynthia Muir*

## The Commissioners



COMMISSIONER  
**Eduardo E. Balbis**  
(11/10 - 01/15)



COMMISSIONER  
**Lisa Polak Edgar**  
(01/05 - 01/13)



CHAIRMAN  
**Art Graham**  
(07/10 - 01/14)



COMMISSIONER  
**Ronald A. Brisé**  
(07/10 - 01/14)



COMMISSIONER  
**Julie I. Brown**  
(01/11 - 01/15)

**Art Graham** was appointed to the Florida Public Service Commission by Governor Charlie Crist in July 2010 to fill an unexpired term through January 2014. In October 2010, he was elected Chair of the Commission through January 1, 2012. ♦ Prior to his appointment, Chairman Graham served on the Jacksonville City Council. Among his duties as Council Member, Chairman Graham helped oversee the budget of JEA, a publicly owned electric, water, and wastewater utility, and chaired the Transportation, Energy, and Utilities Committee. He also served on the Jacksonville Beach City Council from 1998 to 2002. ♦ Chairman Graham is a past chair of the North Florida Transportation Planning Organization and vice president of the Northeast Florida Regional Planning Association. He was President of ART Environmental Consulting Services from 2005 to 2009 and was a recovery engineer with Georgia Pacific Pulp and Paper from 1995 to 2002. A sales engineer with Betz PaperChem from 1991 to 1995, Chairman Graham was a regional sales manager from 1989 to 1991 for Goodyear Tire and Rubber, where he also held an application engineer position from 1988 to 1989. ♦ Chairman Graham received a bachelor's degree in chemical engineering from the Georgia Institute of Technology in Atlanta. He is also a 2001 graduate of Leadership Jacksonville and a 2008 graduate of Leadership Florida. The Commissioners

**Lisa Polak Edgar** was appointed to the Florida Public Service Commission (PSC) by Governor Jeb Bush for a four-year term beginning January 2005. From January 2006 to January 2008, she served as Chairman and participated as a member of the Florida Energy Commission and the Governor's Action Team on Energy and Climate Change. Governor Charlie Crist reappointed Commissioner Edgar to a second four-year term, January 2009 through December 2012. ♦ During her first term, Commissioner Edgar worked to develop policies to strengthen the state's electric infrastructure to better prepare for, and withstand, storm events; to establish net metering and interconnection rules that encourage customer participation and renewable energy development; to further the diversification of Florida's fuel supply; to effectively reform the collection and distribution of universal service funds; and to broaden stakeholder participation. ♦ Commissioner Edgar served on the Federal Communications Commission Universal Service Joint Board from 2005 through 2009 working for efficient, accountable and fiscally responsible use of Universal Service funds. She is currently a member of the National Association of Regulatory Utility Commissioners Board of Directors, as well as the Committees on Electricity and Consumer Affairs. ♦ Prior to joining the PSC, Commissioner Edgar served as Deputy Secretary for the Florida Department of Environmental Protection (DEP). Her responsibilities at DEP included executive management oversight of the agency's \$2.1 billion budget, fiscal and strategic planning, accountability measures, information technology, administrative services, Florida Geological Survey, and coordination between the state and federal government on environmental issues, including proposed and existing oil and gas drilling on the Outer Continental Shelf. Commissioner Edgar represented the State of Florida on the Minerals Management Service Outer Continental Shelf (OCS) Policy Committee from 1993-2004, and on the Subcommittees on Environmental Studies in OCS Areas under Moratoria and OCS Hard Minerals. ♦ Commissioner Edgar received her Bachelor of Science and Juris Doctorate degrees from Florida State University and is a member of the Florida Bar. She is a member of Leadership Florida and the Capital Tiger Bay Club, and serves on the Board of Directors of Sustainable Florida – Collins Center. ♦ Commissioner Edgar and her husband are members of Killlearn United Methodist Church and are raising their two active children in Tallahassee.

**Ronald A. Brisé** was appointed to the Florida Public Service Commission by Governor Charlie Crist in July 2010 to fill an unexpired term through January 2014. Commissioner Brisé is a member of the National Association of Regulatory Utility Commissioners (NARUC) and currently serves on the Telecommunications Committee. Before this appointment, Commissioner Brisé served the citizens of North East Miami-Dade (District 108) in the Florida House of Representatives for four years. ♦ As a Representative, Commissioner Brisé was named Democratic Whip from 2006 to 2008 and served as Vice Chairman of the Florida Conference of Black State Legislators. He served on the Education & Economic Development Appropriations, General Government & Health Care Appropriations, and Select Strategic & Economic

*Continued*

# The Commissioners

Continued from page 3

Planning Councils, was the Ranking Member on the State & Community Colleges and Workforce Appropriation Committee and served on the State Universities & Private Colleges Policy Committee. He also served on the Transportation & Economic Development Appropriations and the Energy & Utilities Policy Committees. Most notably as a legislator, Commissioner Brisé sponsored successful legislation to expand broadband deployment throughout the State of Florida making it possible for underserved areas to have access to broadband technology. Commissioner Brisé was also successful in passing legislation to provide relief from garnishment to heads of families by increasing the amount that heads of families are able to retain in earnings before garnishment. ♦ Recently Commissioner Brisé was the Chief Executive Officer of Strategic Partner Consulting, LLC, which provides leadership and development strategies for corporate clients. Until 2008 Commissioner Brisé was also the Chief Operating Officer for IPIP Corporation, a VoIP telecommunications carrier. Prior to this, he was the Science Department Chairperson at Miami Union Academy from 2000 to 2005 and was also the Academy's Director of Development, Marketing, and Recruitment from 2003 to 2005. ♦ Commissioner Brisé served as a member of the North Miami Planning Commission and is a past president of the Albert C. Pierre Community Center, a member of the NAACP as well as a member of the boards of the Haitian-American Scholarship Fund and Miami Union Academy. ♦ Commissioner Brisé received a bachelor's degree in biology education from Oakwood College in Huntsville, Alabama and received MBA degrees in management and marketing from American Intercontinental University in Illinois. He and his wife, JoAn, have one son, Ronald Brisé II, and together are faithful members of Tabernacle Seventh-day Adventist Church.

**Eduardo E. Balbis** was appointed by Governor Charlie Crist to the Florida Public Service Commission (PSC) in September 2010 to serve a four-year term beginning January 2, 2011. In November 2010, the Governor appointed him as an Interim Commissioner to fill an unexpired term through January 1, 2011. ♦ Prior to serving on the PSC, Commissioner Balbis was the Assistant City Administrator for the City of West Palm Beach, where he managed the Public Utilities, Public Works, and Engineering Departments, comprising more than 400 employees. He oversaw major upgrades to the City's Water Treatment Plant that significantly improved the City's drinking water quality, and he coordinated the planning efforts for long term improvements to the City's water treatment plant to bring important operational and capital savings. ♦ As Assistant City Administrator, Commissioner Balbis was also responsible for the management of Grassy Waters Preserve. This pristine, 20-square-mile wetland ecosystem serves as a habitat for many protected species, including the Everglades Snail Kite, and is the primary source of drinking water for the City of West Palm Beach and the Towns of Palm Beach and South Palm Beach. ♦ Commissioner Balbis previously served as Chairman of the Board of the East Central Regional Wastewater Reclamation Facility, which benefits more than 239,000 customers in Palm Beach County. As Chairman, he helped bring to fruition one of the largest conservation projects in Florida: a 27 million gallon-per-day water reuse project that provides treated wastewater in lieu of groundwater to cool a 3,750 MW power plant. ♦ Previously appointed by Governor Crist to the Treasure Coast Regional Planning Council, Commissioner Balbis worked with other council members on complex regional development issues and projects affecting Palm Beach, Martin, Indian River and St. Lucie Counties. His prior experience also includes working in the private sector for national engineering firms specializing in the design of large utility infrastructure projects. ♦ Commissioner Balbis graduated from the University of Florida with a degree in Environmental Engineering and is a Licensed Professional Engineer. A lifelong Florida resident, he is married and has three children. As a hobby, he enjoys officiating football and has been an official for both high school and NCAA games for more than 15 years.

**Julie Imanuel Brown** was appointed to the Florida Public Service Commission by Governor Charlie Crist for a four-year term beginning January 2, 2011. Prior to her appointment, she was Associate Legal Counsel of First American Corporation, a Fortune 500 company, where she handled a variety of legal issues in the Eastern, Midwest and Mid-Atlantic Regions, including corporate compliance with regulatory authorities. ♦ Previously an Assistant City Attorney for the City of Tampa, Commissioner Brown specialized in contract, regulatory and administrative law while acting as legal advisor to the City of Tampa for wastewater, stormwater, land development coordination, and other matters. Commissioner Brown also worked as a corporate attorney at Shumaker, Loop & Kendrick, LLP in Tampa, Florida, specializing in mergers and acquisitions and securities law. ♦ Commissioner Brown's civic affiliations have included serving on the City of Tampa's Architectural Review Commission, the Board of Directors for the Tampa Firefighters Museum, the Florida Bar's 13th Judicial Circuit Bar Grievance Committee, and acting as Vice Chair of the Hillsborough County Bar Association's Judicial Campaign Practices Committee. ♦ Commissioner Brown graduated *magna cum laude* with a Bachelor of Science in Public Relations from the University of Florida, where she was the recipient of the Dean's Cup for the College of Journalism and Communications, the Outstanding Female Leader award, and was inducted into the Hall of Fame. She earned a Juris Doctorate from the University of Florida Levin College of Law and is a member of the Florida Bar. Her graduate education included study abroad at the University of Montpellier College of Law in France. ♦ Commissioner Brown and her husband, Hank, have two children.



## Executive Management



EXECUTIVE DIRECTOR

### **Timothy J. Devlin**

The Executive Director is responsible for directing, planning, and administering the overall activities of the Commission staff, except the Office of General Counsel. He consults with and advises the Commissioners on regulatory, internal management, and budgetary matters, and acts as an interagency liaison. Reporting directly to him are the Deputy Executive Director and the directors of the Division of Regulatory Compliance, the Division of Economic Regulation, the Office of Public Information, and the Office of Auditing and Performance Analysis.



DEPUTY EXECUTIVE DIRECTOR

### **Charles H. Hill**

The Deputy Executive Director assists the Executive Director in providing direction and leadership for the staff and is delegated full authority in his absence. He has direct line authority over the Division of Administrative Services; the Division of Service, Safety and Consumer Assistance; the Office of Commission Clerk; and the Office of Information Technology Services.



GENERAL COUNSEL

### **S. Curtis Kiser**

The General Counsel is the Commission's chief legal counsel. He supervises the FPSC's legal personnel and is charged with the administration and delegation of responsibilities to the lead attorneys in his office. The General Counsel is also responsible for advising the FPSC on the legal aspects of its regulatory responsibilities, providing legal representation in court and before federal agencies, providing legal counsel to the Office of the Executive Director, and assisting in interagency liaison activities.



## THE ROLE OF **Florida's Public Service Commission**

### MISSION STATEMENT:

*To facilitate the efficient provision of safe and reliable utility services at fair prices.*



*The Florida Public Service Commission must balance the needs of consumers with the needs of a utility and its shareholders.*

The Commission's work is a balancing act, weighing the needs of consumers with the needs of a utility and its shareholders. For water and electric utility companies, the Commission oversees service territories, regulates rates and profits, and requires utilities to provide service to all who request it. With the introduction of increased competition in local telephone markets, the Commission is responsible for encouraging and promoting fair and reasonable growth within the telecommunications industry.

Florida's poor housing market continued to affect businesses and industries—including utilities—this year, as economic resources declined and operating costs remained constant. Public utilities play a major role in the state's economy and in our society. In today's world, water and wastewater, energy, and telephone services are necessities. The FPSC ensures that Florida's residents receive these essential services in a safe, affordable, and reliable manner. In doing so, the FPSC exercises regulatory authority over utilities in three key areas: rate base/economic regulation; competitive market oversight; and the monitoring of safety, reliability, and service.

- ◆ Rate base/economic regulation involves analyzing requested rate changes and conducting earnings surveillance to ensure that regulated utilities are not exceeding their authorized rates of return.
- ◆ Competitive market oversight entails facilitating the development of competitive markets and managing issues associated with them.
- ◆ Safety, reliability, and service monitoring promotes an uninterrupted supply of utility services to the general public and confirms that such services are provided in a reasonable and timely manner with minimal risks.

In each of these areas, the Commission provides consumer assistance, protection, and education services which include responding to consumer questions and complaints and distributing information about using utility services.

A more detailed description of the FPSC's role in these key areas follows.

## Rate Base / Economic Regulation

The FPSC establishes and monitors earnings levels for regulated electric, natural gas, and water and wastewater companies. Whenever a company believes its earnings are below a reasonable level, the company can petition the FPSC for a change in rates. After an extensive review of the company's earnings, the Commission determines the company's fair levels of rates and earnings to decide a reasonable rate of return. The Commission also analyzes the actual rates charged by the company, allocates revenue requirements between classes of customers, and develops appropriate rate structures within rate classes.

Each company's earnings are regularly monitored. Companies file annual reports which are reviewed to determine their earnings for the prior year. If it appears that a company will experience excessive earnings in the coming year, the FPSC fully analyzes the company's books and records and, when appropriate, reduces its rates. The FPSC may determine earnings are subject to refund if the review indicates possible overearnings.

### ***Energy***

In addition to annual reports, the investor-owned electric and natural gas companies also file earnings information monthly, quarterly, or semi-annually, depending upon each company's size. The more frequent company filings allow the FPSC to monitor earnings levels on an ongoing basis. Customer rates can be quickly adjusted if a company appears to be overearning.

Annually, the FPSC thoroughly reviews each regulated utility's fuel, capacity, conservation, and environmental costs and authorizes recovery of the prudently incurred expenses. Other areas of economic regulation for the energy industry include special contracts, new tariff offerings, conservation program approvals and revisions, depreciation, amortization, nuclear decommissioning studies, and fossil fuel dismantlement studies.

### ***Water and Wastewater***

In the water and wastewater industries, the FPSC processes a significant number of cases. The majority of these cases involve rate increases or limited-proceeding increases resulting from the increased costs of providing service. Other cases involve overearnings investigations to determine if a rate reduction is necessary.

The Commission processes water and/or wastewater certification requests, with the majority involving the transfer or amendment of certificates of authorization. Other cases can involve certifying a new utility and setting its initial rates and charges. The Commission also acknowledges abandonments and cancels certificates for systems transferred to exempt entities.

Reuse (using effluent water for a beneficial purpose, such as irrigation) impacts rate base/economic regulation. The Legislature has recognized the benefit of



*The Legislature has recognized the benefit of reuse as a method of water conservation. It is the FPSC's charge to identify reuse issues and establish policies. "Purple Pipes" identify reuse projects.*



*The Florida PSC, the Department of Environmental Protection, and the five Water Management Districts are coordinating efforts to meet statewide water conservation goals.*

reuse to Florida and has enacted provisions in the governing statutes for the Florida Department of Environmental Protection (DEP), the five water management districts (WMD), and wastewater utilities to employ reuse as a means of effluent disposal and as a method of water conservation. The FPSC's charge is to identify reuse issues related to its jurisdiction and to establish policies that are consistent with the statewide goals. In meeting this charge, Commission staff participates on a Reuse Coordinating Committee along with staff from the DEP, the WMDs, the Florida Department of Agriculture and Consumer Services, the Florida Department of Health, and the Florida Department of Transportation.

In Florida, water conservation is vital to the state's economy. As an economic regulator, the FPSC is actively involved in demand-side water conservation through rates and rate structure review. Rates and rate structure have a direct bearing on water usage and water resource allocation. The FPSC has a Memorandum of Understanding with the DEP and the five WMDs to coordinate efforts to improve statewide water quality and meet statewide conservation goals. Both agencies are frequently called upon to testify on water quality and conservation issues in rate cases before the FPSC. When feasible, the FPSC allows utilities to recover expenses related to conservation programs and establish conservation rates to reduce water consumption.

### Competitive Market Oversight

The FPSC addresses competitive market structure and regulatory issues in industries that were traditionally considered monopolies but are now transitioning into competitive markets (i.e., telecommunications). Two catalysts for the change to competition are innovative technologies that add new markets to established regulated companies and increased service options that benefit customer choices. As companies transition from monopoly to the competitive provision of utility services, the FPSC must ensure that regulatory barriers are removed and customers continue to receive quality service.

In the telecommunications industry, a key focus of the FPSC is facilitating the development of competition in the local telephone market, which includes arbitrating agreements between incumbent local exchange companies (ILECs) and competitive local exchange companies (CLECs) when negotiations fail. The FPSC is also 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 address recurring issues.

By conducting regular reviews of industry practices, the FPSC determines whether entities are engaging in actions that could impede the development of competition. Other major areas involve processing area code relief cases and providing oversight of numbering resources.

The Commission has been reviewing both existing and emerging Internet access technology and backbone infrastructure. In doing so, the Commission recognizes the blurring distinction between the traditional telephone network and the data transmission networks. The FPSC identifies different technologies involved, monitors the market penetration of those technologies, analyzes pricing differences between voice and data networks, and determines what, if any, actions the Commission should consider.

Reviewing and maintaining certain retail schedules or price lists filed by the telecommunications companies, as well as setting certain wholesale prices (i.e., ILEC unbundled network elements used by CLECs to provide service) are also FPSC responsibilities. In addition, the Commission establishes reciprocal compensation oversight to guide the compensation to companies which terminate local traffic from other companies.

Another critical aspect of competitive market oversight in the telecommunications industry is the certification process. Most telecommunications companies conducting business in Florida are required by state law to be certificated by the FPSC. Interexchange companies (IXCs) are the exception to the certification requirement, but IXCs are required to register with the Commission, file schedules, provide a point of contact for the company, and pay regulatory assessment fees.

## Reliability, Safety, and Service Issues

Through performance and operations investigations, the FPSC obtains information on reliability, service quality, and service availability for review and enforcement.

### ***Energy***

#### ***Reliability***

In the electric industry, the FPSC reviews regulated utilities' Ten-Year Site Plans to assess the utilities' abilities to meet Florida's energy needs over a ten-year planning horizon. The FPSC considers petitions for the determination of need for electric power plants, transmission lines, and intrastate natural gas pipelines so that adequate generation and transmission facilities will be available to meet the state's power needs.

The FPSC also participates in formal and informal proceedings relating to long-range electric utility bulk power supply operations and planning; electric and natural gas safety and service quality, including complaints; electric utility conservation goals and programs; and emergencies due to operational events or weather.

#### ***Electric Distribution Reliability and Infrastructure Hardening***

The FPSC also monitors investor-owned utilities' (IOUs) performance through review of each company's *Electric Distribution Reliability Report*, which is filed



*The FPSC has been reviewing both existing Internet access technology and backbone infrastructure.*

annually on or before March 1. In this filing, each IOU reports the latest available data on its various reliability indices, such as System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI). The reliability indices are based on statistical data that measure each IOU's service quality and reliability. In addition to the reliability indices, the reports also describe the status of each IOU's storm hardening efforts related to ten ongoing initiatives established by the FPSC, including such programs as vegetation management, hardening of existing structures, joint-use agreements, auditing pole attachments, and natural disaster preparedness. The Commission reviews these reports to verify the utilities' compliance with Commission requirements and ensure that Florida's utilities are maintaining quality service that is safe and reliable.

### *Electric Safety*

By statute, the FPSC is responsible for electric safety. The Commission has adopted the National Electrical Safety Code as the applicable safety standard for transmission and distribution facilities subject to the FPSC's safety jurisdiction. In addition, Commission rules set requirements for accident reporting, quarterly utility compliance reports, and FPSC facility inspections. Electric safety engineers inspect utility electric transmission and distribution construction sites that are selected from utility work orders. Any variances from the National Electrical Safety Code are corrected through a quality control program.

### *Natural Gas Pipeline Safety*

Safety compliance evaluations are conducted annually on all natural gas systems. These evaluations focus on corrosion control, leak surveys, leak repairs, emergency response, drug testing, employee training and qualification, maintenance, operation, and new construction.

The Commission's pipeline safety staff evaluates natural gas systems covering thousands of miles of pipeline and customer service lines. These evaluations generally result in written notifications of gas safety violations such as failure to repair gas leaks, failure to odorize natural gas, or failure to use qualified welders. All violations must be corrected or scheduled for corrective action pursuant to the Commission's enforcement procedures.

The Commission's pipeline safety program is evaluating and working with a new rule proposed by the Pipeline and Hazardous Materials Safety Administration (PHMSA) that would establish integrity management requirements for gas distribution pipeline systems. The new rule's most recent draft was released in December. Over the past several years, PHMSA has implemented new integrity management regulations for hazardous liquid and gas transmission versus distribution pipelines. These regulations are intended to help assure pipeline integrity and improve the pipeline safety record.

Also, Commission energy staff supports and assists the state's Emergency Operations Center in energy-related matters during storm and emergency situations.



*Safety compliance evaluations are conducted annually on all natural gas systems.*

## ***Telecommunications***

### ***Telephone Safety***

In the telecommunications industry, the FPSC monitors telephone safety through inspecting the local telephone companies' central offices and outside facilities for compliance with the National Electrical Safety Code and the National Electric Code. This monitoring protects the safety of the companies' workers and customers.

### ***Telephone Service Quality***

Service quality is monitored through company-provided data, inspections of the local telephone companies' installation and repair records, and billing accuracy tests. During pay telephone evaluations, 911 access, address, and operational aspects, such as the coin return, are verified.

Samples of hotel/motel room telephones are also inspected for blocking access to 911 and operator services. These inspections also verify that all information required by statute and rule is readily available to hotel/motel room occupants.

### ***Implementation of 2010 Statutory Changes***

The 2010 Florida Legislature passed SB 814 permitting Commercial Mobile Radio Service (wireless) carriers designated as Eligible Telecommunications Carriers (ETCs) to provide Lifeline services to customers meeting the 150 percent of the Federal poverty guideline income eligibility test. The bill directs the FPSC, the Department of Children and Family Services (DCF), the Department of Education (DOE), and the Office of Public Counsel (OPC) to share a person's name, date of birth, service address, and telephone number with ETCs, so that the carriers can identify and enroll eligible consumers in the Lifeline and Link-Up programs. This information must remain confidential and may only be used to determine eligibility and enrollment in the Lifeline and Link-Up programs.

On August 18, 2010, the FPSC convened a workshop with DCF, DOE, and OPC to determine how customer information will be shared, the obligations of each party, and the procedures necessary to increase enrollment and verify customer eligibility for the Lifeline and Link-Up benefits.

The 2010 Florida Legislature also passed HB 1377 which repealed sections of Chapter 364, Florida Statutes (F.S.), related to rate-of-return regulation. The bill also amended Section 364.051, F.S., Price Regulation, to repeal the option of incumbent local exchange telecommunications companies (ILECs) to elect price cap regulation. Since all ILECs have already elected price cap regulation, these sections are obsolete. The bill also repealed portions of Section 364.052, F.S., deleting regulatory methods relating to rate-of-return regulation for small ILECs.

## ***Water and Wastewater***

In the water and wastewater industries, the FPSC monitors quality-of-service issues such as water pressure and capacity. When a consumer complaint

regarding water and/or wastewater quality of service is received, if warranted, a staff engineer is assigned to work with the consumer and utility personnel to determine the cause of the concern.

Service quality issues are also addressed when a utility files an application for a rate change. The Commission conducts customer meetings or service hearings as a part of the rate case process. Consumer comments at these meetings typically include service quality issues. Staff reviews consumer concerns and works with the utility to resolve service issues. When a complaint results from possible violations of DEP public health rules, FPSC staff works with the DEP to resolve the issue.

## Consumer Assistance

*The FPSC participates in a variety of outreach events such as consumer forums, community meetings, and customer meetings and hearings, and develops consumer publications and presentations.*

### Consumer Assistance, Protection, and Education

By providing effective consumer assistance, protection, and education, the FPSC accomplishes its mission of assisting consumers and educating the public about the changing regulatory environment.

The FPSC participates in a variety of outreach events such as consumer forums, community meetings, and customer meetings and hearings, by presenting pertinent information and distributing a variety of consumer publications. By continually enhancing its outreach methods to provide easy access to information, the Commission ensures that consumers can make informed decisions about utility services.

While the FPSC manages the transition to more competitive markets, the agency also continues to make sure that customers receive nondiscriminatory telecommunications service, particularly through its enforcement efforts. The enforcement function is a pivotal component of the Commission's consumer protection mandate. The agency monitors the offerings provided by telecommunications companies and guides consumers through anticipated changes, so they receive the best service and rates for their needs.

Where consumers once dealt with a single local telephone company and long distance carrier, they now may interact with competitive local exchange companies, operator service providers, billing agents, equipment vendors, and private owners of pay telephones. The FPSC serves an important role in resolving service quality issues for those consumers with basic telephone service and in implementing policies that promote competition, universal service, and technological advancement.

Specific consumer concerns about fuel cost volatility and hurricane damage have a greater impact on the natural gas and electric industry. The FPSC has a statutory obligation to protect the consumer by ensuring public safety and to provide assistance in addressing consumer service quality concerns.

Another aspect of consumer assistance relates to customer issues such as billing. The FPSC assists consumers with analyzing their utility bills and verifying



the accuracy of charges, with the intent that disputes between regulated companies and their customers be resolved in a fair and efficient manner. The Commission's Transfer Connect system is one way the FPSC resolves consumer complaints. When a consumer calls the FPSC's toll-free consumer assistance line (1-800-342-3552) with a question or a complaint regarding utility services, a FPSC staff member, with the customer's approval, will transfer the call directly to the utility for handling. Once the consumer's call is transferred, the utility pays for the call until completion. Each company subscribing to Transfer Connect must provide live customer service personnel to handle the transferred calls. Consumers benefit when they can have all of their needs met with a single toll-free call. The Transfer Connect option also enables FPSC staff to consult with a utility representative and pass on information from the caller without the caller repeating the information.

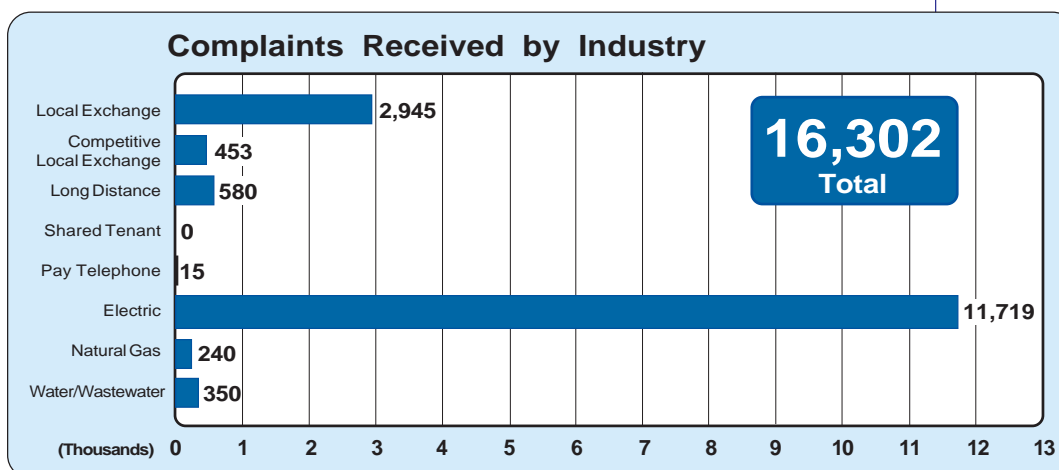
### Complaint Activity

A variety of fact sheets, brochures, and consumer tips are available to help consumers. In addition to helping resolve complaints between residential and business customers and Florida's regulated utilities, the FPSC provides consumer information about utility payment plans, statutes and rules governing utility companies, and the status of pending cases before the Commission.

#### There are six ways consumers may contact the FPSC:

- ◆ Complete an online complaint form
- ◆ E-mail correspondence to [contact@psc.state.fl.us](mailto:contact@psc.state.fl.us)
- ◆ Call the toll-free number at 1-800-342-3552
- ◆ Fax information toll-free at 1-800-511-0809
- ◆ Send mail to: Florida Public Service Commission  
Division of Service, Safety and Consumer Assistance  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850
- ◆ Visit the FPSC's Web site at [www.floridapsc.com](http://www.floridapsc.com)

During 2010, 16,302 complaints were logged with the FPSC against utility companies. The following chart identifies those complaints received by industry.



Note: Includes non-certificated complaints logged, complaints transferred via the telephone transfer-connect or e-transfer process, and complaints logged and resolved under the three-day rule.



*The FPSC resolves consumer complaints by investigating the facts and circumstances of the case with the customer and the company.*

Since consumer service and protection are integral to the FPSC's mission, the Commission encourages early, continuous, and meaningful public participation throughout its regulatory process. As part of the FPSC's education program, information is compiled and relayed to consumers who are offered many opportunities to express comments and ideas to the Commissioners before final decisions occur.

The FPSC closely monitors informal consumer inquiries and complaints to identify trends affecting consumers and then produces related outreach materials to address those needs. The FPSC provides consumers with the information they need to understand the benefits of competition and to know their rights as utility customers.

Consumers receive information in a variety of ways, including the FPSC Web site, news releases, toll-free phone and fax numbers, consumer publications, the media, brochures, scheduled FPSC meetings open to the public, and community events. The FPSC's home page, [www.floridapsc.com](http://www.floridapsc.com), is continually updated to make the site more user-friendly. The Web site contains information about the regulated industries, press releases, and agency publications. In addition to obtaining information, consumers may file online complaints and inquiries about their utility services. Commission events and meetings are usually accessible online as live video and/or audio broadcasts.

One way the Commission effectively educates consumers statewide is the Library Outreach Program. Through this program, the Commission provides more than 280 public and branch libraries across the state with FPSC publications highlighting practical energy and water conservation measures. Results from periodic surveys to library administrators indicate their continuing support for the program.

National Consumer Protection Week played a significant role in the FPSC's 2010 conservation education efforts. The Commission partnered with six senior centers and a public library in North Florida to help Florida's senior residents save money on their telephone and utility bills. In keeping with the 2010 national theme, *Dollars and Sense: Rated A for All Ages*, presentations at all Florida events included information about reducing utility expenses through conservation, and consumers were provided with educational brochures featuring tips on energy and water conservation.

The FPSC participates in consumer programs and distributes conservation-related materials through partnerships with governmental entities, consumer groups, and many other organizations. Examples of events where conservation information was shared during 2010 include Ambassadors for Aging Day, Active Living Expo, Canal Point Community Day, Volusia County Community Day, National Employ Older Workers Week, Wakulla Public Library event, Tenth Annual Central Florida Kidfest and Family Expo, and senior days in the following areas: Bradfordville, Woodville, Tallahassee, Ft. Braden, Chaires-Capitola, McLean, Miccosukee, and Citrus County. The FPSC also provided a variety



of conservation brochures to be distributed by the Waldo Community Center and at the Villa Aida/Goodlet Park Community Day.

Educating Florida's young consumers is an effective way for the FPSC to expand conservation. Energy Awareness Month in October provides an opportunity to partner with schools' Green Teams to explore conservation. This year, Montford Middle School (Tallahassee) students learned firsthand about financial choices their parents make each month to pay the family's electric bill. Commissioner Lisa Polak Edgar and FPSC staff engaged students in a review of their families' energy needs, highlighting the importance of reducing daily energy consumption. Energy Awareness Month is sponsored annually by the U.S. Department of Energy, and this year's theme was, *Powering America; We're On Target*.

To help consumers who might need assistance paying their utility bills, the FPSC has compiled contact information for all electric utilities in Florida. The booklet gives consumers a way to directly call their utility to tap into the large network of social-service organizations located throughout their area. Many of Florida's electric utilities also have company programs designed to provide emergency-assistance funds to customers unable to pay their electric bill, so consumers in need can benefit by contacting their utilities.

To assist Florida legislators and other government officials whose constituents may be affected by a specific case before the FPSC, the Commission produces an informational report, the *Florida Public Service Commission Bulletin*. The *Bulletin* provides a background for cases where customer input is considered and helps answer constituent inquiries.

Throughout the year, FPSC Commissioners and/or staff attend customer hearings and meetings around the state. Public meetings provide an inclusive process that allows Florida consumers to participate and share their views with Commissioners. For each hearing or meeting, customers receive a *Special Report* that explains the case information being reviewed and encourages consumer participation. FPSC staff distribute brochures and address citizen questions and concerns. Brochures can also be downloaded from the FPSC's Web site.



*Teaching Florida's students about the importance of energy and water conservation encourages wise usage for years to come.*



## HIGHLIGHTS OF THE FPSC'S **Regulatory Efforts for Calendar Year 2010**



In 2010, the FPSC regulated 5 investor-owned electric companies, 7 investor-owned natural gas utilities, and 158 investor-owned water and/or wastewater utilities and had competitive market oversight for more than 940 telecommunications companies in Florida.

The number of certificated telecommunications companies or registered interexchange companies as of December 2010 was as follows:

- ◆ 10 incumbent local exchange companies (ILECs)
- ◆ 297 competitive local exchange companies (CLECs)
- ◆ 481 interexchange companies (IXCs)
- ◆ 113 pay telephone service companies (PATs)
- ◆ 25 alternative access vendors (AAVs)
- ◆ 20 shared tenant service providers (STS)

The FPSC does not regulate the rates and service quality of publicly owned municipal or cooperative electric utilities; however, the Commission does have jurisdiction, with regard to rate structure, territorial boundaries, bulk power supply operations, and power supply planning over 35 municipally owned electric systems and 18 rural electric cooperatives. The FPSC has jurisdiction, with regard to territorial boundaries and safety, over 27 municipally owned natural gas utilities and 4 gas districts. In addition, the Commission exercises safety authority over all electric and natural gas systems operating in the state. During 2010, a number of significant issues presented challenges for the Commission and are summarized below.

### Energy

#### ***Electric Rate Cases***

##### ***Tampa Electric Company***

During 2009, the Commission processed a rate case involving Tampa Electric Company (TECO) that was memorialized in Order No. PSC-09-0283-FOF-EI, issued April 30, 2009 (Final Order), and confirmed on reconsideration in Order No. PSC-09-0571-FOF-EI (Order on Reconsideration) issued August 21, 2009. On September 14, 2009, the Office of Public Counsel (OPC), Florida Industrial Powers Users Group (FIPUG), Florida Retail Federation (FRF), and the Attorney General (AG) (appellants) jointly filed an appeal of the rate case Final Order and Order on Reconsideration with the Supreme Court of Florida.

On October 12, 2009, TECO filed a petition for a step increase in rates pursuant to the above referenced orders (Docket No. 090368-EI). The matter was set for a formal administrative hearing to determine whether TECO satisfied the

three conditions for the step increase set out in the Final Order and affirmed in the Order on Reconsideration in the rate case.

On July 20, 2010, a Joint Motion for approval of Stipulation and Settlement Agreement (TECO Stipulation) was filed by TECO, OPC, AG, FIPUG, and FRF to resolve all issues pending in Docket No. 090368-EI and in the appeal of the rate case Final Order and Order on Reconsideration. The major elements contained in the TECO Stipulation were: a one-time refund of \$24 million to TECO's retail customers in 2010, a permanent \$1.28 million rate reduction for the Interruptible Service class customers effective January 1, 2011, and a dismissal with prejudice of the appeal filed with the Supreme Court of Florida.

The Commission approved the TECO Stipulation by Order No. PSC-10-0572-FOF-EI issued September 16, 2010. On November 16, 2010, the Supreme Court of Florida issued an Order (Case No. SC09-1723) acknowledging the appellants' voluntary dismissal of the appeal of the Final Order and Order on Reconsideration. The rate case docket was administratively closed on November 17, 2010.

#### *Florida Power & Light Company*

On March 18, 2009, Florida Power & Light Company (FPL) filed its petition requesting a permanent rate increase of \$1.044 billion. A technical hearing was held on August 24-September 5, September 16-17, and concluded on October 21-23, 2009. The Commission voted on FPL's requested rate increase on January 13, 2010, and its decision was memorialized in Order No. PSC-10-0153-FOF-EI issued March 17, 2010. The Commission's decision granted a \$75.5 million rate increase.

On April 1, 2010, both FPL and FIPUG filed Motions for Reconsideration of Order No. PSC-10-0153-FOF-EI. An Agreed Motion for the approval of Settlement Agreement (FPL Stipulation) to resolve all outstanding matters in the rate case and consolidated dockets was filed on August 20, 2010. The signatories to the FPL Stipulation were FPL, OPC, AG, FIPUG, FRF, South Florida Hospital and Healthcare Association (SFHHA), the Federal Executive Agencies (FEA), and the Associated Industries of Florida (AIF). The major elements contained in the FPL Stipulation are freezing base rates through December 2012 unless FPL's return on equity (ROE) falls below 9.00 percent or exceeds 11.00 percent, limiting recovery of costs for West County Unit 3 to the plant's projected fuel savings, allowing discretion to amortize the theoretical depreciation reserve surplus, and specifying recovery of storm damage costs and storm damage reserve replenishment. Staff filed its recommendation regarding the FPL Stipulation on October 8 for consideration at the October 12, 2010 Commission Conference.

On September 8, 2010, FPL filed a petition with the First District Court of Appeal (First DCA) moving to disqualify Commissioner Nathan A. Skop from participating as a Commission member in PSC hearings, deliberations, decision-making, or acting in any other capacity on all active dockets and matters involving FPL as well as any future dockets involving FPL that might be opened in calendar year

2010. On September 10, 2010, the First DCA issued an automatic stay of Commission proceedings involving FPL, pending resolution of FPL's petition for recusal.

On September 14, 2010, FPL filed its May and June Earnings Surveillance Reports (ESRs). Per these reports, FPL's actual achieved ROE was 11.28 percent and 11.43 percent for May and June, respectively. Pursuant to Order No. PSC-10-0153-FOF-EI, FPL's authorized ROE is 10.00 percent, with a range of 9.00 percent to 11.00 percent. Thus, revenues received by FPL resulting in the Company's ROE exceeding 11.00 percent may constitute overearnings. Staff filed its recommendation regarding FPL's potential overearnings on October 4, for consideration at the Commission Conference scheduled for October 12, 2010. However, due to the automatic stay issued by the First DCA, no matters involving FPL could be considered by the Commission until after the Court ruled on FPL's petition for recusal.

On December 2, 2010, the Commission filed an Emergency Motion, unopposed by FPL, with the First DCA for jurisdiction to consider only the FPL Stipulation. On December 10, the First DCA granted jurisdiction to the FPSC, and FPL's Stipulation was approved at the December 14 Commission Conference. All FPL dockets will be considered after the First DCA rules, and there is no required timeline for the ruling.

*Progress Energy Florida, Inc.*

On March 20, 2009, Progress Energy Florida, Inc. (PEF) filed a petition and financial documentation for a rate increase of approximately \$500 million. PEF's requested rate increase included the operating revenue requirements associated with the Bartow Repowering Project. The Commission approved a rate increase of \$126.2 million for the Bartow Repowering Project in Order No. PSC-09-0415-PAA-EI issued June 12, 2009. This increase was protested by the intervenors in this docket, and the issue was consolidated into the general rate case docket. A technical hearing was conducted from September 21-October 1, 2009. The Commission voted on PEF's requested increase on January 11, 2010, and its decision was memorialized in Order No. PSC-10-0131-FOF-EI, issued March 5, 2010. The Commission did not grant a rate increase above the \$126.2 million increase granted previously for the Bartow Repowering Project.

On March 18, 2010, PEF filed a Motion for Reconsideration of Order No. PSC-10-0131-FOF-EI. On March 29, 2010, OPC filed its Cross Motion for Reconsideration. On May 10, 2010, a Joint Motion for approval of Stipulation and Settlement Agreement (PEF Stipulation) was filed by PEF, OPC, AG, FIPUG, FRF, White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate-White Springs (PCS), and the Navy to resolve all issues in the rate case and consolidated dockets. The major elements contained in the PEF Stipulation were: a base rate freeze through December 2012 unless PEF's return on equity (ROE) falls below 9.50 percent, the discretion to record a depreciation expense credit, the discretion to accelerate the amortization of certain regulatory assets, and specified recovery of storm damage costs and storm damage reserve

replenishment. The Commission approved the PEF Stipulation by Order No. PSC-10-0398-S-EI issued June 18, 2010.

### **Gas Rate Cases**

During 2009, the Commission processed a rate case involving Peoples Gas System (PGS) that was memorialized in Order PSC-09-0411-FOF-GU, issued June 9, 2009. On June 24, 2009, Peoples filed a Motion for Reconsideration. On February 5, 2010, PGS, OPC, and Florida Industrial Gas Users (FIGU) filed a Joint Motion for approval of Stipulation and Settlement (PGS Stipulation) to resolve the remaining matters in the rate case. The primary purpose of the PGS Stipulation is to make appropriate adjustments to deferred taxes to avoid any potential violation of the normalization rules under the Internal Revenue Code. The Commission approved the PGS Stipulation in Order No. PSC-10-0208-S-GU, issued April 5, 2010.

### **Power Plant, Transmission Line, and Natural Gas Pipeline Need Determinations**

The Commission approved one determination of need petition for a power plant during 2010. No new transmission line or natural gas pipeline need determinations were filed in 2010.

On September 18, 2009, Gainesville Regional Utilities (GRU) filed a joint petition with Gainesville Renewable Energy Center for a determination of need for a 100 megawatt (MW) biomass project at GRU's Deerhaven plant in Alachua County, Florida. The proposed facility will be owned, operated, and maintained by American Renewables, LLC. The Company will sell 100 percent of the facility's electric power output to GRU under a 30-year purchased power agreement. The Commission granted the joint petition on May 25, 2010. The proposed in-service date of the facility is late 2013.

### **Fuel Diversity**

In 2008, the FPSC granted a determination of need for FPL's Turkey Point Units 6 and 7 and PEF's Levy Units 1 and 2. Both utilities filed petitions pursuant to Section 366.93, F.S., which allows early cost recovery for new nuclear power plants. FPL's Turkey Point Units 6 and 7 are scheduled for completion in 2022 and 2023, respectively. PEF's Levy Units 1 and 2, are scheduled to be completed in 2021 and 2022, respectively. The Commission will continue to evaluate the cost recovery and long-term feasibility of these projects until their completion. In the interim, several interstate pipeline companies have proposed new pipeline projects and expansions to deliver natural gas to the state from diverse sources.

### **Nuclear Cost Recovery**

In 2006, the Florida Legislature enacted Section 366.93, F.S., to encourage utility investment in nuclear electric generation by creating an alternative cost recovery mechanism. The statute directed the Commission to allow investor-owned electric utilities to recover certain construction costs in a manner that reduces the overall financial risk associated with building a nuclear power plant.



*The Commission determines whether proposed plants or transmission lines are cost-effective and meet projected demands for power.*

In 2007, the statute was amended to include integrated gasification combined cycle plants, and in 2008, it was again amended to include new, expanded, or relocated transmission lines associated with the plants. The statute required the Commission to adopt rules that provide for annual reviews and cost recovery for nuclear plant construction through the existing capacity cost recovery clause (CCRC). By Order No. FPSC-07-0240-FOF-EI, the Commission adopted Rule 25-6.0423, F.A.C., fulfilling the requirements of and implementing Section 366.93, F.S.

Pursuant to Rule 25-6.0423, F.A.C., all prudently incurred preconstruction costs will be recovered directly through the CCRC. Additionally, the rule provides for the recovery of carrying charges on prudently incurred construction costs through the CCRC. The rule also allows a utility to request an alternative cost recovery mechanism for site selection costs. Once a utility obtains an affirmative need determination for a power plant covered by Section 366.93, F.S., the affected utility may petition for cost recovery using this alternative mechanism.

On March 1, 2010, PEF filed a petition seeking a prudence review and true-up of 2009 costs associated with increasing the capacity of the existing nuclear generating plant, Crystal River Unit 3, and the construction of newly proposed nuclear power plant, Levy Units 1 and 2, pursuant to rule and statute. On April 30, PEF filed a petition to recover estimated 2010 and projected 2011 costs for both projects. Completion of these approved projects will add 2,380 MW of new nuclear base load generation to PEF's system.

On March 1, 2010, FPL filed a petition seeking prudence review and true-up of 2009 costs for uprate activities at its existing nuclear generating plants, Turkey Point Units 3 and 4 and St. Lucie Units 1 and 2 (Extended Power Uprate Project), as well as the newly proposed nuclear power plant, Turkey Point Units 6 and 7, pursuant to rule and statute. On May 3, FPL filed a petition to recover estimated 2010 and projected 2011 costs for both projects. Completion of these projects will add 2,614 MW of new nuclear base load generation to FPL's system.

Docket No. 100009-EI was opened and established for addressing the petitions of PEF and FPL. The Commission held an evidentiary hearing for the Nuclear Cost Recovery Clause (NCRC) docket on August 24-27, and September 7, 2010. During the September 7 hearing, the Commission approved a stipulation by parties to the docket allowing recovery of FPL's costs in the 2011 CCRC. At the October 26, 2010 Commission Conference, the Commission voted to approve amounts to be recovered by PEF in the 2011 CCRC.

### ***Fuel Cost Recovery***

At the November 2010 fuel hearing, the Commission addressed 2011 fuel rates for the five investor-owned electric utilities. Lower fuel prices caused PEF, Gulf Power Company, and TECO to realize decreases in fuel rates for 2011, as compared to 2010. FPUC's Marianna division fuel rate decreased for 2011, while the Fernandina division saw a slight increase. A hearing for FPL will convene after the First DCA rules on FPL's petition for recusal.



### ***Storm Hardening Initiatives***

Rule 25-6.0342, F.A.C., requires each IOU to file an Electric Infrastructure Storm Hardening Plan for review and approval by the FPSC every three years. The Rule also requires a description of construction standards, policies, practices, and procedures to enhance the reliability of overhead and underground electric transmission and distribution facilities. Each IOU filed an initial storm hardening plan in 2007. On May 3, 2010, FPL, PEF, TECO, Gulf, and FPUC filed updated storm hardening plans for implementation in 2010 through 2012. The plans for each utility were largely the continuation of current plans. At the October 26, 2010 Commission Conference, the FPSC approved the updated storm hardening plans of PEF, TECO, Gulf, and FPUC. FPL's updated plan was approved by the Commission at the November 30, 2010 Conference.

### ***Renewable Energy Initiatives***

#### ***Renewable Energy Standard Offer Contracts***

Section 366.91, F.S., requires the utilities subject to the Florida Energy Efficiency and Conservation Act (FEECA) to continuously provide a standard contract for purchasing capacity and energy from renewable energy resources. Contracts are filed annually on April 1 and are based on each generating technology type in a utility's Ten-Year Site Plan. In 2010, the Commission approved standard contracts for each investor-owned utility for the purchase of renewable energy. The standard offer contract for Florida Public Utilities Company was approved on May 4. The contracts for the other investor-owned electric utilities were approved by the Commission on July 13.

#### ***Interconnection and Net Metering of Customer-Owned Renewables***

In April 2008, the Commission amended Rule 25-6.065, F.A.C., on interconnection and net metering for customer-owned renewable generation. The rule requires the IOUs to offer a standard interconnection agreement with an expedited interconnection process and net metering for all types of renewable generation up to 2 MW in capacity. Customers benefit from such renewable systems by reducing their energy purchases from the utility. Under the Commission's rule, net metering provides an additional benefit for IOU customers by allowing excess renewable energy production to be credited to monthly bills, thereby reducing future energy purchases from the utility.

Section 366.91, F.S., requires the municipal and rural electric cooperative utilities to offer interconnection and net metering programs for renewables by July 1, 2009. These utilities, as well as the IOUs, are required to report data annually to the Commission on renewable systems interconnected to the grid. Reports submitted in April 2010 show that the number of customers owning renewable generation systems in Florida is growing. As of December 31, 2009, 1,590 customers owned renewable energy systems with an electric capacity of 13.2 MW, up from 537 systems with a capacity of 2.8 MW in 2008. Small customer-owned renewable facilities are primarily solar photovoltaic (PV) installations. Between 2008 and 2009, the number of these small solar installations increased approximately 300 percent.



*Section 366.91, Florida Statutes, requires the FEECA (Florida Energy Efficiency and Conservation Act) utilities to continuously provide a contract for purchasing capacity and energy from renewable energy resources.*

### ***Renewable Portfolio Standard for Florida***

The Florida Legislature enacted legislation during the 2008 session requiring the FPSC to submit a draft Renewable Portfolio Standard (RPS) rule for consideration. The RPS would require investor-owned electric utilities to provide a percentage of their customers' needs with renewable energy.

The FPSC's draft rule, submitted in January 2009, included an aggressive standard of 20 percent renewable energy by 2020. It also provided for ratepayer protections, including a 2 percent rate cap with close oversight by the FPSC of the costs of compliance. The draft rule was not ratified by the Legislature during the 2009 and 2010 sessions.

### ***Emergency Operations Center***

The Commission is designated as the Lead Response Agency for power and natural gas emergencies for the Governor's Office through the Division of Emergency Management at the state's Emergency Operations Center (EOC) for Emergency Support Function-12 Energy (ESF-12). The FPSC provides 24 hour/7 days a week staffing of the EOC during state emergencies. The primary purpose of ESF-12 is coordinating responses to electric and natural gas energy emergencies and providing information and assistance to a variety of federal and state agencies at the EOC. The Commission is also responsible for maintaining contact with electric and natural gas utilities serving the affected areas to assess damage and service restoration efforts. Data collected and maintained from these coordination efforts include areas affected, number of customers without electrical power or natural gas, status of generation fuel, and estimated restoration time for normal service. This information is used by the EOC to determine the most efficient allocation of resources in response to regional recovery efforts. The EOC was activated in 2010 for tornadoes, severe weather, flooding, the Deepwater Horizon oil spill, and numerous wildfires.

### ***Conservation Activities for Electric Utilities***

On March 30, 2010, the seven utilities subject to the Florida Energy Efficiency Conservation Act (FEECA) filed petitions requesting approval of their demand side management (DSM) plans for the ten-year period 2010 through 2019. The Commission approved the proposed plans for Orlando Utilities Cooperative, JEA, and Florida Public Utilities Company by Orders issued on September 3, October 4, and November 12, respectively, because the proposed plans project demand and energy savings that exceed the residential and commercial/industrial annual conservation goals established by the Commission. After each company's Order is issued, the utility has 30 days to file standards for all its plan's programs as well as a detailed verification methodology for its audit programs. The program standards are subject to administrative approval by the Commission.

On September 1, the Commission denied the proposed DSM plans for PEF, TECO, and Gulf Power Company (Gulf) because the plans did not meet the annual goals established by the Commission. The utilities were directed to submit revised plans to the Commission within 30 days of each Order's issuance.

However, the Commission did approve the IOUs' request to establish solar programs as part of their DSM plans. This decision is based on the Commission's authorization for the IOUs to spend ten percent of their historic energy conservation cost recovery expenditures as an annual cap for solar water heating and solar photovoltaic pilot programs.

On November 16, the Commission approved TECO's revised plan which, as required, met or exceeded the annual goals set by the Commission. TECO is also responsible for a compliance filing within 30 days after the Order is issued that includes standards for all its plan's programs and a detailed verification methodology for its audit programs. The program standards are subject to administrative approval by the Commission.

The Commission is expected to vote on the proposed DSM plans for FPL, PEF, and Gulf in early 2011.

### ***Territorial Agreements and Disputes for Electric and Gas Utilities***

In 2010, the Commission approved a territory extension settlement agreement between PEF, TECO, and the Mosaic Company. It also approved an amended territorial agreement between PEF and Reedy Creek Improvement District; and three amended territorial agreements between PEF and Withlacoochee River Electric Cooperative, Inc.

### ***Electric Service Complaints***

During 2010, staff resolved a major complaint in the Bradenton area that involved electrical safety and reliability upgrades to the general area, as well as improvements to the customer's individual service. Other significant service complaints were addressed in the areas of Ft. Pierce (St. Lucie County), Miami-Dade County, Cocoa Beach (Brevard County), Palm Beach County, and Pinellas County.

## **Telecommunications**

### ***ILEC Wholesale Performance Measures***

The Commission is responsible for ensuring that incumbent local exchange carriers (ILECs) are meeting their obligation to provide unbundled access, interconnection, and resale to competitive local exchange companies (CLECs) in a nondiscriminatory manner. To ensure that ILECs are meeting their obligations, the Commission adopted wholesale performance measurement plans for the three largest ILECs operating in the state of Florida: AT&T (formerly BellSouth), CenturyLink (formerly Embarq), and Verizon. The plans establish a minimum level of acceptable wholesale service quality that the three ILECs must provide to the CLECs. Wholesale service quality is measured in such areas as ordering, provisioning, and repair timeliness.



*Changes have simplified and streamlined telecommunications rules for regulating local exchange companies.*

Each ILEC furnishes monthly performance reports to the Commission for review and assessment. Commission staff applies trending analysis to detect and correct any degradation in the quality of wholesale service provided to CLECs. Additionally, each ILEC's performance measurement plan is reviewed by staff at recurring intervals to address necessary revisions.

During 2009 and 2010 the Commission conducted a review of AT&T's Performance Assessment Plan in Docket No. 000121A to determine if any changes were necessary. In August 2010, the Commission approved a Settlement Agreement between AT&T and interested parties that participated in the review. Under the Settlement Agreement, the parties restructured the fee schedule that AT&T pays when it fails to meet the standards established by the plan. In the restructuring, fees paid to CLECs were increased in lieu of fees paid to the State of Florida for repeated failures to meet the standards. AT&T's approved Performance Assessment Plan consists of 47 measurements, of which 24 measurements have remedies applied to them. From January 2010 to August 2010, AT&T paid \$374,012 in remedy payments to CLECs and the State of Florida.

The Commission also monitored the performance results for CenturyLink and Verizon during 2010 in Dockets 000121B and 000121C. CenturyLink's performance plan contains 36 measures relating to quality and timeliness of wholesale service provided to CLEC's. During 2010, CenturyLink's performance ranged from 89 to 92 percent. Verizon's wholesale performance plan contains over 29 measures to determine if it is providing nondiscriminatory service to CLECs. Verizon's wholesale performance ranged from 86 to 89 percent during 2010.

### ***Service Quality***

Two of Florida's ILECs, AT&T and CenturyLink, operate under Commission-approved service guarantee programs (SGP) applicable to residential service. On March 22, 2010, the Commission approved Windstream Florida's petition to terminate its Service Guarantee Plan. Windstream had been subject to both the SGP and the Commission's service quality rules, and Windstream showed that it consistently met or exceeded the service quality rules. Because the SGP was terminated in 2010, the program's credits provided in FY 2010 reflect only the months from July 2009 through March 2010.

The SGPs provide for an automatic credit to a residential customer's account when installation or out-of-service repair objectives do not meet standards. The SGPs also call for payments to be deposited into a Community Service Fund (CSF) when business office or repair center answer time requirements are not met. The CSF funds are used to promote the telephone Link-Up Florida (Link-Up) and Lifeline Assistance (Lifeline) programs.

For fiscal year (FY) 2010 (July 2009-June 2010), AT&T credited over \$175,575 to its residential customers when it failed to meet the agreed upon installation date for initial service. In addition, for those customers experiencing out-of-

service outages greater than 24 hours, it credited over \$1,761,270. For those instances where AT&T failed to meet the answer time objective of the SGP, it credited \$7,000 to its CSF to promote the Lifeline and Link-up programs. Overall, AT&T credited its residential customers or placed in its CSF \$1,943,845 under its SGP.

CenturyLink credited customers \$111,150 in FY 2010 for missing installation appointments and \$136,303 for out-of-service repairs that extended beyond 24 hours. For missing the SGP answer time requirements, CenturyLink placed \$44,000 in a CSF that is used to promote CenturyLink's Lifeline and Link-Up programs. Overall, CenturyLink credited customers or placed funds in the CSF totaling \$291,453.

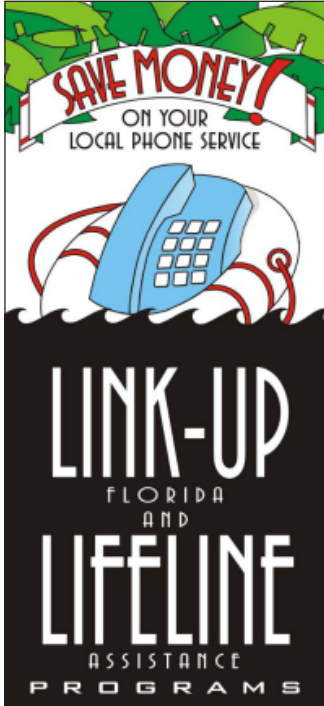
Windstream credited \$300 to its residential customers when it failed to install service on the agreed upon date, and it credited customers \$1,372 for out-of-service repairs that extended beyond 24 hours. The Windstream SGP also included credits to a CSF used to promote its Link-Up and Lifeline Assistance programs. The CSF received \$21,000 for FY 2010 when the company's answer time for the business and repair offices fell below 90 percent. Overall, Windstream's SGP resulted in \$22,672 in customer credits or payments to the CSF when it failed to meet the service guarantee objectives within the program.

A Telecommunications Service Quality Report for TDS Telecom/Quincy Telephone (TDS) was issued on September 1, 2009. The report determined that TDS was not complying with its tariff and the Local Service Guarantee Credit defined by the tariff. Docket No. 100027-TL investigation and determination of appropriate method for refunding apparent rebates not provided by Quincy Telephone Company d/b/a TDS Telecom/Quincy Telephone as required by rule and/or tariff was opened on January 14, 2010. The docket is ongoing as staff completes its review of over 9,000 repair tickets and over 8,500 service orders created between January 2007 and March 2010.

Thirty-seven complaints between CLEC and ILECs were resolved during 2010. The investigations resulted in approximately \$2,400 refunded to customers. The majority of the complaints dealt with provisioning new services and the porting of telephone numbers from ILECs to CLECs. Several complaints alleged anticompetitive behavior by an ILEC; however, none of the allegations were substantiated.

Service quality evaluations were also conducted during FY 2010 on payphones and call aggregators (motels and hotels) located throughout the state. Of the 2,240 payphone evaluations involving 25 parameters per payphone, 7.8 percent failed to meet Commission standards. The motel and hotel call aggregator evaluations totaled 534 evaluations involving 15 parameters, and 16.7 percent failed to meet standards.

*Commission staff evaluate the quality of service provided by telecommunications companies and conduct periodic on-site inspections of telecommunications facilities.*



*Link-Up Florida and Lifeline Assistance are programs designed to ensure that the initial telephone hook-up and monthly service remain affordable for all residents of Florida.*

### ***Link-Up and Lifeline Service for Low-Income Consumers***

The Tele-Competition Innovation and Infrastructure Enhancement Act of 2003 (the 2003 Act) requires that a statewide cooperative effort be made to support the Lifeline Assistance Program (Lifeline) in Florida, which is part of the federal Universal Service Program (USP) designed to enable low-income households to obtain a \$13.50 discount on their monthly phone bills or the option of receiving a free Lifeline cell phone and monthly minutes. Link-Up Florida (Link-Up), a companion program, provides a 50 percent reduction in the telephone service initial installation charge for a traditional landline phone or activation fee for a wireless phone, up to a maximum \$30 reduction.

The FPSC continued to work with other agencies, organizations, and companies to promote the Link-Up and Lifeline programs in 2010. Promotional activities featured National Lifeline Awareness Week, National Consumer Protection Week, the Connect Florida Campaign, and ongoing grass roots efforts to increase awareness and enrollment in the programs.

*Stay Connected, Florida. Get Lifeline Assistance and Save Money on Your Monthly Phone Bill* was again the slogan selected by the project participants for National Lifeline Awareness Week, September 13-19, 2010. Governor Charlie Crist wrote a letter supporting the importance of Florida joining other states in this national outreach effort and announcing that participation in the Lifeline Assistance program has almost tripled in our state. As in past years, the FPSC's Lifeline Awareness Week aimed to increase awareness among citizens already receiving assistance from public benefits programs. During National Consumer Protection Week, March 7-13, 2010, the Commission partnered with senior centers and libraries to help provide one-on-one assistance to consumers eligible to enroll in Link-Up and Lifeline at these events.

Additional information about the FPSC's 2010 Lifeline activities and a complete list of the Lifeline Partners assisting with promotional efforts are available in the FPSC's report, *Number of Customers Subscribing to Lifeline Service and the Effectiveness of Procedures to Promote Participation*. A printed copy of the report may be requested from the FPSC or accessed on the Web site at <http://www.psc.state.fl.us/publications/pdf/telecomm/tele-lifelinereport2010.pdf>.

The number of eligible customers participating in the Lifeline program in Florida grew 3.8 percent during the July 2009 through June 2010 annual review period. As of June 2010, 642,129 eligible customers participated in the Lifeline program. The four companies with the highest Lifeline enrollment, SafeLink, AT&T Florida f/k/a BellSouth (AT&T), Embarq Florida, Inc. d/b/a CenturyLink, and Verizon, all experienced increases in eligible Lifeline customers over the previous year. As of June 30, 2010, SafeLink had 396,114 Lifeline customers; AT&T had 126,114 Lifeline customers; CenturyLink had 41,593 Lifeline customers, and Verizon had 23,681 Lifeline customers. The following table shows the number of Lifeline subscribers from September 2006 through June 2010.

### Florida Lifeline Subscribership

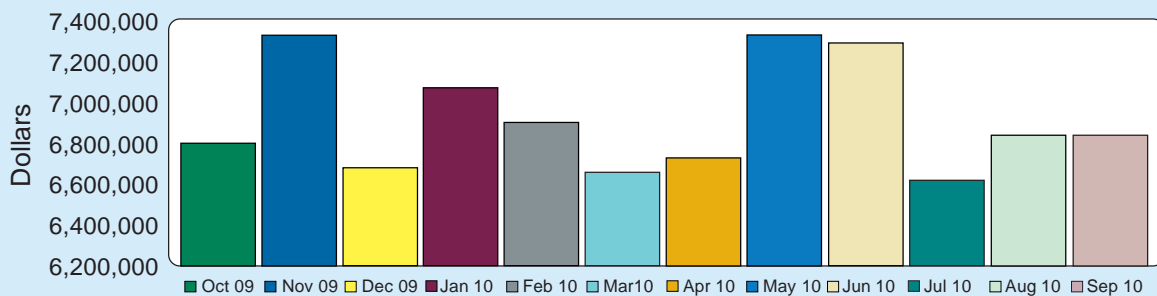
	September 2006	September 2007	June 2008	June 2009	June 2010	% Net Gain 2009 - 2010
<b>Lifeline Subscribers</b>	<b>145,734</b>	<b>159,028</b>	<b>183,972</b>	<b>619,129</b>	<b>642,129</b>	<b>3.8%</b>

Source: Industry responses to FPSC data requests (2006-2010)

The table below shows Universal Service Administrative Company (USAC) Lifeline disbursements for Florida for the 12-month period ending September 2010, at an all time high which totaled \$83,045,099 and averaged \$6,920,425 per month. These dollars enabled Florida citizens qualifying for Lifeline benefits to receive discounted monthly bills with a credit of \$13.50 or a free Lifeline wireless phone with free monthly minutes per month.

### USAC Lifeline Disbursements for Florida

OCTOBER 2009 - SEPTEMBER 2010



Eligibility for both Link-Up and Lifeline in Florida can be determined by customer enrollment in any one of the following programs:

- ◆ Temporary Cash Assistance (TCA)<sup>1</sup>
- ◆ Supplemental Security Income (SSI)
- ◆ Food Stamps
- ◆ Medicaid
- ◆ Federal Public Housing Assistance (Section 8)
- ◆ Low-Income Home Energy Assistance Plan (LIHEAP)
- ◆ National School Lunch Program's (NSLP) Free Lunch<sup>2</sup>
- ◆ Bureau of Indian Affairs Programs (Tribal Temporary Assistance for Needy Families (TANF), Head Start Subsidy, and NSLP)<sup>3</sup>

<sup>1</sup> Known as Temporary Assistance to Needy Families (TANF) for federal universal service purposes.

<sup>2</sup> By Order No. PSC-06-0680-PAA-TL, issued August 7, 2006, in Docket No. 040604-TL, the FPSC required all ETCs to adopt the NSL for determining eligibility in the Link-Up and Lifeline programs in Florida.

<sup>3</sup> Eligible consumers living on tribal lands qualify for Lifeline if they participate in one of the following federal assistance programs: (1) Tribal TANF, (2) National School Lunch Program's Free Lunch Program, or (3) Head Start Subsidy.

In addition to the program-based criteria, customers with annual incomes up to 150 percent of the Federal Poverty Guidelines (FPG) may be eligible to participate in the Florida Link-Up and Lifeline programs.

Key actions by the FPSC and the Federal Communications Commission (FCC) to advance the Link-Up and Lifeline programs continued during 2010. A discussion of some of these initiatives follows.

- ◆ Revised Chapter 364.10(3)(h)3, F.S., to mandate that by December 31, 2010, the Commission, DCF, OPC, and each ETC offering Lifeline and Link-Up services shall convene a Lifeline Work Group to discuss how eligible subscriber information, such as name, date of birth, and service address, will be shared; the obligations of each party with respect to the use of that information; and the procedures to be implemented to increase enrollment and verify eligibility in the programs.
- ◆ Hosted initial Lifeline Work Group meeting, as required by SB 814, on August 18, 2010. Representatives from the FPSC, DCF, OPC, and ETCs participated. Key questions discussed at the meeting included: (1) How should an eligible subscriber's personal identifying information be shared? (2) Should an eligible subscriber's personal identifying information be used by an ETC for marketing purposes? (3) What should be the obligations of each party with respect to the use of an eligible subscriber's personal identifying information? (4) What procedures should be implemented to increase enrollment and verify eligibility in these programs? Formal written comments were requested and received, and another meeting is planned at a later time.
- ◆ Proposed amendment of Rule 25-4.0665, F.A.C., Lifeline Service. On June 4, 2010, the FPSC formally adopted amendments to Rule 25-4.0665, F.A.C., relating to Lifeline. This action was the culmination of a multi-year process to establish comprehensive rules to strengthen the Lifeline program. The rules established procedures relating to certification, verification, data reporting, and other key issues.<sup>4</sup>
- ◆ Granted two wireless company ETC petitions, two CLEC ETC petitions, and five CLEC ETC petitions were withdrawn.
- ◆ Provided Joint Comments with OPC, in response to the FCC's Public Notice (DA 09-2257) released on October 21, 2009, relating to Lifeline. The FCC sought comment on the provision of Lifeline service to residents of group living facilities such as homeless shelters, nursing homes, assisted-living facilities, apartment buildings, trailer-home communities, halfway houses, and group homes.
- ◆ Required ETCs to maintain Lifeline eligibility documentation of all Lifeline customers (including residents of group living facilities) as required by 47 C.F.R. §54.417.

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<sup>4</sup> Docket No. 090504-TP, Order No. PSC-10-0358-NOR-TP.



- ◆ Required TracFone to implement a 60-day inactivity check of Lifeline customers to ensure the Universal Service Fund (USF) is only reimbursing TracFone for active Lifeline customers.
- ◆ Defined the terms homeless, homeless shelters, and other group living facilities.
- ◆ Provided comments in response to the Public Notice released on June 14, 2010, (FCC 10J-2) by the Federal-State Joint Board on Universal Service (Joint Board) seeking comment on the questions presented in the FCC Lifeline and Link-Up Referral Order. Specifically, the FCC asked the Joint Board to recommend any changes to the Lifeline and Link- Up eligibility, verification, and outreach rules. In response to the request for comments, the FPSC asked the FCC to consider the following:
  - ◀ The FPSC strives to protect the integrity of the Lifeline program in the State of Florida and takes appropriate enforcement action when necessary. While the Commission has statutory authority to grant ETC designations, the FPSC can also revoke ETC status when warranted. Protecting against waste, fraud, and abuse in the Lifeline program is contingent upon developing adequate safeguards to ensure that funds are being dispersed and expended according to state and federal regulations and guidelines. Unlawful and inappropriate USF disbursements is inconsistent with public trust and negatively impacts states like Florida, which contributes more into the USF than it receives. Establishing and enforcing protective Lifeline program safeguards continues to be a FPSC priority.

*Specific actions taken by the FPSC include:*

- ◆ Monthly monitoring of Link-Up and Lifeline disbursements from the USF to determine if funds are being reported and reimbursed consistent with the number of actual Lifeline customers. Additionally, the FPSC monitors Lifeline customer lines that are purchased from another carrier as “resale” to make sure they are not being claimed for reimbursement by the ETC causing overpayment of the USF.
- ◆ Establishment of the National ETC Coordinating Group to monitor prospective and existing ETCs across the country. Florida has been one of the front-runners in enforcing safeguards to prevent waste, fraud, and abuse of the USF. This sharing of information has enabled other states in the ETC Coordinating Group to monitor new ETC petitioners and existing ETCs within each respective state to prevent waste, fraud, and abuse of the USF on a national basis.

### **Federal Activity**

The FPSC takes an active role in monitoring federal telecommunications issues. Chapter 364.012, F.S., encourages participation in proceedings of federal agencies in cases that may affect Florida consumers in order to convey the FPSC's policy positions. The Commission files comments with the FCC in response to actions that can affect Florida citizens. Areas of particular emphasis include proceedings relating to the federal USF, intercarrier compensation, and telephone relay. Each of these areas can and do have substantial financial impacts on Florida carriers and telecommunications consumers. For example, Florida is the largest net contributor state to the USF and the FPSC has consistently taken positions before the FCC to reduce and/or limit growth of the size of the fund.



*FPSC staff holds customer meetings in utility service territories to gather input from customers.*

## Water and Wastewater

### **Water and Wastewater Rate Cases**

Similar to prior years, the Commission processed a large number of water and wastewater rate cases. Of these cases, seven were processed as staff assisted rate cases pursuant to Chapter 367.0814, F.S. Among these Class C utilities were Alturas Utilities, Inc.; Pinecrest Ranches, Inc.; Lake Placid Utilities, Inc.; CWS Communities d/b/a Palm Valley Utilities; Sunrise Utilities, Inc.; Westland Utilities, Inc.; and Commercial Utilities, Inc.

In addition to the staff-assisted rate cases, the Commission processed five rate cases filed by larger water and wastewater companies. These cases included Placid Lakes Utilities, Inc.; Sanlando Utility Corporation; Utilities, Inc. of Pennbrooke; Utilities, Inc. of Longwood; and Utilities, Inc. of Florida.

Aqua Utilities Florida, Inc. (Aqua) filed a petition on September 1, 2010, requesting to increase its water and wastewater rates and charges. Aqua's rate case consists of 87 separate systems in 17 counties throughout Florida. Aqua requests increases of approximately \$2.5 million for water and \$1.3 million for wastewater. Pursuant to statute, the Commission approved interim increases of \$529,922 for water and \$310,041 for wastewater, for a total interim increase of \$839,963 at the Commission Conference held on November 9.

As part of this case, staff held nine customer meetings throughout Aqua's service territory to gather input from Aqua's customers regarding the quality of service received and the proposed rate increase. The Commission is expected to render its decision in March 2011 on Aqua's requested rate increase.

During 2010, the Commission processed one other formal case, Application for a Limited Proceeding Rate Increase by Cypress Lakes Utilities, Inc. The Commission also processed two formal tariff filings.

In 2010, staff continued to perform its normal surveillance of the earnings levels of water and wastewater companies regulated by the FPSC. The Commission

also processed 44 index applications and 12 pass-through applications for water and wastewater companies.

### ***Water and Wastewater Certification Cases***

An original certificate was approved for Arma Water Service, LLC, and its initial rates and charges were established. St. Johns County transferred jurisdiction to the Commission effective January 16, 2009, resulting in Orangedale Utilities, Inc. and Wildwood Water Company being granted grandfather certificates in 2010 to continue to provide service in St. Johns County. Hardee County transferred jurisdiction to the Commission effective October 26, 2009, resulting in Aqua Utilities Florida, Inc. being granted grandfather certificates in 2010 to continue to providing service in Hardee County.

Amendments to expand service territory in 2010 were granted to Lake Placid Utilities, Inc.; North Fort Myers Utility, Inc.; North Peninsula Utilities Corporation; Silver Lake Utilities, Inc.; Sunshine Utilities of Central Florida, Inc.; and Tradewinds Utilities, Inc.

A transfer of certificates from Keith & Clara Starkey, d/b/a Heather Hills Estates to Heather Hills Estates Utilities, LLC was approved in 2010. In addition, transfers to governments resulting in cancellation of certificates were acknowledged for C.S. Water Company, Inc., which was transferred to Pasco County; Highlands Ridge Utilities, LLC, which was transferred to the City of Sebring; and Loch Harbour Utilities, Inc., which was transferred to Marion County. Multiple transfers to Florida Governmental Utility Authority and resulting cancellation of certificates were acknowledged for Colonial Manor Utility Company; Dixie Groves Utility Company, a Division of Community Utilities of Florida, Inc.; Holiday Utility Company, Inc.; Lindrick Service Corporation; North Fort Myers Utility, Inc.; Pasco Utilities, Inc.; and Virginia City Utility Company, a Division of Community Utilities of Florida, Inc. A partial transfer to government and partial cancellation of certificates was also acknowledged for Sunshine Utilities of Central Florida, Inc., which transferred a portion of its territory to Marion County.

The abandonment of San Sebastian Water, LLC and appointment of a receiver to operate the system was acknowledged in 2010. The appointment of a receiver to operate Service Management Systems, Inc. was also acknowledged.



*Water is a precious resource.*

## IV Agency Organization



*FPSC Commissioners are selected for their knowledge and experience in economics, accounting, engineering, finance, natural resource conservation, energy, public affairs, and law.*

The Commission consists of five members appointed by the Governor and confirmed by the Senate. Commissioners serve terms of four years, as provided in Chapter 350, F.S.

The Commissioners are selected for their knowledge and experience in one or more fields substantially related to the duties and functions of the Commission. These fields include economics, accounting, engineering, finance, natural resource conservation, energy, public affairs, and law.

Created by the Florida Legislature in 1887, the FPSC was originally called the Florida Railroad Commission and primarily regulated railroad passenger and freight rates and operations. As Florida grew, the Commission's purpose expanded.

- ◆ In 1911, the Legislature added regulation of telephone and telegraph companies.
- ◆ In 1929, jurisdiction was granted over motor carrier transportation.
- ◆ In 1951, the Commission began regulating investor-owned electric companies.
- ◆ In 1952, jurisdiction was extended to the regulation of natural gas utilities.
- ◆ In 1959, the Commission began regulating privately owned water and wastewater systems.

The Commission's divisions and offices are described in the next section. A list of all past and present Florida Public Service Commissioners follows in Section V.



*Apryl Lynn*

### ***Division of Administrative Services***

The Division of Administrative Services oversees all financial transactions and maintains the Commission's accounting records, which are handled primarily in the *Fiscal Services Section*. The division coordinates and prepares the Commission's Legislative Budget Requests, monitors the operating and non-operating budgets, and prepares budget amendments as necessary. The *Human Resources Section* administers the agency's human resources program, including recruitment, selection, classification and pay, attendance and leave, performance evaluations, training and staff development, variable work week schedules, employee relations, payroll, insurance, and other employee benefit programs.

The *Bureau of General Services* manages the *Facilities Management and Purchasing Section* and the *Imaging and Distribution Center*. The bureau processes all agency purchasing, security and safety issues, leasing, surplus property, and fleet management. Administrative support is also provided in the areas of imaging, duplicating, mail distribution, audio-visual, hearing and conference room operations, and fax systems. Additionally, the division manages the agency-wide administrative procedures manual and forms inventory/tracking programs.



*Beth Salak*

### ***Division of Regulatory Analysis***

The Division of Regulatory Analysis is responsible for the FPSC's long range program planning, including the critical assessment of the evolving utility industry and development of strategies that most benefit Florida's citizens. The division implements and enforces energy policy enacted by the Florida Legislature and the U.S. Congress, which affects electric and gas utilities in Florida. It monitors and facilitates the development of competitive markets in the telecommunications industry and assesses the status and progress of competition within the industry. Additionally, the division analyzes policy relating to the adequacy, quality, and affordability of Florida's water resources. The division serves as a technical liaison with the Florida Legislature, federal regulatory agencies, state agencies, and the Florida Energy and Climate Commission.

The *Strategic Analysis Section* assesses developing energy policies and prepares recommendations for implementing state and federal laws, including strategy alternatives for consideration by the Commission. This section participates in special studies concerning energy policy, develops discussion papers, analyzes alternative regulatory approaches for energy policy, and provides technical analysis of proposed energy legislation. The section provides support to Commissioners for National Association of Regulatory Utility Commissioners (NARUC) activities pertaining to climate control, conservation, and renewables, as well as technical support to other staff in docketed and undocketed matters.

The *Energy Resource Planning Section* is responsible for docketed and undocketed matters pertaining to demand-side conservation and supply-side generation and transmission expansion. This section develops recommendations and implements FEECA conservation goals and analyzes cost-effective utility programs designed to meet those goals. This section analyzes cogeneration and renewable generation purchased power contracts; electric utility ten-year generation and transmission site plans; power plant and transmission line need determinations, including the prudence and cost-effectiveness of utility bidding practices for alternative supply-side resources; and intrastate gas pipeline need determinations. As the liaison with the Florida Reliability Coordinating Council, this section monitors the Planning and Operating Committees and the implementation of capacity and fuel emergency plans. This section also provides support to Commissioners for NARUC activities pertaining to nuclear waste disposal.

The *Special Studies Section* compiles, analyzes, and reports data pertaining to the status of competition in the telecommunications industry in Florida. This section also provides technical support in docketed and undocketed matters regarding the telecommunications industry, acts as a technical liaison with the Universal Service Joint Board of the Federal Communications Commission, and provides Commissioner support for NARUC activities pertaining to telecommunications. Issues affecting the water and wastewater industry are analyzed, and the section also prepares technical analyses of special projects for all industries (i.e., electric, telecommunications, and water and wastewater). The section provides technical analysis of proposed telecommunications and water and wastewater legislation.

The *Intercarrier Services Section* analyzes and provides recommendations on prices and requirements for wholesale offerings (i.e., unbundled network elements and resale) in either an arbitration or a generic proceeding. This section arbitrates operational issues between incumbent local exchange companies (ILECs) and competitive local exchange companies (CLECs) that cannot be resolved by the parties and also provides recommendations to resolve complaints of an interpretive nature pertaining to existing contracts. The section also processes ILEC, CLEC, and interexchange company (IXC) schedules of rates and terms, price list filings, and negotiated agreements.

The *Certification and Enforcement Section* processes all certification/registration filings, including new certificates/registrations, name changes, transfers, and cancellations for ILECs, CLECs, IXCs, pay telephone service (PATs) providers, alternative access vendor (AAVs), and shared tenant service (STS) providers. The section also monitors company compliance with various FPSC rules and initiates action if warranted.

The *Market Practices Section* processes cases involving area code relief, number conservation plans, number resource reclaiming from carriers that failed to activate central office codes, number code denials, and alleged barriers to entry. The section addresses issues related to local number portability, the



Marshall Willis

Lifeline Assistance Program, and eligible telecommunications carrier designations and prepares the *Annual Report on the Status of the Telecommunications Access System Act of 1991* and the *Annual Report on Link-Up and Lifeline Assistance*.

### ***Division of Economic Regulation***

The Division of Economic Regulation investigates the earnings of rate base regulated companies and also works to resolve consumer complaints concerning service quality and billing issues in the electric, natural gas, and water and wastewater industries. This division develops and writes recommendations concerning electric utility cost recovery clauses and depreciation practices of electric and gas utilities for Commission consideration.

The *Bureau of Rate Filings, Surveillance, Finance, and Tax* is responsible for reviewing the revenue requirements of rate base regulated utilities. It processes rate cases and monitors earnings for these industries. Processing earnings cases includes analyzing filings, expert testimony, and exhibits; developing cross-examination questions and presenting staff testimony; holding customer meetings; and preparing and presenting recommendations to the Commission. This bureau manages the utilities' annual report process including all mailings, extensions, filings, delinquency notices, penalty letters, and show causes; reviews the regulatory assessment fee (RAF) returns of utilities; and processes storm cost recovery and associated securitization filings. Other responsibilities include processing security applications for investor-owned natural gas and electric utilities, evaluating requests for corporate undertaking from water and wastewater utilities, and calculating the interest on refunds.

The *Bureau of Certification, Economics, and Tariffs* is responsible for several areas involving water, wastewater, gas, and electric utilities. For water and wastewater utilities, the bureau handles new utility certification requests, territorial amendment filings, certificate transfers, and non-rate case tariff filings. In water and wastewater rate case proceedings, the bureau is responsible for evaluating issues related to rate design and conducts engineering analyses related to service quality, plant maintenance and operations, and plant utilization.

For gas and electric utilities, the bureau handles all rate and tariff matters, including cost of service, rate design, and territorial issues as well as rate structure issues for municipal electric utilities and rural electric cooperatives. The bureau also addresses individual customer issues relating to rates, rate structure, billing practices, master metering, and reconnection and disconnection policies. In proceedings such as rate cases or power plant need determinations, the bureau provides econometric analyses, including economic and demographic forecasts and regression impacts on customer demand resulting from increased rates. Economic forecasting and statistical analyses are given to all divisions.



Dan Hoppe

The *Bureau of Cost Analysis and Recovery* makes recommendations to the Commission on annual cost recovery clause petitions. For electric utilities this includes fuel, purchased power, capacity, nuclear construction, conservation and environmental cost recovery petitions. For natural gas utilities this includes the purchased gas adjustment (PGA) and conservation cost recovery petitions. The bureau is also responsible for analyzing depreciation and cost of service studies, as well as utility storm hardening plans.

***Division of Service, Safety and Consumer Assistance***

The Division of Service, Safety and Consumer Assistance evaluates electric and gas safety, evaluates the service quality of telecommunications companies and the relay provider, conducts compliance investigations, and responds to consumer complaints. The division oversees Commission processes and assists in responding to surveys and questionnaires.

The *Bureau of Safety* functions through three district offices: Tallahassee, Miami, and Tampa. The bureau conducts safety evaluations of natural gas pipeline operations and new electric construction in Florida. The bureau also leads the Commission's participation in the State's Emergency Operations Center (EOC) activities, gathering and disseminating information regarding electric utility and natural gas issues during an EOC activation.

The *Bureau of Service Quality* conducts periodic on-site inspections of call aggregator and telecommunications facilities, including the relay service provider. This bureau also resolves customer complaints regarding the electric and telecommunications industries and identifies and addresses anti-competitive telecommunications interconnection agreement disputes. In addition, the bureau monitors electric reliability through data filed by the electric companies and provides an annual report of the findings.

The *Bureau of Consumer Assistance* receives, processes, and resolves consumer complaints and informal disputes between customers and utilities. Customers may file complaints through a toll-free telephone number to the bureau's call center or by mail, facsimile, or e-mail.



Ann Cole

***Office of Commission Clerk***

The Office of Commission Clerk, the official keeper of the Commission's public records, is responsible for coordinating requests. It records, prepares, and maintains the official minutes of Commission Conferences and Internal Affairs meetings. The office is authorized to issue subpoenas in proceedings before the Commission and is responsible for preparing, certifying, and transmitting records on appeal and for issuing non-Commissioner signed orders and notices. The Commission Clerk, designated as the Agency Clerk and the Department of State Records Management Liaison Officer, coordinates the FPSC's records management program.



The *Documents Section* accepts and certifies official filings, maintains official docket files, invoices for services, and upon applicable payment, provides the responsive documents. This section establishes and maintains the mailing list of parties and people interested in Commission proceedings and ensures the integrity of the electronic dockets, available internally from the Case Management System (CMS), as well as from the FPSC Web site.

The *Scheduling and Reports Section* prepares and notices Commission Conferences, Internal Affairs meetings, workshops, and rulemaking in the *Florida Administrative Weekly*. This section establishes the Commission calendar for all official appearances, including hearings, pre-hearings, Internal Affairs meetings, Commission Conferences, and special conferences. It also schedules and arranges meetings, coordinates the scheduling dates for the Commissioners, maintains the calendar of Commission activity, and issues reports.

The *Case Management Review Section* manages CMS by coordinating activities, including case closure, statistical and management reports, quality review, and provides notification to Commission employees regarding the adoption of new or amended rules. This section also maintains the Master Commission Directory (MCD) of utilities.

The *Hearing Reporter Services Section* records and prepares the official transcripts of hearings, depositions, Commission Conferences, and workshops for placement in the official record and for distribution to participants. The hearing reporters attend all FPSC hearings, both in Tallahassee and throughout the state, and receive exhibits for official filing.

### ***Office of General Counsel***

The Office of General Counsel provides legal counsel to the Commission on all matters under the Commission's jurisdiction. This office also supervises the procedural and legal aspects of all cases before the Commission.

The office is responsible for defending Commission orders on appeal, for defending Commission rules challenged before the Division of Administrative Hearings, and for representing the Commission before state and federal courts. To assist PSC offices and divisions, this office offers support in making filings with, or presentations to, other federal, state, or local agencies. The office advises in the promulgation of rules and attends or conducts rulemaking hearings at the Commission's direction. It also reviews procurement contracts; counsels the Commission on personnel, contractual, public records, and other administrative legal matters; and offers mediation services to parties of Commission proceedings.

In cases involving evidentiary hearings before the Commission or an Administrative Law Judge, the office is responsible for conducting discovery, presenting staff positions and testimony, and cross-examining other parties'



*Curt Kiser*

witnesses. In conjunction with the appropriate technical staff, this office prepares recommendations to the Commission and prepares written Commission orders.

In addition, the office is the liaison with the Florida Legislature on all matters affecting FPSC program areas and serves as a liaison with federal regulatory agencies, state agencies, and the Florida Energy and Climate Commission.



*Lee Kissell*



*Steven Stolting*



*Cynthia Muir*

### ***Office of Information Technology Services***

The Office of Information Technology Services monitors and evaluates the information processing needs of the FPSC, proposing enhancements to information processing resources to management and providing technical support services.

### ***Office of Inspector General***

The Office of Inspector General is established by law to provide a central point for coordinating activities that promote accountability, integrity, and efficiency in government. The office reports directly to the Chairman, and its responsibilities include conducting internal audits and investigations, assessing the validity and reliability of data and information produced by the Commission, and coordinating external audits and reviews of the Commission by the Auditor General and others. The office also monitors corrective actions to address identified deficiencies. These activities help management ensure that Commission programs perform as intended and that fraud or abuse is detected and eliminated. By reducing risks of nonperformance in Commission operations, the office promotes the Commission's accountability and ability to achieve its mission and goals.

### ***Office of Public Information***

The Office of Public Information is the Commission's liaison with the public and the media. The office monitors the daily reporting activities of the state, regional, and national media outlets to make sure that timely, accurate information regarding Commission decisions is disseminated to the public. The office writes and distributes the agency's news releases, maintaining a familiarity on a broad array of dockets, issues, and related activities affecting consumers or having media interest. This office is also responsible for selecting locations for customer service hearings and coordinating consumer outreach and media at customer meetings and service hearings.

Public Information staff implement annual outreach events (National Consumer Protection Week, National Lifeline Awareness Week, and Library Outreach) throughout the state to help inform consumers about their utility

services and ways to manage utility costs. This office also attends Lifeline events at senior centers, neighborhood meetings, and other venues; produces and edits a number of agency reports; manages the Commission's Resource Center; processes submissions to the Web site; and designs original artwork and layout for bulletins, brochures, reports, and special events.



*Dale Mailhot*

### ***Office of Auditing and Performance Analysis***

The Office of Auditing and Performance Analysis conducts audits and reviews in all industries.

The *Performance Analysis Section* audits utility performance and operations, investigates and documents current processes and results, and identifies areas for improvement. These audits may be limited to one company or made on a comparative basis between several companies. Areas for investigation may include procedure analysis, construction project management, service quality, and management analysis. Also, special investigations are conducted relating to allegations of utility fraud such as unethical sales to customers. This section also monitors the wholesale service quality performance plans and results which document the level of service provided by AT&T, Verizon, and CenturyLink to CLECs.

The *Bureau of Auditing* is responsible for audits and reviews in all industries. The types of audits and reviews performed include financial, compliance, billing, and verification. The auditors conduct examinations of utility-related financial and operating records and provide an independent verification of the supporting documentation for any statements or filings made by the regulated companies. Financial audits are conducted in conjunction with utilities' requests for rate increases through rate cases or the annual cost recovery clauses to ensure ratepayers only pay for prudently incurred expenses. This bureau conducts financial audits from three district offices in Tallahassee, Miami, and Tampa.

# V

## Florida Public Service Commissioner History

Commissioner	Years Served	Replaced By	Appointed By
George G. McWhorter	08/17/1887 - 06/13/1891		
E.J. Vann	08/17/1887 - 06/13/1891		
William Himes	08/17/1887 - 06/13/1891		

The Commission was abolished by the Legislature in 1891, recreated 1897

R. H. M Davidson	07/01/1897 - 01/03/1899	John L. Morgan	
John M. Bryan	07/01/1897 - 01/06/1903	Jefferson B. Brown	
Henry E. Day	07/01/1897 - 10/01/1902	R. Hudson Burr	
John L. Morgan	01/03/1899 - 01/08/1907	Royal C. Dunn	
R. Hudson Burr	10/01/1902 - 01/04/1927	R. L. Eaton	
Jefferson B. Brown	01/06/1903 - 01/08/1907	Newton A. Blicht	
Newton A. Blicht	01/08/1907 - 10/30/1921	A. D. Campbell	
Royal C. Dunn	01/04/1909 - 01/04/1921	A. S. Wells	
A. S. Wells	01/04/1921 - 12/16/1930	L. D. Reagin	
A. D. Campbell	11/12/1922 - 02/10/1924	E. S. Mathews	
E. S. Mathews	02/25/1924 - 01/16/1946	Wilbur C. King	
R. L. Eaton	01/04/1927 - 02/27/1927	Mamie Eaton-Greene	
Mamie Eaton-Greene	02/27/1927 - 01/08/1935	Jerry W. Carter	
L. D. Reagin	12/16/1930 - 07/06/1931	Tucker Savage	
Tucker Savage	07/06/1931 - 01/03/1933	W. B. Douglass	
W. B. Douglass	01/03/1933 - 08/04/1947	Richard A. Mack	
Jerry W. Carter	01/08/1935 - 01/05/1971	William H. Bevis	
Wilbur C. King	01/08/1947 - 07/18/1964	William T. Mayo	
Richard A. Mack	09/15/1947 - 01/05/1955	Alan S. Boyd	
Alan S. Boyd	01/05/1955 - 12/01/1959	Edwin L. Mason	
Edwin L. Mason	12/01/1959 - 01/06/1969	Jess Yarborough	
William T. Mayo	09/01/1964 - 12/31/1980	Katie Nichols	Graham*
Jess Yarborough	01/06/1969 - 01/02/1973	Paula F. Hawkins	
William H. Bevis	01/05/1971 - 01/03/1978	Robert T. Mann	
Paula F. Hawkins	01/02/1973 - 03/21/1979	John R. Marks, III	
Robert T. Mann***	01/04/1978 - 01/03/1981	Susan Leisner	Graham**

The Commission became appointive January 1, 1979

Joseph P. Cresse***	01/02/1979 - 12/31/1985	John T. Herndon	Askew/Graham
Gerald L. Gunter***	01/02/1979 - 06/12/1991	Susan F. Clark	Askew/Graham/PSC Nominating Council
John R. Marks, III***	03/22/1979 - 03/02/1987	Thomas M. Beard	Graham**
Katie Nichols***	01/02/1981 - 01/03/1989	Betty Easley	Graham
Susan Leisner	02/16/1981 - 04/02/1985	Michael McK. Wilson	Graham
Michael McK. Wilson***	07/12/1985 - 11/22/1991	Luis J. Lauredo	Graham/Martinez
John T. Herndon	01/07/1986 - 04/17/1990	Frank S. Messersmith	Graham
Thomas M. Beard***	03/03/1987 - 08/13/1993	Diane K. Kiesling	Martinez
Betty Easley	01/03/1989 - 01/05/1993	Julia L. Johnson	Martinez
Frank S. Messersmith	06/19/1990 - 02/05/1991	J. Terry Deason	Martinez
J. Terry Deason***	02/06/1991 - 01/01/2007	Ken Littlefield	PSC Nominating Council/Chiles/Bush
Susan F. Clark***	08/15/1991 - 07/31/2000	Michael A. Palecki	Chiles/Bush
Luis J. Lauredo	01/23/1992 - 05/16/1994	Jose "Joe" Garcia	Chiles
Julia L. Johnson***	01/05/1993 - 11/15/1999	Lila A. Jaber	Chiles
Diane K. Kiesling	12/07/1993 - 01/05/1998	E. Leon Jacobs, Jr.	Chiles
Jose "Joe" Garcia***	08/19/1994 - 06/30/2000	Braulio L. Baez	Chiles
E. Leon Jacobs, Jr.***	01/06/1998 - 01/07/2002	Rudolph K. "Rudy" Bradley	Chiles
Lila A. Jaber***	02/29/2000 - 12/02/2004	Lisa Polak Edgar	Bush
Braulio L. Baez***	09/01/2000 - 01/01/2006	Katrina J. Tew	Bush
Michael A. Palecki	12/19/2000 - 01/06/2003	Charles Davidson	Bush
Rudolph K. "Rudy" Bradley***	01/02/2002 - 01/01/2006	Matthew M. Carter II	Bush
Charles M. Davidson	01/07/2003 - 06/01/2005	Isilio Arriaga	Bush
Lisa Polak Edgar***	01/02/2005 - 01/01/2013		Bush/Crist
Isilio Arriaga	10/06/2005 - 01/31/2007	Nathan A. Skop	Bush
Matthew M. Carter II***	01/02/2006 - 01/01/2010	Ben A. "Steve" Stevens III	Bush
Katrina J. McMurrain	01/02/2006 - 10/05/2009	David E. Klement	Bush
Ken Littlefield	01/02/2007 - 01/31/2007	Nancy Argenziano	Bush
Nancy Argenziano***	05/02/2007 - 10/12/2010	Eduardo E. Balbis	Crist
Nathan A. Skop	05/02/2007 - 01/01/2011	Julie I. Brown	Crist
David E. Klement	10/22/2009 - 05/30/2010	Art Graham	Crist
Ben A. "Steve" Stevens III	01/02/2010 - 05/30/2010	Ronald A. Brisé	Crist
Art Graham***	07/16/2010 - 01/01/2014		Crist
Ronald A. Brisé	07/23/2010 - 01/01/2014		Crist
Eduardo E. Balbis	11/24/2010 - 01/01/2015		Crist
Julie I. Brown	01/02/2011 - 01/01/2015		Crist

\* 2 year initial term

\*\* 3 year initial term

\*\*\* Served/serving as Chairman