

CHAIRMAN'S MESSAGE

There is no greater privilege than serving Florida's residents. As Public Service Commissioners, we strive to balance the customers' need for affordable, safe, and reliable utility services, with the utility companies' need to provide effective and efficient services. Working to achieve this balance is both rewarding and challenging. During 2008, new energy policies, coupled with unprecedented market swings, required FPSC Commissioners to make difficult decisions, weighing the impacts to residents and businesses.

Two new energy rules approved this year will enhance Florida's renewable energy resources. In March, the Commission expanded its net metering standards rule to include all renewable energy technologies and expedite the interconnection of customer-owned renewable generation to the utility company's grid. In June, new energy law directed the PSC to develop a draft Renewable Portfolio Standard rule to submit to the Legislature. During the process, the Commission considered a wealth of data gathered from multiple workshops, along with the results of a study outlining the potential for renewable development in Florida and its associated costs.

The Commission certified the need for four new nuclear plants, and as directed by state statute, authorized advanced cost recovery for each plant's planning and pre-construction costs. In-service dates for the new nuclear units range from 2016 to 2020, which will require the Commission to annually evaluate cost recovery and long-term feasibility for the plants over the next decade.

This year's unpredictable hurricane season pushed already rising fuel costs even higher, before finally leveling off and then declining at year's end. The increasing costs caused three investor-owned utilities to request mid-course fuel charge adjustments on customer bills. Due to rising operating costs, two utility companies also filed petitions for base rate increases, which the Commission will consider in 2009.

Aging infrastructure and increasing operating costs caused several water and wastewater utility companies to request rate increases, many for the first time in decades. Through customer service hearings conducted throughout Florida, my colleagues and I considered testimony from residents on service and product quality, as well as evidence from the utility companies and recommendations from FPSC staff before carefully weighing whether any increase was necessary, prudent, and in the public interest. These are always difficult decisions.

In the ever changing telecommunications industry, competition remains strong and is even increasing with the introduction of new products and new technologies. To keep up with the changing industry, the Commission updated its telecommunications rules, deleting some regulations and streamlining others. The changes adopted by the Commission balance the competitive needs of industry with the consumers' need for quality service. Link-Up and Lifeline Assistance programs also received a boost this year with the first annual Lifeline Awareness Week, sponsored by the Commission, Office of Public Counsel, and telecommunication companies. Overall, enrollment increased by 12 percent in the programs, which assist low-income Floridians in receiving and keeping telephone service.

Over the next decade, Florida's energy demands are expected to increase by almost 30 percent, water utilities will continue to tackle aging infrastructure and operational challenges, and technology will bring more changes to the telecommunications industry. This year's Annual Report reflects the Commission's ongoing efforts to meet Florida's existing utility service needs and prepare for anticipated needs.

Sincerely,



Matthew M. Carter II
Chairman

Table of Contents

I. Introduction 1

 Information Directory 1

 FPSC Organizational Chart 2

 The Commissioners 3

 Executive Management 6

II. Defining the FPSC’s Role 7

 Rate Base / Economic Regulation 8

 Competitive Market Oversight 9

 Reliability, Safety, and Service Issues 10

 Consumer Assistance, Protection, and Education 12

**III. Highlights of the FPSC’s Regulatory Efforts for
Calendar Year 2008 16**

 Energy 16

 Telecommunications 23

 Water and Wastewater 30

IV. Agency Organization 33

 Division of Administrative Services 34

 Division of Regulatory Compliance 34

 Division of Economic Regulation 35

 Division of Service, Safety, and Consumer Assistance 36

 Office of the Commission Clerk 37

 Office of the General Counsel 37

 Office of Information Technology Services 38

 Office of Inspector General 38

 Office of Public Information 38

 Office of Strategic Analysis and Governmental Affairs 39

 Florida Public Service Commissioner History 41

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
Internet home page: www.floridaPSC.com

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

District Offices

Miami
3625 Northwest 82nd Avenue
Suite 400
Miami, Florida 33166-7602
(305) 470-5600

Tampa
4950 West Kennedy Boulevard
Suite 310
Tampa, Florida 33609-1830
(813) 356-1444

FPSC Organizational Chart

COMMISSIONERS

Matthew M. Carter II, Chairman	Appointed through 01/01/10
Lisa Polak Edgar	Appointed through 01/01/13
Katrina J. McMurrian	Appointed through 01/01/10
Nancy Argenziano	Appointed through 01/01/11
Nathan A. Skop	Appointed through 01/01/11

Inspector General
Steven J. Stolting

General Counsel
Michael G. Cooke

Executive Director
Mary Andrews Bane

Sections:
 ◆ Appeals, Rules & Mediation
 ◆ Economic Regulation
 ◆ Competitive Markets & Enforcement

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 & Reports
 ◆ Case Management Review

OFFICE OF
Information Technology Services
Lee Kissell

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

DIVISION OF
Regulatory Compliance
Beth Salak

Bureaus:
 ◆ Auditing
 ◆ Performance Analysis
 ◆ Compliance & Tariffs

DIVISION OF
Economic Regulation
Timothy Devlin

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

OFFICE OF
Public Information
Cynthia Muir

OFFICE OF
Strategic Analysis and Governmental Affairs
Ryder Rudd

Sections:
 ◆ Strategic Analysis
 ◆ Energy Resource Planning
 ◆ Special Studies
 ◆ Legislative

The Commissioners



COMMISSIONER
Nancy Argenziano
(05/07 - 01/11)



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



CHAIRMAN
Matthew M. Carter II
(01/06 - 01/10)



COMMISSIONER
Katrina J. McMurrian
(01/06 - 01/10)



COMMISSIONER
Nathan A. Skop
(05/07 - 01/11)

Matthew Mark Carter II was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four-year term beginning January 2006 and was subsequently elected Chairman by his fellow commissioners for the years 2008 and 2009. Chairman Carter serves on the National Association of Regulatory Utility Commissioners (NARUC) Committee on Water, the Committee on Critical Infrastructure, and the Committee on International Relations. Chairman Carter is also active in NARUC activities designed to improve regulated companies' minority business procurement practices. ♦ Chairman Carter sought appointment to the Committee on Water in particular because he recognizes the stress that Florida's rapid population growth is placing on existing water resources, and the important role water and wastewater utility regulation will have on the development of future conservation efforts and water supply alternatives in Florida, as well as the health and economic vitality of the State. Chairman Carter hopes to foster an open dialogue concerning water policies in the State with an aim toward maximizing the effectiveness of partnerships between various state agencies having regulatory jurisdiction over water use. ♦ Chairman Carter is the son of the late Rev. Matthew and Pearl Carter. He was born in Douglas, Georgia and educated in the public schools there. He graduated from Atkinson County High School (in Pearson). After graduation from high school, he volunteered for the United States Army. In the Army, he served in the Presidential Honor Guard in Washington, D.C. and the First Armored Division in Germany. ♦ After being honorably discharged from the Army, Chairman Carter attended Tallahassee Community College where he graduated with honors, and was later inducted into the TCC Alumni Association's Hall of Fame. He then attended Florida State University and graduated with a Bachelor's of Science in Mass Communications and was commissioned a Second Lieutenant in the United States Army Reserve and later the Florida National Guard. ♦ After a tour of duty with the 124th Infantry in the Panama Canal Zone, Chairman Carter returned to Tallahassee where he set up a public relations firm that, for over ten years, concentrated on political campaigns. Afterward, he entered into the financial investment industry and worked as a financial consultant for Waddell & Reed, Florida Professional Services Group, and Merrill Lynch. ♦ Chairman Carter left Merrill Lynch to complete law school at the Florida State University College of Law. After graduation, he became a member of the Florida Bar and a Minister of the Gospel of Jesus Christ. As an attorney, he specialized in business law. He also served as a communications consultant and senior manager for private industry and governmental agencies. Chairman Carter's prior government leadership includes service as the Director of Division of Land Sales, Deputy Director of the Department of Management Services, and multiple senior staff positions with the Florida House of Representatives. ♦ Chairman Carter has a Master's degree in Theological Science from Smith Chapel Bible University, a Doctor of Ministry degree from Gulf Coast College and Seminary, and was also awarded an honorary Doctor of Divinity degree from the St. Thomas Christian College. Chairman Carter is currently pastor of the Beulah Hill Missionary Baptist Church in Gretna, Florida, where he once served as President of the Congress of Christian Education (Union Baptist Association) and Vice Moderator for the Gadsden County Baptist Association (Southern Baptist Convention). He has also written the book *The 90% Rule – How to Get Out of Debt and Prosper and Why It's Important*. ♦ Chairman Carter is married to the former Rita Taylor (of Enigma, Georgia) and they have two beautiful children.

Lisa Polak Edgar was reappointed to the Florida Public Service Commission by Governor Charlie Crist for a four-year term beginning January 2009. 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. ♦ 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

Continued

The Commissioners

Continued from page 3

distribution of universal service funds; and to broaden stakeholder participation. ♦ She is a member of the National Association of Regulatory Utility Commissioners Board of Directors and the Telecommunications Committee. Commissioner Edgar serves on the Federal Communications Commission Universal Service Joint Board and the U.S. Department of Transportation Technical Pipeline Safety Standards Committee. She is a member of Leadership Florida. ♦ Prior to joining the PSC, Commissioner Edgar served as Deputy Secretary for the Florida Department of Environmental Protection (DEP). Her responsibilities at DEP included oversight of the agency's \$2.1 billion budget, fiscal and strategic planning, accountability measures, information technology, administrative services, geological survey, and coordination between the state and federal government on environmental issues, including 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. ♦ During her career in public service, Commissioner Edgar has also served as chief analyst on Environmental Policy for the Office of Policy and Budget, Executive Office of the Governor; senior cabinet aide in the Department of Agriculture and Consumer Services; staff counsel and legislative analyst for the Florida Senate Committees on Reapportionment and Regulated Industries; completed the Harvard Kennedy School of Government Program for Senior Executives in State and Local Government; and co-taught a special topics graduate course on the Everglades at Florida A&M University. ♦ Commissioner Edgar received a Bachelor of Science and a Juris Doctorate from Florida State University and is a member of the Florida Bar. She studied in London during her undergraduate education and in Yugoslavia during law school. She and her husband are raising their two young children in Tallahassee.

Katrina J. McMurrian was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four-year term beginning January 2006. ♦ Commissioner McMurrian serves on the National Association of Regulatory Utility Commissioners (NARUC) Committee on Consumer Affairs, the Committee on Electricity, the Subcommittee on Education and Research, the FERC/State Smart Grid Collaborative, the FERC/State Competitive Procurement Collaborative, and the National Wireless Consumer Protection Standards Ad Hoc Committee. She also serves on the FERC/State Demand Response Collaborative as Co-Chair, the Subcommittee on Nuclear Issues – Waste Disposal as Vice Chair, the Executive Committee of the Nuclear Waste Strategy Coalition, the Advisory Council to the Board of Directors of the Electric Power Research Institute (EPRI), and the Keystone Energy Board. Participation in these bodies affords Commissioner McMurrian the opportunity to engage in national policy issues that impact each of the industries regulated by the Commission, the state economy, and millions of Florida consumers. ♦ Commissioner McMurrian has extensive experience in regulatory policy issues involving energy, water, and telecommunications. In the eleven years prior to appointment, Commissioner McMurrian used her interdisciplinary core competencies in leadership roles on numerous technical and complex matters before the Florida Public Service Commission. ♦ Most recently, Commissioner McMurrian served consecutive terms as Chief Advisor to two different Florida Public Service Commissioners: Commissioner Charles M. Davidson (2003-2005) and Commissioner Michael A. Palecki (2001-2003). In this role, Commissioner McMurrian advised the commissioners on technical regulatory matters, financial methodologies, and an array of public policy issues in the areas of energy, communications, and water and wastewater. ♦ Prior to becoming a Chief Advisor, Commissioner McMurrian managed the State Liaison Section of the Commission's Division of Policy Analysis & Intergovernmental Liaison. Here, she consulted with state and local government agencies on utility-related policy issues of common interest, such as "black water," reuse, universal service, and electric reliability. ♦ For over three years prior to leading the State Liaison Section, Commissioner McMurrian served as the Commission's primary liaison on all nuclear energy matters. Commissioner McMurrian pursued nuclear waste reform through all plausible avenues - Congressional legislation, federal agency action, and litigation. Working with NARUC and the Nuclear Waste Strategy Coalition (an organization of state commissions, state consumer advocates, state attorneys general, and the nuclear industry), she sought the timely removal of nuclear waste from the state's two largest electric utilities, an undertaking financed by Florida's electric consumers. Additionally, Commissioner McMurrian was instrumental in drafting the Commission's positions on electric industry restructuring, which provided valuable input to Florida's Congressional delegation on how restructuring proposals would impact the state and its electric consumers. Commissioner McMurrian's experience in the electric area began in 1994 with a concentration in environmental and fuel cost recovery issues and territorial agreements and disputes. ♦ Since 2001, Commissioner McMurrian has also been involved in policy formulation related to a multitude of communications matters such as unbundled network element pricing, implementation of the FCC's Triennial Review decisions, universal service, and Lifeline, all of which are impacting and being impacted by a changing competitive landscape. Commissioner McMurrian's work has afforded her the opportunity to develop a fluency in issues of advanced communications policy, especially those surrounding broadband, wireless, Voice over Internet Protocol (VoIP), and emerging technologies such as broadband over power lines (BPL). ♦ Commissioner McMurrian was a recipient of the Florida Public Service Commission Extraordinary Accomplishment Award in 1999 and the

Continued

The Commissioners

Continued from page 4

Florida Public Service Commission Outstanding Achievement Award in 1997, both in recognition of her work on federal energy policy. ♦ A North Florida native, Commissioner McMurrian graduated from Chipley High School. In 1994, she received a Bachelor's degree in finance from Florida State University, followed by a Master of Business Administration degree from Florida State University in 1998.

Commissioner Nancy Argenziano Before her appointment to the Florida Public Service Commission in May of 2007, Commissioner Argenziano served more than 10 years in the Florida legislature. She was first elected to the Florida House of Representatives in 1996 (District 43) and served there until her election in 2002 to the Florida Senate (District 3). ♦ While serving in the legislature, she served on many different committee and council assignments including Environmental Preservation, Governmental Oversight (Chair), Comprehensive Planning, Criminal Justice (Chair), Criminal Justice Appropriations, Regulated Industries, Rules and Calendar, Agriculture (Chair), Administrative Procedure, Public Service Commission Oversight, Ethics and Elections, Health Policy, Elder Affairs (Chair), Healthcare Council (Chair), Crime and Punishment, Water Resource Management, and Utilities and Communication. ♦ Senator Argenziano's legislative career has focused on protection of the elderly and other vulnerable citizens, resource protection, and full participation of the citizens in their government. Notable legislation which she has sponsored includes nursing home reform, "local sources first" (water use), two pharmacy discount programs, a law providing for clearing the courtroom for victim sex crime testimony, enhanced penalties for crimes against the elderly, Public Counsel representation in utility rates cases, protection of our springs, a "scambusters" program for the protection of consumers, and protection for our children from sexual predators (the Jessica Lunsford Act), just to mention a few. ♦ Commissioner Argenziano has one son, Joseph, who has proudly served his country for 14 years in the United States Air Force. Commissioner Argenziano is a member of the National Association of Regulatory Utility Commissioners (NARUC).

Commissioner Nathan A. Skop was appointed to the Florida Public Service Commission by Governor Charlie Crist for a four-year term beginning January 2007. ♦ Commissioner Skop currently serves on the National Association of Regulatory Utility Commissioners (NARUC) Committee on Consumer Affairs and the Committee on Energy Resources and the Environment. ♦ Prior to his appointment, Commissioner Skop gained over thirteen years of engineering, manufacturing, operations, program management, and financial management experience working for Fortune 500 corporations. ♦ Commissioner Skop began his professional career as a nuclear project engineer with the Electric Boat Division of General Dynamics Corporation in Groton, Connecticut. As a member of the Advanced Propulsion Plant Technology Program he participated in the design, integration and qualification testing of propulsion system turbomachinery for the USS SEAWOLF (SSN 21), and participated in the initial criticality and power range testing of the USS SANTA FE (SSN 763) Nuclear Submarine reactor plant. ♦ Commissioner Skop continued his professional career as a specialist engineer with the Propulsion Systems and Customer Service divisions of the Boeing Commercial Airplane Group in Seattle, Washington. While serving in these positions he participated in the design, integration, and test of Engine Build-Up installations for Pratt & Whitney engines installed on Boeing 777 aircraft, and supported General Electric aircraft engines installed on Boeing 747, 767, and 777 aircraft. ♦ Prior to attending law school, Commissioner Skop gained substantial renewable energy and energy industry experience as a business manager with FPL Energy (an unregulated subsidiary of FPL Group) through managing nine renewable wind energy projects located in Altamont Pass, California, and a coal fired co-generation plant located in Stockton, California. ♦ Commissioner Skop's extensive power generation experience includes renewable energy (wind and solar), fossil fuel (combined cycle, gas turbine, co-generation, and coal), and nuclear power. ♦ Commissioner Skop graduated from the University of Florida with a BS in Aerospace Engineering in 1991. He later earned an MBA with concentrations in finance management and investment analysis from Rensselaer Polytechnic Institute in 1996, and a JD from the University of Florida Levin College of Law in 2006. Commissioner Skop also holds a graduate level certificate in environmental management from the Hartford Graduate Center and attended an executive education program focusing on mergers and acquisitions at the Wharton School of Business at the University of Pennsylvania. ♦ Commissioner Skop is a member of the Florida Bar and recently had a case comment published in the Journal of Technology Law & Policy for the Levin College of Law at the University of Florida. ♦ Commissioner Skop was raised in Sanford, Florida. Prior to relocating to Tallahassee to serve in his current position, Commissioner Skop lived in Gainesville and Palm Beach Gardens, Florida.

Executive Management



EXECUTIVE DIRECTOR

Mary Andrews Bane

The Executive Director is responsible for directing, planning, and administering the overall activities of the Commission staff, except the Office of the General Counsel. She consults with and advises the Commissioners on regulatory, internal management, and budgetary matters, and acts as an interagency liaison. Reporting directly to her 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 Strategic Analysis and Governmental Affairs.



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 her 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

Michael G. Cooke

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.

II Defining the FPSC's Role

MISSION STATEMENT:

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

The Commission's work is a balancing act, weighing the needs of a utility and its shareholders with the needs of consumers. For water and electric utility companies, the Commission establishes exclusive service territories, regulates rates and profits, and requires the utility 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.

Utilities have always played a major role in Florida's economy. This role is even more significant today in a changing environment where new companies, services, and technologies are being developed to generate jobs and foster economic development. Public utilities are the lifeblood of our society; we cannot live in today's world without water, wastewater, energy, or telephone services. 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 issues all described below:

- ◆ 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.



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

Rate Base / Economic Regulation

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

In addition to reviewing a company's request for a rate increase, the FPSC also monitors each company's earnings levels. Companies file annual reports which are reviewed to determine the amount of earnings for the prior year. If, based on prior year earnings, it appears that a company will experience excessive earnings in the coming year, the FPSC fully analyzes that company's books and records and, when appropriate, reduces its rates. The FPSC may determine earnings are subject to refund if the review indicates the company is overearning.

Energy

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

Annually, the FPSC critically 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 in which the FPSC determines whether a rate reduction is necessary.

The Commission also processes certification requests, the majority of which involve the transfer or amendment of certificates of authorization. Other cases concern the original certification of a new utility. In certification cases, the Commission issues certificates and sets initial rates and charges for new utilities, transfers or amends existing certificates, acknowledges abandonments, and cancels certificates for systems transferred to exempt entities.



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.

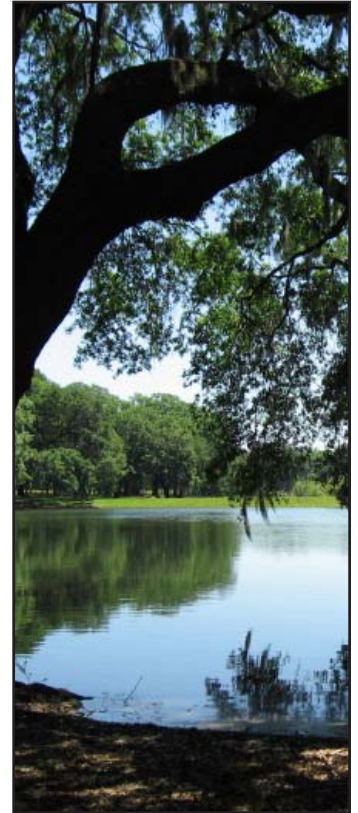
The issue of reuse (using effluent water for a beneficial purpose, such as irrigation) has significant implications in the area of rate base/economic regulation. The Legislature has recognized the benefit of reuse to Florida and has enacted provisions in the governing statutes for the Florida Department of Environmental Protection (DEP), the five water management districts (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 Florida Department of Environmental Protection, the Water Management Districts, the Florida Department of Agriculture and Consumer Services, the Florida Department of Health, and the Florida Department of Transportation.

In Florida, conserving water is vital to the state's economy. As an economic regulator, the FPSC is actively involved in demand-side water conservation through rate level 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). New technologies and customer choice are two catalysts for the change to competition. The advent of innovative technologies allows new market entrants, as well as opportunities for established regulated companies. In addition, customers may benefit from increased competition by having more service options. As companies transition from monopoly to the competitive provision of utility services, the FPSC must ensure that regulatory barriers are removed and that 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.



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



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

Another FPSC responsibility includes conducting regular reviews of industry practices to determine whether entities are engaging in practices 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, assesses the direction of those technologies, analyzes pricing differences between voice and data networks, and determines what, if any, actions the Commission should consider.

Reviewing and maintaining the retail tariffs or price lists filed by the telecommunications companies, as well as setting certain wholesale prices (e.g., 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. The exception to the certification requirement is Interexchange Companies (IXCs), which are not required to be certificated but are required to register with the Commission, file tariffs, 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 also considers petitions for the determination of need for electric power plants and transmission lines 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; power plant and transmission line siting; 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 Safety

The FPSC is statutorily responsible for electric safety. By rule, the Commission 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, the rule sets requirements for accident reporting, quarterly utility compliance reports, and FPSC inspections of facilities. Electric safety engineers inspect utility electric transmission and distribution construction sites that are randomly 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, employee qualification, maintenance, operation, and new construction. Also, Commission staff supports and assists the state's Emergency Operations Center in energy-related matters.

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 the issuance of 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 will be evaluating and working with a new rule proposed by the Pipeline and Hazardous Materials Safety Administration (PHMSA). The PHMSA has published a proposed rule that would establish integrity management requirements for gas distribution pipeline systems. 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 already good pipeline safety record.

Telecommunications

In the telecommunications industry, the FPSC monitors telephone safety through inspection of the local telephone companies' central offices and outside facilities for compliance with the National Electrical Safety Code and the National Electric Code. This monitoring is done to protect the safety of the companies' workers, as well as customers.

Network reliability is monitored through call completion tests and service outage reports from the local telephone companies. Service quality is monitored through inspections of the local telephone companies' installation and repair records, billing accuracy tests, and pay telephone inspections. During pay telephone evaluations, access to 911 and the accuracy of the pay telephone address are verified.



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



Water and Wastewater

In the water and wastewater industries, the FPSC oversees quality-of-service issues such as water pressure and capacity. When a consumer complaint regarding water and/or wastewater quality of service is received, 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. In some cases, a complaint may result from possible violations of DEP public health rules. In these cases, FPSC staff works with the DEP to resolve the issue.

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.

While the FPSC manages the transition to more competitive markets, the agency also continues to make sure that customers receive safe and reliable utility 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 utility companies and guides consumers through anticipated changes so they receive the best service and rates for their needs.

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. The FPSC continues to enhance its outreach methods to provide access to information, such as electronic access, so that consumers have accurate and pertinent information to make informed decisions about utility services.

The telecommunications industry continues to change at a rapid pace. Innovative technologies, market structure changes, and demand changes have all contributed to the industry's transformation, causing an increase in the number of telecommunications companies offering services and the number and types of service offerings in local markets. 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

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.

telephones. With these service providers and the emergence of competition from unregulated service providers, the FPSC serves an important role in resolving service quality issues and in implementing policies that promote competition, universal service, and technological advancement.

Specific consumer concerns about fuel cost volatility and hurricane damage have become a changing part of the natural gas and electric industry. Furthermore, 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. The FPSC intends 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 a portion of consumer complaints. When a consumer calls the FPSC's toll-free telephone number (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 its handling. Once the consumer's call is transferred, the utility pays for the call until completion. Each company that subscribes 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 about the caller without the caller needing to repeat the information.

Complaint Activity

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

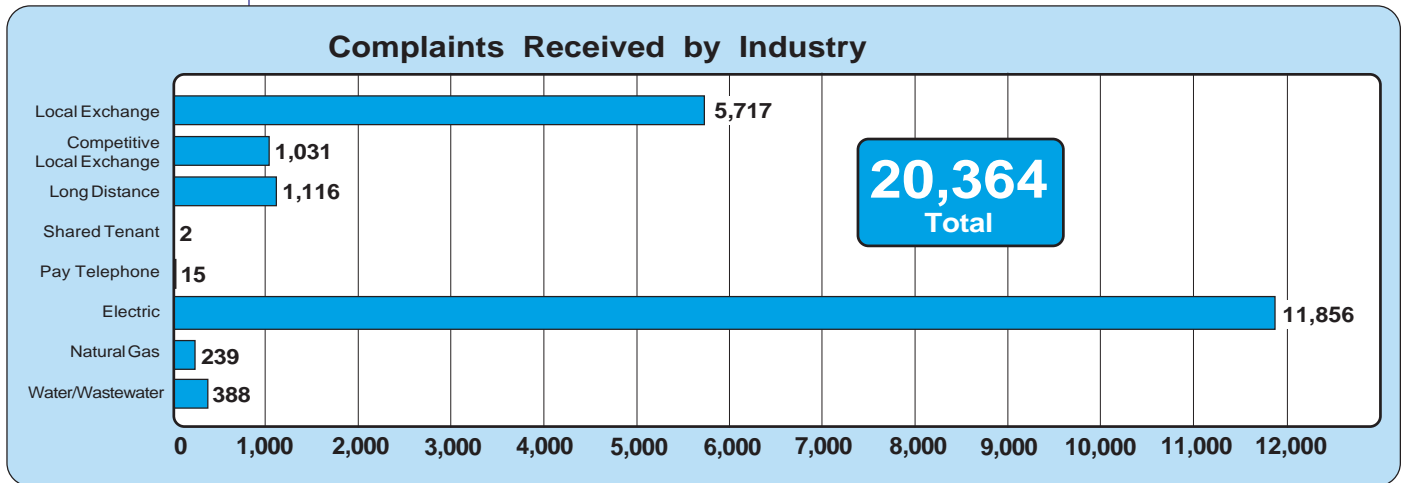
There are six ways consumers may contact the FPSC:

- ◆ Complete an online complaint form
- ◆ E-mail correspondence to 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



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

During 2008, 20,364 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.

Consumer Education

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, is continually updated to make the site more accessible. The Web site contains information about the industries regulated by the FPSC, 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 frequently accessible online as live video and/or audio broadcasts.

One of the Commission’s more effective consumer education programs 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.

In March 2008, the Commission showed seniors across the state how to save money through energy and water conservation during the tenth annual National Consumer Protection Week (NCPW). FPSC staff made presentations to more than 800 seniors at 23 centers from Pensacola to Miami. The theme of this year's NCPW was *Financial Literacy: A Sound Investment*. FPSC staff educated seniors on saving energy and water, making informed decisions about telecommunications service, and qualifying for the Link-Up Florida and Lifeline telephone assistance programs.

In its continuing effort to educate Floridians on energy efficiency and water conservation, the FPSC is an important consumer resource for information on green power and green pricing, peak shifting, fuel diversity, and residential water conservation. The FPSC has also partnered with local schools to present energy and water conservation plays in recognition of Earth Day in April and National Drinking Water Week in May. The Commissioners have taught students how to conserve energy and water as part of school assembly programs. By teaching Florida's students about the importance of energy and water conservation now, the FPSC is encouraging them to choose and use energy wisely for years to come.

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 case background 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. Additional 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.



FPSC's Regulatory Efforts for Calendar Year 2008



In 2008, the FPSC regulated five investor-owned electric companies, seven investor-owned natural gas utilities, and more than 160 investor-owned water and/or wastewater utilities. The FPSC also regulated one rate base regulated telephone company and had competitive market oversight for more than 1,133 telecommunications companies in Florida.

The number of certificated telecommunications companies or registered interexchange companies as of December 2008, was as follows:

- ◆ 10 incumbent local exchange companies (ILECs)
- ◆ 332 competitive local exchange companies (CLECs)
- ◆ 554 interexchange companies (IXCs)
- ◆ 183 pay telephone service companies (PATs)
- ◆ 30 alternative access vendors (AAVs)
- ◆ 24 shared tenant service providers (STS)

The FPSC does not fully regulate 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 planning, over 34 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, in addition, exercises safety authority over all electric and natural gas systems operating in the state. During 2008, a number of significant issues presented challenges for the Commission and are summarized below.

Energy

Electric and Gas Rate Cases

During 2008, the Commission processed rate cases involving Florida Public Utilities Company (FPUC) and St. Joe Natural Gas Company (St. Joe). FPUC, an electric utility serving Florida customers in Fernandina Beach and Marianna, petitioned the Commission to increase its rates and charges by \$5,249,895. The Commission granted FPUC an increase of \$3,856,897. The Commission also processed a request for rate relief by St. Joe. St. Joe serves approximately 3,000 customers in Port St. Joe, Mexico Beach, Wewahitchka, and unincorporated areas of Gulf County, Florida. St. Joe petitioned the Commission to increase its rates and charges by \$624,166. The Commission approved an increase of \$543,868.

On August 11, 2008, the Commission received rate increase petitions from Tampa Electric Company (TECO) and Peoples Gas System (Peoples). Peoples requested interim relief pursuant to Section 366.071, F.S. Interim relief allows the utility to increase its rates to the minimum of the range of the utility's last authorized rate of return. The purpose of interim relief is to allow a utility some level of increase while the Commission processes its request. Peoples requested interim relief of \$3,748,000. The Commission granted Peoples an interim increase of \$2,380,000. Peoples has requested a permanent increase of \$26,488,091. TECO petitioned the Commission for a \$228.2 million permanent rate increase but did not request interim relief. The rate increase petitions of Peoples and TECO are scheduled for Commission review in 2009.

Power Plant and Transmission Line Need Determinations

The Commission approved six determination of need petitions for power plants during 2008. A seventh petition for a determination of need was filed in 2008, but will not be decided until early 2009. No new transmission line need determinations were filed in 2008.

On October 16, 2007, Florida Power & Light Company (FPL) filed a petition for a determination of need for two new nuclear-fueled generating units on the existing Turkey Point site in Dade County. Turkey Point Nuclear Units 6 and 7 are expected to be in-service by 2018 and 2020, respectively. Depending on the technology selected, the proposed unit additions will contribute between 2,200 and 3,040 megawatts (MW) of new generation to FPL's system. On April 11, 2008, the Commission approved the need for Turkey Point Units 6 and 7.

On March 11, 2008, Progress Energy Florida, Inc. (PEF) filed a petition for a determination of need for two new nuclear-fueled generating units in Levy County, Florida (Levy Nuclear Units 1 and 2). The units are projected to be in-service by 2016 and 2017, and the proposed units would contribute 2,200 MW to PEF's system. The Commission granted PEF's petition on August 12, 2008.

On April 8, 2008, FPL filed a petition for determination of need for a gas-fired combined cycle unit to be built on the existing West County generating site in Palm Beach County. West County Energy Center Unit 3 (WCEC 3) is expected to be in-service by June 1, 2011. On April 30, 2008, FPL filed two additional petitions for determination of need to convert two oil and natural gas-fueled steam electric generating units built in the 1960s into efficient combined cycle power plants at its existing Cape Canaveral and Riviera generating sites. The Commission issued an order approving all three petitions on September 12, 2008, noting that FPL had demonstrated a reliability need for additional resource capacity in 2013. The new WCEC 3 unit and the conversion of FPL's existing Cape Canaveral and Riviera plants will provide nearly 2,300 MW of capacity needed through 2017.



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

On May 7, 2008, Florida Municipal Power Agency (FMPA) filed a petition for a determination of need for a proposed natural gas-fueled combined cycle unit. Cane Island Power Park Unit 4 will be capable of generating 300 MW. On August 8, 2008, the Commission approved the need for the new unit because it was determined to be the most cost-effective option available to meet FMPA's needs. Cane Island Power Park Unit 4 will be located in Osceola County and is projected to be in-service by May 2011.

On September 8, 2008, JEA filed a petition for a determination of need for the conversion of two combustion natural gas-fired simple cycle combustion turbines to a 2x1 combined cycle configuration. The proposed conversion will be located at the existing Greenland Energy Center (GEC) in Duval County, Florida, and will increase overall site capacity to 522 MW by 2012. This matter is currently set for a formal administrative hearing before the Commission in 2009.

Fuel Diversity

During the late 1990s, utilities across the nation and within Florida selected natural gas-fired generation as the predominant source of new capacity. The use of natural gas for electricity production in Florida increased significantly from 19.3 percent in 1995 to 38.8 percent in 2007. Given the volatility of natural gas prices, evidenced by the wide range of projected prices and availability of natural gas, the FPSC has required electric utilities to explore the feasibility of adding nuclear generation and additional renewable power as part of future capacity additions.

As part of that process, 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. The in-service dates of 2016 through 2020 for these nuclear units will require the Commission to annually evaluate the cost recovery and the long-term feasibility of these projects over the next 8 to 12 years. In the interim, utilities are evaluating options to increase fuel source diversity within fuel types, such as the use of LNG (liquefied natural gas), alternate gas pipelines, and natural gas storage. PEF recently contracted to purchase LNG from the Elba Island terminal near Savannah, Georgia. PEF will take delivery of the LNG via the new Cypress pipeline connecting Elba Island to the Florida Gas Transmission System. Several interstate pipeline companies have proposed new pipeline projects and expansions to deliver natural gas to the state from diverse sources.

Additional fuel diversity issues are addressed under *Renewable Energy Initiatives*.

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. 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 February 29, 2008, Progress Energy Florida, Inc. filed a petition seeking review and recovery of costs associated with increasing the capacity of the existing nuclear generating plant Crystal River Unit 3 (CR3 uprate) pursuant to Rule 25-6.0423, F.A.C., and Section 366.93, F.S. On July 18, 2008, PEF amended its petition to include additional cost recovery associated with the newly proposed nuclear power plant, Levy Units 1 and 2. Completion of these approved projects will add 2,380 MW of new nuclear base load generation to PEF's system.

On March 3, 2008, Florida Power & Light Company filed a petition seeking review and recovery of 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), pursuant to Rule 25-6.0423, F.A.C., and Section 366.93, F.S. On May 1, 2008, FPL amended its petition to include additional cost recovery associated with the newly proposed nuclear power plant, Turkey Point Units 6 and 7. Completion of these projects will add 2,614 MW of new nuclear base load generation to FPL's system.

Docket No. 080009-EI was opened and established for addressing the petitions of PEF and FPL. The Commission held its first evidentiary hearing for what is now known as the Nuclear Cost Recovery Clause (NCRC) docket on September 11 and 12, 2008. At the October 14, 2008 Agenda Conference, the Commission voted to approve amounts to be recovered in the 2009 CCRC.

Fuel Cost Recovery

At the November 2008 fuel hearing, the Commission approved 2009 fuel rates for the five investor-owned electric utilities. FPL, PEF, and TECO all saw increases in fuel rates for 2009, as compared to 2008, due to under-recoveries carried forward from 2008 and higher fuel prices projected for 2009. Gulf



The results of the 2006-2015 Long Range Transmission Reliability Study indicate that Peninsular Florida's transmission system is adequate to provide reliable service to retail customers.

Power Company's 2009 fuel rates increased compared to 2008 due to new coal contracts with higher prices for 2009, an under-recovery carried forward from 2008, and force majeure events with a coal supplier in 2008. Finally, FPUC's fuel rates for 2009 increased for its Marianna and Fernandina Beach divisions due to the increased cost of purchased power. For FPL, PEF, Gulf Power Company, and FPUC, the rate increases are in addition to mid-course increases in fuel rates the Commission granted in July 2008.

Environmental Cost Recovery

House Bill 7135, signed into law by the Governor on June 25, 2008, was designed to enhance the feasibility of developing clean, zero greenhouse gas emitting renewable generation by allowing full cost recovery for the construction of up to 110 MW statewide through the Environmental Cost Recovery Clause (ECRC). On May 16, 2008, FPL filed a petition with the Commission for approval of three solar energy projects, totaling 110 MW.

- ◆ The Martin Solar Next Generation Energy Center, to be completed in 2010, will provide 75 MW of solar thermal capacity with a projected total capital cost of \$476.3 million.
- ◆ The DeSoto Next Generation Solar Energy Center, to be completed in 2009, will provide 25 MW of solar photovoltaic (PV) capacity with a projected total capital cost of \$173.5 million.
- ◆ The Space Coast Next Generation Solar Energy center, to be completed in 2010, will provide 10 MW of solar PV capacity with a projected total capital cost of \$78.9 million.

The Commission approved the eligibility of FPL's three Next Generation Solar Energy Centers for cost recovery through the ECRC by Order No. FPSC-08-0491-PAA-EI, issued August 4, 2008. During the November 2008 hearings, the Commission approved \$25,008,791 related to these projects for recovery in the 2009 ECRC.

Renewable Energy Initiatives

Renewable Standard Offer Contracts

Section 366.91, F.S., requires the FEECA (Florida Energy Efficiency and Conservation Act) utilities to continuously provide a contract for purchasing capacity and energy from renewable energy resources. On April 1, 2008, the investor-owned utilities filed petitions for approval of standard offer contracts for renewables pursuant to Commission rules adopted in January 2007. Contracts were filed based on each generating technology type in a utility's Ten-Year Site Plan, filed annually on April 1. On July 29, 2008, the Commission approved the utilities' standard offer contracts for renewable energy. On September 9, 2008, the Commission's order approving FPL's standard offer contract was protested and a hearing will be held in January 2009.

Interconnection and Net Metering of Customer-Owned Renewables

On April 7, 2008, the Commission's rule (25-6.065, F.A.C.) on interconnection and net metering of customer-owned renewable generation became final. The rule ensures that the renewable systems are installed and operated safely and that customers realize the full value of their investment through net metering. Net metering allows customers to carry forward the value of any excess electricity delivered to the grid for use in reducing their future electric bills for a period of up to one year. Renewable energy systems of all types up to two megawatts in capacity are eligible. The proposed rules also provide for the expedited interconnection of these systems with the utility. Various fees and insurance requirements for small systems are not required. Finally, the rule references national standards to ensure safety in the interconnection and operation of renewable systems. On October 1, 2008, the investor-owned utility tariffs implementing the Commission's rule became effective and were made available to customers.

Also, in House Bill 7135 approved during the 2008 Legislative Session, the Legislature required the municipal and rural electric cooperative utilities to offer interconnection and net metering programs for renewables by July 1, 2009. These utilities are required to report to the Commission on their efforts to comply with this requirement.

Renewable Portfolio Standard for Florida

The Florida Legislature enacted legislation during the 2008 Legislative Session requiring the Commission to develop a Renewable Portfolio Standard (RPS) rule. The RPS would require investor-owned electric utilities to provide a percentage of their customers' energy needs with renewable energy. The rule is to be submitted to the Legislature by February 1, 2009.

In developing the RPS rule, the Commission was directed to evaluate the cost and installed capacity for each renewable generation method available in Florida through 2020. To assist in developing this information, the Commission, in cooperation with the Florida Governor's Energy Office, requested technical assistance from the U.S. Department of Energy and the Lawrence Berkley National Laboratory (LBNL). In response, LBNL retained the services of Navigant Consulting to conduct a comprehensive study assessing the potential for electric energy generation from renewable resources in Florida. As part of the Commission's RPS rulemaking process, the Commission held numerous workshops to obtain input from the stakeholders on the content and structure of the proposed rule.

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 in order to assess damage and service restoration efforts. The data collected and maintained from these coordination efforts include such information as the areas affected, number of customers without electrical power or natural gas, status of generation fuel, and the estimated restoration time for normal service. This information is used by the EOC to determine the most efficient allocation of resources in response to the regional recovery efforts. The EOC was activated in 2008 for tornadoes, severe weather, flooding, hurricanes, and numerous wildfires.

Conservation Activities for Electric and Natural Gas Utilities

In 1980, with the passage of the Florida Energy Efficiency and Conservation Act (FEECA), the FPSC established conservation goals for Florida's larger electric utilities and natural gas utilities. Since that time, Florida's utilities have implemented a wide array of programs, primarily targeted at reducing both the growth rate of peak demand and the state's dependence on oil as a generator fuel. All consumers benefit from cost-effective utility conservation programs. The FPSC evaluates the cost-effectiveness of all utility-proposed programs to ensure that the savings in avoided power plants, fuel for existing plants, and any wholesale power purchases exceed the cost of the conservation program, generally called the "Rate Impact" test. Under FEECA, the FPSC must reestablish numeric conservation goals for each FEECA utility,¹ at least every five years. FEECA goals were last set by the FPSC in 2004 and must be reset in 2009.

During the 2008 session, the Legislature amended the FEECA to place greater emphasis on the pursuit, through utility-sponsored incentives, of all cost-effective customer conservation and energy efficiency measures. To implement the new requirements of the FEECA statute, the utilities contracted with ITRON and KEMA, two nationally recognized consulting firms, to conduct a technical potential study. This study will establish baseline energy consumption data, identify potential conservation measures, develop corresponding demand and energy savings for each measure, and ultimately estimate the total technical potential savings if all measures were adopted.

Once the technical potential has been identified, the utilities will screen the measures using various cost-effectiveness tests, including the Total Resource Cost test, and propose overall energy (Kwh) and demand (Kw) savings goals based on their assessment of economic and achievable potential. The FPSC staff have actively monitored the utility analysis process and have held public workshops to hear from interested parties.

¹The FEECA utilities are Florida Power & Light Company (FPL), Progress Energy Florida, Inc. (PEF), Gulf Power Company (Gulf), Tampa Electric Company (TECO), Florida Public Utilities Company (FPUC), JEA, and Orlando Utilities Company.



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.

The FPSC was also authorized by the 2008 Legislature to obtain technical consulting and expert witness services to independently analyze and critique the goals proposed by the utilities and to provide alternative policy options. Hearings to establish new conservation and energy efficiency goals are scheduled for August 24-28, 2009. On November 29, 2007, the Commission held a public workshop to begin a process of identifying options for expanding energy efficiency programs. The workshop explored how the Commission can encourage additional energy efficiency and conservation. A wide range of stakeholders discussed the Commission's implementation of the Florida Energy Efficiency and Conservation Act, the economic tests used to analyze utility energy efficiency programs, the efforts of the investor-owned electric utilities in demand-side management, incentives that may encourage further conservation efforts, and measures used in other states.

Telecommunications

Rule Changes

In March 2008, five local exchange companies, Verizon Florida, AT&T Florida, Embarq Florida, Quincy Telephone, and Windstream Florida, filed a Joint Petition requesting that the Commission adopt a new rule on competition and clarify, repeal, or amend 66 rules. The petitioners asserted that with the increasing use of wireless, cable telephony, and Voice over Internet Protocol (VoIP), many of the rules were no longer warranted. In response, the Commission reviewed all the rules in Chapters 25-4, 25-9, and 25-14, F.A.C. During the proceeding, the petitioners withdrew their request for the new rule and the amendment or repeal of seven other rules. Due to the large number of rules under consideration, staff filed three separate recommendations which were addressed by the Commission on August 19, 2008, November 13, 2008, and January 6, 2009. In addition, two staff workshops and one Commissioner workshop was held to review and discuss the proposed rule changes.

By its decisions in Docket Nos. 080159-TP and 080641-TP, the Commission has exempted the price regulated local exchange companies from 33 rules, repealed 16 rules, amended 20 rules and taken no action on one rule. Of the 20 rules that were amended, the companies either proposed or agreed to most of the amendments. The rule changes have decreased the reporting requirements of the companies, eliminated rules which were duplicative of Florida Statutes, limited the applicability of certain rules to residential customers, and allowed the companies to consolidate reporting for installation service, repair service, and answer time. Also, several rule changes were made to adopt the Federal Communications Commission's standards where their standard was very similar to Florida's rule. Overall, the changes have resulted in simplified and streamlined rules for regulating local exchange companies.



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

ILEC Wholesale Performance Measures

In Docket No. 000121-TP, the Commission developed wholesale performance measurement plans for the ongoing evaluation of operations support systems (OSS) provided by incumbent local exchange carriers (ILECs) for competitive local exchange carriers' (CLECs) use. The performance measurement plans provide a standard against which CLECs and the Commission can measure performance over time to detect and correct any degradation of service provided to CLECs. The Commission adopted performance measurements for AT&T (formerly BellSouth) in August 2001, for Embarq in January 2003, and for Verizon in June 2003.

For AT&T, the Commission adopted a Performance Assessment Plan comprised of a Service Quality Measurement Plan (SQM) and a Self-Effectuating Enforcement Mechanism (SEEM) Administrative Plan. The SQM is a detailed Telecommunications description of AT&T's wholesale performance measurements. Under the SEEM Plan, payments are made by AT&T if the company fails to meet performance standards for key measurements as set by the Commission. AT&T's current Performance Assessment Plan consists of 49 measurements, with each related to a specific portion of AT&T's Operations Support Systems. AT&T's SEEM Plan includes 32 measures. From January through August 2008, BellSouth paid \$4.91 million in SEEM remedies to CLECs and the State of Florida. AT&T furnishes monthly performance reports to the Commission for review and assessment.

On September 23, 2008, the Commission issued an order to approve a stipulation between AT&T and CLEC petitioners. The petition requested Commission staff to conduct an audit of AT&T's April 2008 Operations Support System software release. AT&T's April Release is the result of AT&T migrating and consolidating the former BellSouth 9-state Southeast Operations Support System platform into a single platform for use across AT&T's 22-state region. Implementation of the April Release resulted in the CLECs' inability to properly interface with AT&T's support systems. Commission staff anticipates completion of the audit in December 2008.

For Embarq, the Commission adopted a Performance Measure Plan in 2003. The current plan, effective January 2007, is the result of a staff-initiated review in October 2006 to assess proposed changes to the 2003 plan. Embarq's current plan contains 44 measures to ascertain if the ILEC is providing nondiscriminatory service to CLECs. Embarq furnishes monthly performance reports to the Commission for review and assessment.

Verizon operates in Florida under a common set of performance and administrative measures contained in a Joint Partial Settlement Agreement derived from a process in California and used, with some state-specific variation, in several states. Verizon's current plan contains over 40 measures to determine if the ILEC is providing nondiscriminatory service to CLECs. Verizon furnishes monthly performance reports to the Commission for review and assessment.

Service Quality

Three of Florida's incumbent local exchange telecommunications companies, AT&T Florida, Embarq Florida, and Windstream Florida operate under Commission approved service guarantee programs (SGPs) applicable to residential service. The SGPs provide for an automatic credit to a residential customer's account when installation or out-of-service repair service 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) 2008 (July 2007-June 2008), AT&T Florida credited over \$156,875 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 \$1,492,547. Overall, AT&T credited its residential customers \$1,649,422 under its SGP.

Embarq Florida credited customers \$205,775 in FY 2008 for missing installation appointments and \$312,325 for out-of-service repairs that extended beyond 24 hours. For missing the SGP answer time requirements, Embarq placed \$79,000 in a CSF that is used to promote Embarq's Lifeline and Link-Up programs. Overall, Embarq credited customers or placed funds in the CSF totaling \$597,100.

During this same period, Windstream credited \$1,440 to its residential customers when it failed to install service on the agreed upon date, and it credited customers \$5,568 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 \$11,000 for FY 2008 when the company's answer time for the business and repair offices fell below 90 percent. The Windstream SGP resulted in \$18,008 in FY 2008 in customer credits or payments to the CSF when it failed to meet the service guarantee objectives within the program.

A small local exchange company known as Frontier Communications is subject to service quality evaluations no more than once every four years in order to minimize the impact upon company operations. The last evaluation occurred in 2001, and at that time, Frontier was not providing automatic rebates for service outages. The same finding occurred during the FY 2008 evaluation requiring a rebate investigation for the period of 2002 through 2007. The total amount to be rebated was determined to be \$5,954.64. In addition, high power influence readings were observed on 58 telephone lines. The readings were determined to be a repeat finding and required Frontier to develop a power influence mitigation plan. The plan requires quarterly updates on its progress in correcting its high power influence readings and in making the required rebates to the affected customers whose service was not restored within 24 hours.



Commission staff evaluates the quality of service provided by telecommunications companies and conducts periodic on-site inspections of telecommunications facilities.

On January 18, 2008, a report was issued concerning a series of test calls that Commission staff made using 11 prepaid calling cards provided by the Office of the Attorney General. The 11 cards represented 7 different companies. Each company appeared to have tariff deficiencies, and some of the fees printed on the cards were not expressed in the filed tariffs. FPSC staff worked with the seven companies to resolve the tariff deficiencies. The Office of the Attorney General reached a \$1 million settlement with the seven prepaid calling card companies.

Carrier-of-Last-Resort (COLR) – Multitenant Environment

During 2008, ILECs were obligated to provide basic local telecommunications services within a reasonable time to any person requesting such service unless certain conditions existed. Section 364.025, Florida Statutes, Universal Service automatically allows an ILEC, otherwise obligated to serve as a COLR, to be relieved of its obligation to provide basic local telecommunications service to any customers in a multitenant business or residential property (including, but not limited to, apartments, condominiums, subdivisions, office buildings, or office parks) under certain conditions. An ILEC is no longer obligated as a COLR for multitenant business or residential properties when the owner or developer:

- ◆ Permits only one communications service provider to install its communications service-related facilities or equipment during the construction phase of the project.
- ◆ Accepts or agrees to accept incentives or rewards from a communications service provider that are contingent upon the provision of any or all communications services by one or more communications service providers to the exclusion of the ILEC.
- ◆ Collects from the occupants or residents of the property charges for the provision of any communications service, provided by a communications service provider other than the ILEC, to the occupants or residents in any manner, including, but not limited to, collection through rent, fees, or dues.
- ◆ Enters into an agreement with a communications service provider that grants incentives or rewards to such owner or developer contingent upon restriction or limitation of the ILEC's access to the property.

To date, ILECs have filed 105 notices with the Commission claiming automatic waivers. The estimated number of households associated with these automatic waiver notices is more than 41,000.

In amending Section 364.025, F.S., the Legislature realized that there might be other facts and circumstances wherein ILECs could be relieved of their COLR obligations. An ILEC that is not automatically relieved of its COLR

obligation by any of the criteria above may seek a waiver for good cause shown, based on the facts and circumstances of provision of service to the multitenant business or residential property.

The final petition by an ILEC seeking waiver of COLR obligations pursuant to Section 364.025(6)(d), F.S., was filed on November 7, 2007. The pertinent information and the Commission's decision, made final on March 17, 2008, are as follows:

- ◆ **070678-TL:** Petition for waiver of carrier of last resort obligations in Greater Lakes/Sawgrass Bay subdivisions in Lake County, by Embarq Florida, Inc. The Commission approved Embarq's petition for waiver. The Commission found that residents will have access to an alternative telephone service provider. Embarq demonstrated that the anticipated take rate of its telephone service would most likely result in an uneconomic situation where the company would not be able to recover its infrastructure costs in a reasonable amount of time. Plus, a bulk arrangement between the home owners' association and another provider for video and data services also minimizes Embarq's chances of selling video and data services over its network.

Pursuant to Section 364.025, F.S., on January 1, 2009, incumbent local exchange companies (ILECs) will no longer be required by state law to furnish basic local exchange telecommunications service to any person requesting such service within the company's service territory. In the absence of COLR, some consumers may not be able to obtain telecommunications service if alternative providers are not available.

Some carriers are designated as Eligible Telecommunications Carriers (ETCs) under federal law to receive universal service support. As ETCs, certain federal obligations exist. Even in the absence of a Florida COLR provision, an ETC has an obligation to provide services throughout its territory. However, ETCs (other than ILECs) are not required to be able to serve all customers in their territory at the time they receive ETC status. Current FCC rules require ETCs to only file an annual report stating the number of service requests it is unable to fulfill.

Link-Up and Lifeline Service for Low-Income Consumers

In May 2003, the national Tele-Competition Innovation and Infrastructure Enhancement Act of 2003 became law. The 2003 Act requires that each state agency that provides benefits to people eligible for the Lifeline Assistance Program (Lifeline) shall, in cooperation with the Department of Children and Families (DCF), the FPSC, and telecommunications companies providing Lifeline service, develop procedures to promote participation in Lifeline. In July 2003, the FPSC initiated a joint Lifeline project with other state and federal agencies, organizations, and ILECs to implement the new statutory requirements. Senate Bill 1322 was signed into law in 2005, expanding the



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.

2003 Act to include the Department of Education and the Office of Public Counsel (OPC).

The number of eligible customers participating in the Lifeline program in Florida grew 12 percent during the 2007-2008 program year. As of June 2008, 183,972 eligible customers were participating in the Lifeline program. Recent statutory and policy developments impacting the program are discussed below.

During 2007, House Bill 529, amended Section 364.10, F.S., requiring that any state agency that determines a person is eligible for Lifeline service to immediately forward the information to the FPSC to ensure that the person is automatically enrolled in the Lifeline program. The FPSC adopted rules creating procedures to automatically enroll eligible customers in Lifeline service on September 25, 2007. The FPSC is also in the process of developing comprehensive rules for Florida's Link-Up and Lifeline Assistance programs. A Memorandum of Understanding with respect to automatic enrollment procedures was signed by the FPSC, DCF, and OPC on September 27, 2007.

Lifeline Automatic Enrollment Process

In April 2007, the FPSC and the Florida DCF formally renewed efforts to develop a process whereby the names of potential Lifeline customers, once certified through a DCF program, would be automatically forwarded to the FPSC, and ultimately, to the appropriate ETC for possible enrollment. From the perspective of the DCF client, the automatic enrollment process is seamless from filling out the DCF Web application to receiving the Lifeline discount. Between April 1, 2007, and December 31, 2008, 201,397 Lifeline applications were filed through the FPSC/DCF automatic enrollment process.

The FPSC continued to work with other agencies, organizations, and companies to promote the Link-Up Florida and Lifeline Assistance programs in 2008. Promotional activities featured Lifeline Awareness Week, National Consumer Protection Week, the Connect Florida Campaign, and ongoing grass roots efforts to increase awareness and enrollment in the programs. Lifeline Awareness Week, September 8-13, 2008, aimed to increase awareness among citizens receiving Federal Public Housing Assistance. The project featured nine Lifeline events around the state to sign up Florida citizens eligible for Link-Up and Lifeline. During National Consumer Protection Week, March 2-8, 2008, Commission staff gave presentations to more than 800 consumers at 23 senior centers across the state and offered one-on-one assistance to consumers desiring to enroll in Link-Up and Lifeline.

A complete list of the Lifeline Partners assisting the FPSC with Lifeline promotional efforts and additional information about the 2008 activities 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 FPSC's Web site at <http://www.PSC.state.fl.us/publications/pdf/telecomm/tele-lifelinereport2008.pdf>.

Enrollment of new Lifeline customers by competitive ETCs continues to have a positive impact. In total, competitive ETC Lifeline enrollment was 13,843, representing 7.5 percent of the total Lifeline customer enrollment as of June 30, 2008. TracFone Wireless received ETC status and began serving Lifeline customers in Florida on September 8, 2008. Since Lifeline enrollment figures in this report are for a period ending June 30, 2008, TracFone's Lifeline customers are not included in the total number of competitive ETC Lifeline customers. TracFone enrolled 199,708 new Lifeline customers from September 8, 2008, to December 31, 2008, which would bring total competitive ETC Lifeline customers to approximately 213,551.

The following companies filed ETC Petitions or were granted ETC status by the FPSC during 2008:

- ◆ Swiftel, LLC. (Docket No. 070348-TX). On May 30, 2007, Swiftel filed a petition for ETC status in non-rural areas of Florida. The petition is pending.
- ◆ Express Phone Service, Inc. (Docket No. 080169-TX). On March 21, 2008, Express Phone Service filed a petition for ETC status in the non-rural areas of AT&T and Verizon. The petition is pending.
- ◆ Image Access, Inc., d/b/a New Phone (Docket No. 080523-TX). On August 5, 2008, Image Access filed a petition for ETC status in the non-rural areas of AT&T and Verizon. The petition is pending.
- ◆ Teledias Communications, Inc. (Docket No. 080650-TX). On October 23, 2008, Teledias Communications filed a petition for ETC status in the non-rural area of AT&T. The petition is pending.
- ◆ TracFone Wireless, Inc. By Order No. FPSC-08-0418-PAA-TP, issued June 23, 2008, in Docket No. 070586-TP, the FPSC approved a petition filed by TracFone for ETC status in rural and non-rural areas of Florida. TracFone's sole purpose in obtaining ETC status is to provide Lifeline service to low-income consumers.
- ◆ Florida Telephone Company (FLATEL). By Order No. FPSC-08-0631-PAA-TX, issued September 24, 2008, in Docket No. 070683-TX, the FPSC approved a petition filed by FLATEL for ETC status in non-rural areas of AT&T Florida and Verizon.
- ◆ dPi Teleconnect, LLC. By Order No. FPSC-08-0630-PAA-TX, issued September 24, 2008, in Docket No. 080043-TX, the FPSC approved a petition filed by dPi Teleconnect for ETC status in non-rural areas of AT&T Florida and Verizon.

- ◆ Tele Circuit Network Corporation (Docket No. 080201-TX). On April 4, 2008, Tele Circuit Network Corporation filed a petition for ETC status in the non-rural areas of AT&T and Verizon. By Order No. PSC-08-0836-PAA-TX, issued December 24, 2008, the FPSC approved Express Phone Service, Inc.'s petition for ETC status.

Federal Activity

The Florida Public Service Commission 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 Federal Communications Commissions (FCC) in response to FCC actions that can affect Florida citizens.

Water and Wastewater

The Governor's Drought Action Plan/ Water Conservation Initiative

Renamed Conserve Florida, the Statewide Conservation Initiative continues to explore ways to encourage utilities to implement cost-effective conservation. In 2003, the Department of Environmental Protection, the five water management districts, the Florida Public Service Commission, the Utility Council of the American Water Works Association (Florida Section), the Utility Council of the Florida Water Environment Association, and the Florida Rural Water Association signed a Joint Statement of Commitment (JSOC) to develop such a program. Subsequent to the signing of the JSOC, and based upon it, the 2004 regular session of the Florida Legislature enacted House Bill 293. The bill creates new Section 373.227, F.S., encouraging the use of efficient, effective, and affordable water conservation measures, and states that a goal-based, accountable, and tailored water conservation program should be emphasized for public water supply utilities in cooperation with the water management districts and other stakeholders.

As a result of the legislative mandates, Conserve Florida contracted with the University of Florida (UF) to establish and maintain a Web-based program to assist utilities in designing cost-effective water conservation programs and to compile a technical library to further water conservation research. The interactive conservation program combines utility specific data and historical program costs, penetration rates, and water savings to design an optimal menu of water conservation programs to assist the utility in meeting its goals, whether internal or mandated by the Water Management Districts. Cost and savings data for each measure will be continually updated as additional utilities implement programs and report results. Regular cost updates streamline the process of investigating individual conservation programs, which may be cost-prohibitive for small utilities. Work continues to make the program more user-friendly to encourage wider application. In addition, Conserve Florida works with UF to design research projects to enhance conservation efforts in conjunction with the UF Water Institute.

In response to the serious water shortage in the state, the Department of Environmental Protection issued Recommendations for a Drought Resistant Florida 2007. The report addressed a wide variety of water conservation measures including the concept of drought pricing. Drought pricing would impose a surcharge in areas experiencing extreme water shortages. FPSC staff, as financial regulators, continue to work with the DEP in implementing any drought pricing measures adopted, consistent with the statutory requirements in Chapter 367, F.S.

Water and Wastewater Rate Cases

Similar to prior years, the Commission processed a large number of water and wastewater rate cases. Of these cases, 10 were processed as staff assisted rate cases pursuant to Chapter 367.0814, F.S. Among these Class "C" utilities were S.V. Utilities, Ltd., Orangeland Water Supply, Raintree Utilities, Orangewood Lakes Services, Inc., and W.P. Utilities, Inc. In addition to the staff-assisted rate cases, the Commission processed 10 rate cases filed by larger water and wastewater companies. These cases included K.W. Resort Utilities Corp., Miles Grant Water and Sewer Company, Wedgefield Utilities, Inc., Colonial Manor Utilities, and Aqua Utilities Florida, Inc. The Aqua Utilities Florida, Inc. rate case consisted of 82 separate systems in 16 counties throughout Florida. As a part of processing these cases, staff conducted 14 customer meetings and participated in 10 service hearings, as well as handled the audits, field examination, and discovery for each case.

Other formal cases processed by the Commission include four limited proceedings, three tariff filings, and one staff-assisted alternative rate setting case. In 2008, staff continued to perform its normal surveillance of the earnings levels of water and wastewater companies regulated by the Public Service Commission. The Commission also processed 62 index application and 30 pass-through applications for water and wastewater companies.

In addition, new rules were established to determine the level of used and useful plant facilities for water treatment.

Water and Wastewater Certification Cases

In 2008, utilities that were granted original certificates and rates and charges were Regency Utilities, Inc., TBBT Utility LLC, and Utility Corporation of Florida, Inc. Previously certificated utilities which had initial rates and charges set in 2008 were Century–Fairfield Village, Ltd., Orange Blossom Utilities, Inc., and Town and Country Utilities Company.

Utilities granted transfers of certificates to regulated utilities were Hudson Utilities, Inc., Cal Clair, Inc. d/b/a Breeze Hill Utility, Tamiami Village Water Company, Inc., and Pine Harbour Water Utilities. The transfer of a previously unregulated utility, Fairways/Mt. Plymouth, Ltd. to Aqua Utilities Florida, Inc., was approved with rate base established. Rate base was also established for the transfer of Hudson Utilities, Inc. Other approved transfers included Pasco



*Conserve Florida -
FPSC staff works with
the DEP in implementing
drought pricing measures .*

Utilities, Inc.'s transfer of majority organizational control and the transfers of Blue Heron Golf and Country Club and Sanibel Bayous Utility Corporation to governmental entities.

Amendments of territory were granted to Mad Hatter Utility, Inc., Miles Grant Water and Sewer Company, North Fort Myers Utility, Inc., San Sebastian Water, LLC, Silver Lake Utilities, Inc., and Sun River Utilities, Inc.

Utilities with corporation reorganizations resulting in name changes were Lake Suzy Utilities, Inc., which became a subsidiary of Aqua Utilities Florida, Inc. and Town and Country Utilities Company, which became MSKP Town and Country Utility, LLC d/b/a Town and Country Utility.

IV Agency Organization

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 FPSC consists of members 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 conferred on the Commission the responsibility of regulating telephone and telegraph companies.
- ◆ In 1929, jurisdiction was given 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 at the end.



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



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 budget, coordinates and maintains the performance measures and outcome/output standards, 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 division also manages the *Facilities Management and Purchasing Section* and the Imaging and Distribution Center. The Division of Administrative Services processes all agency purchasing, security and safety related 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, telephones, and fax systems. Additionally, the division manages the agency-wide administrative procedures manual and inventory/tracking programs.

Division of Regulatory Compliance

The Division of Regulatory Compliance monitors and facilitates the development of competitive markets in the telecommunications industry and conducts audits and reviews in all industries.

The division's *Bureau of Compliance and Tariffs* sets prices and requirements for wholesale offerings (i.e., unbundled network elements and resale), in either an arbitration or a generic proceeding. This bureau arbitrates operational issues between incumbent local exchange companies (ILECs) and competitive local exchange companies (CLECs) that cannot be resolved by the parties and also resolves complaints of an interpretive nature pertaining to existing contracts. The Compliance and Tariffs bureau also (1) processes ILEC, CLEC, and interexchange company (IXC) tariff and price list filings and negotiated agreements and (2) 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 bureau also monitors company compliance with various FPSC rules.

The *Bureau of Performance Analysis* reviews utility performance and operations, investigates and documents current processes and results, and identifies areas for improvement. These reviews may be limited to one company or made on a comparative basis between several companies. Areas for investigation include competitive performance analysis, electric reliability,



Beth Salak

service quality, service availability, systems analysis, and consumer protection. Also, special investigations are conducted relating to systemic utility fraud such as slamming and cramming. This bureau reviews wholesale service quality performance measures that relate to the operations support systems (OSS) provided by BellSouth, Verizon, and Embarq to CLECs. This bureau processes cases involving area code relief, number conservation plans, reclaiming numbering resources from carriers that have failed to activate central office codes, numbering code denials, and cases that involve alleged barriers to entry. The bureau addresses issues related to local number portability and the Lifeline Assistance Program 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*.

The division's *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 the FPSC with an independent verification of the supporting documentation for any statements or filings made by the regulated companies. For auditing purposes, this division operates out of three district offices: Tallahassee, Miami, and Tampa.

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 makes recommendations concerning electric utility plant siting and cost recovery clauses, and also reviews the earnings of the one remaining rate base regulated local telecommunications company.

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 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 certification filings and tariff filings for water and wastewater companies. In



Tim Devlin

proceedings such as rate cases or electric plant need determination cases, the bureau focuses on analyzing any economic or demographic forecast issues, developing rates and rate structure by customer class, and estimating any repression effects on customer demand resulting from higher rates. In addition to rate case activity, this bureau analyzes rate structure for municipal electric utilities and rural electric cooperatives and also makes recommendations on electric utility territorial agreements and disputes. This bureau is involved in rate and rate structure issues such as billing practices, master metering, reconnect policies, cost recovery clauses, and merger effects on rates.

The *Bureau of Cost Analysis and Recovery* makes recommendations to the Commission on electric utility fuel, purchased power, capacity, and environmental cost recovery petitions and administers a power plant efficiency incentive factor as part of the fuel clause. This bureau also makes recommendations to the Commission regarding the purchase gas adjustments (PGA) of local distribution companies (LDC), and conservation cost recovery petitions by electric and gas utilities. Analyzing storm hardening plans, as well as depreciation and cost studies, come under this bureau's responsibility.

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's* functions are performed out of 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 is the lead contact for 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 electric and telecommunications facilities, including the relay service provider. This bureau also resolves conflicts arising from changes in telecommunications service providers and identifies and addresses anti-competitive activities.

The *Bureau of Consumer Assistance* receives, processes, and resolves customer complaints and informal disputes between consumers 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.



Dan Hoppe

Office of the Commission Clerk

The Office of Commission Clerk functions as the official keeper of the public records of the Commission and is responsible for coordinating requests for information. 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 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 prepares, certifies, and transmits records on appeal.

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 Commissioner's calendar for all official appearances, including hearings, pre-hearings, internal affairs meetings, agenda, and special agendas. 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 the Commission case management information system and the Master Commission Directory and helps coordinate case management activities.

The *Hearing Reporter Services Section* records and prepares the official transcripts of hearings, depositions, agenda 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 the General Counsel

The Office of the 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 of the General Counsel's *Appeals, Rules and Mediation Section* 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. This section supports the Office of Strategic and Governmental Affairs in making filings with, or presentations to, other federal, state, or local agencies. The section advises in the promulgation of rules and attends or conducts rulemaking



Ann Cole



Michael G. Cooke

hearings at the direction of the Commission. This section also reviews procurement contracts and provides counsel to the Commission on personnel, contractual, public records, and other administrative legal matters. It also offers mediation services to parties of Commission proceedings.

In cases involving evidentiary hearings before the Commission or an Administrative Law Judge, the *Economic Regulation Section* (for the electric, natural gas, water and wastewater industries) and the *Competitive Markets and Enforcement Section* (for the telecommunications industry) are responsible for conducting discovery, presenting staff positions, presenting any staff testimony, and cross-examining other parties' witnesses. In conjunction with the appropriate technical staff, this office prepares recommendations to the Commission and prepares written Commission orders.

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 for the FPSC.

Office of Inspector General

The Office of Inspector General is established by law to provide a central point for coordination of activities that promote accountability, integrity, and efficiency in government. Reporting directly to the Chairman, the office's major 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 ensure that identified deficiencies are addressed. 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 ability to ensure accountability and achieve its mission and goals.

Office of Public Information

The Office of Public Information (PIF) 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 ensure that timely, accurate information regarding Commission decisions is disseminated to the public. Maintaining a familiarity on a broad array of dockets, issues, and related activities affecting ratepayers or having media interest, the office also writes the agency's news releases and coordinates consumer outreach and media at customer meetings and service hearings.



Lee Kissell



Steven Stolting



Cynthia Muir

Public Information staff implement annual outreach events (National Consumer Protection Week, Lifeline Awareness Week, and Library Outreach) throughout the state to help inform consumers about available utility sources and how to make wise choices. This office additionally 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.

Office of Strategic Analysis and Governmental Affairs

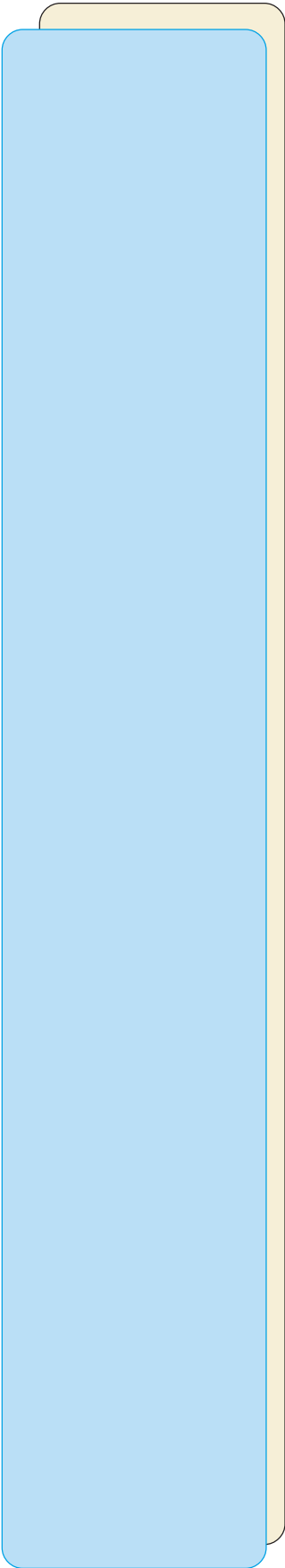
The Office of Strategic Analysis and Governmental Affairs (SGA) is responsible for the FPSC's long range program planning, including the critical assessment of the evolving utility industry and development of strategies that most benefit Florida's citizens. SGA is responsible for implementing and enforcing energy policy enacted by the Florida Legislature and the U.S. Congress, which affects electric and gas utilities in Florida. Additionally, SGA assesses the status and progress of competition within the telecommunications industry and analyzes policy relating to the adequacy, quality, and affordability of Florida's water resources. SGA is the liaison with the Florida Legislature on all matters affecting FPSC program areas and also serves as a liaison with federal regulatory agencies, state agencies, and the Florida Energy and Climate Commission.

The *Strategic Projects Section* assesses developing energy policies and prepares strategy alternatives for consideration by the Commission. This section participates in special studies concerning energy policy, develops discussion papers, and analyzes alternative regulatory approaches for energy policy. Support to Commissioners for NARUC activities pertaining to climate control, conservation, and renewables is also provided, as well as technical support to other staff.

The *Energy Resource Planning Section* is responsible for docketed matters pertaining to demand-side conservation, supply-side generation, and transmission expansion. This section develops and implements conservation goals for FEECA 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 (FRCC), 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.



Ryder Rudd



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 matters regarding the telecommunications industry, acts as a technical liaison with the Universal Service Joint Board of the Federal Communications Commission (FCC), 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 *Legislative Section* monitors state and federal legislation for all industries. This section is the primary liaison for the Commission with the Florida Legislature, U.S. Congress, and other state and federal agencies.

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. Blich	
Newton A. Blich	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		Bush
Katrina J. McMurrrian	01/02/2006 - 01/01/2010		Bush
Ken Littlefield	01/02/2007 - 01/31/2007	Nancy Argenziano	Bush
Nancy Argenziano	05/02/2007 - 01/01/2011		Crist
Nathan A. Skop	05/02/2007 - 01/01/2011		Crist

* 2 year initial term

** 3 year initial term

*** Served/Serving as Chairman