



FLORIDA

PUBLIC

SERVICE

COMMISSION

2001

ANNUAL REPORT

FLORIDA PUBLIC SERVICE COMMISSION
2001 ANNUAL REPORT

Reflects Calendar Year 2001

Edited by

Division of Consumer Affairs
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850



Chairman's Message

For more than 100 years, the Florida Public Service Commission (PSC) has played an integral role in the lives of Floridians. From its early inception, the Commission has evolved from regulating the state's railroads to regulating or overseeing various operations of the telephone, electric, natural gas, and water and wastewater industries. Charged with these important responsibilities, the Commission continues to make decisions that impact the 16 million people living in Florida today.

Our present challenge is to keep up with the rapid changes in the state's utility industries and to participate in those developments, while also making sure the public's interest is well served. We have to be mindful of the competitive pressures that have resulted from the telecommunications markets being opened to competition. In the electric and gas industry, we have to ensure the availability of adequate energy reserves, especially in this state where energy needs are of such paramount importance. As a result of our changing industries, not surprisingly, the Commission is slowly shifting from the role of traditional regulator to one of oversight and enforcement, acting as a mediator and educator in those industries which have been opened to competition. During this shift, however, the PSC has not lost sight of its charge – making sure that Florida's consumers have access to safe and reliable utility services at fair and reasonable rates.

During the 2001 calendar year, the PSC continued its efforts to facilitate development of greater competition in the telecommunications industry. In the electric industry, the Commission evaluated the formation of a Regional Transmission Organization (RTO) and re-evaluated the adequacy of current distribution reliability indices. The Commission worked with the Department of Environmental Protection (DEP) on a statewide Water Conservation Initiative that was launched in response to the Governor's Drought Action Plan. These are but a few of the many activities that kept us busy in 2001.

I am very aware of the complexity of the issues facing us, the demands of informing the public, and the limitations imposed by our state's streamlined budgets. All of these challenges require us to find more efficient ways to meet our obligation to the consumers we serve and to the industries we regulate. The Commission is the vital link between consumers and the utilities. Therefore, our organizational structure should reflect the needs of both. Thus, the Commission ended 2001 with plans for an agency reorganization based upon the need for more competitive market oversight balanced with the need to maintain our essential regulatory framework for those industries which remain subject to rate base regulation. I believe our new organizational structure reflects the Commission's recognition of our evolving regulatory role and our commitment to meet the new opportunities on the horizon.

Although this *Annual Report* is a historical overview and a brief summary of the Commission's divisions and their activities in 2001, the organizational chart and information directory on pages 1 and 2 reflect the current structure of the PSC, effective January 2002. I hope that you'll find, as I do, that the PSC's *Annual Report* is filled with useful information about the telecommunications, electric, natural gas, and water and wastewater industries, and the steps we're taking to prepare for the future.

Sincerely,

A handwritten signature in cursive script, reading "Lila A. Jaber", followed by a horizontal line extending to the right.

Lila A. Jaber
PSC Chairman

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I. Introduction

Information Directory

As a government agency whose operations directly affect the public, the Florida Public Service Commission welcomes your requests for information on matters in which you have a concern. 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

| | |
|--|----------------|
| Lila A. Jaber, Chairman | (850) 413-6044 |
| J. Terry Deason, Commissioner | 413-6038 |
| Braulio L. Baez, Commissioner | 413-6042 |
| Michael A. Palecki, Commissioner | 413-6040 |
| Rudolph "Rudy" Bradley, Commissioner | 413-6046 |
| Executive Director | 413-6055 |
| Deputy Executive Director/Administrative | 413-6071 |
| Deputy Executive Director/External Affairs | 413-6197 |
| General Counsel | 413-6199 |
| Division of Auditing and Safety | 413-6480 |
| Division of the Commission Clerk and Administrative Services | 413-6330 |
| Clerk's Office | 413-6770 |
| Division of Competitive Markets and Enforcement | 413-6600 |
| Division of Consumer Affairs | 413-6100 |
| Toll-Free Number: 1-800-342-3552 (Nationwide) | |
| Toll-Free Fax: 1-800-511-0809 (Florida) | |
| Division of Economic Regulation | 413-6900 |
| Division of External Affairs | 413-6800 |
| Office of Public Information | 413-6482 |
| Office of Market Monitoring and Strategic Analysis | 413-6854 |
| Inspector General | 413-6338 |

E-mail address: contact@psc.state.fl.us

Internet home page: www.floridapsc.com

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400 W. Robinson St.
Orlando, Florida 32801-1775
(407) 245-0846

Tampa
4950 W. Kennedy Blvd.
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Tampa, Florida 33609
(813) 356-1444

PSC Organizational Chart



Michael A. Palecki
Appointed through 01/01/03



J. Terry Deason
Appointed through 01/06/03



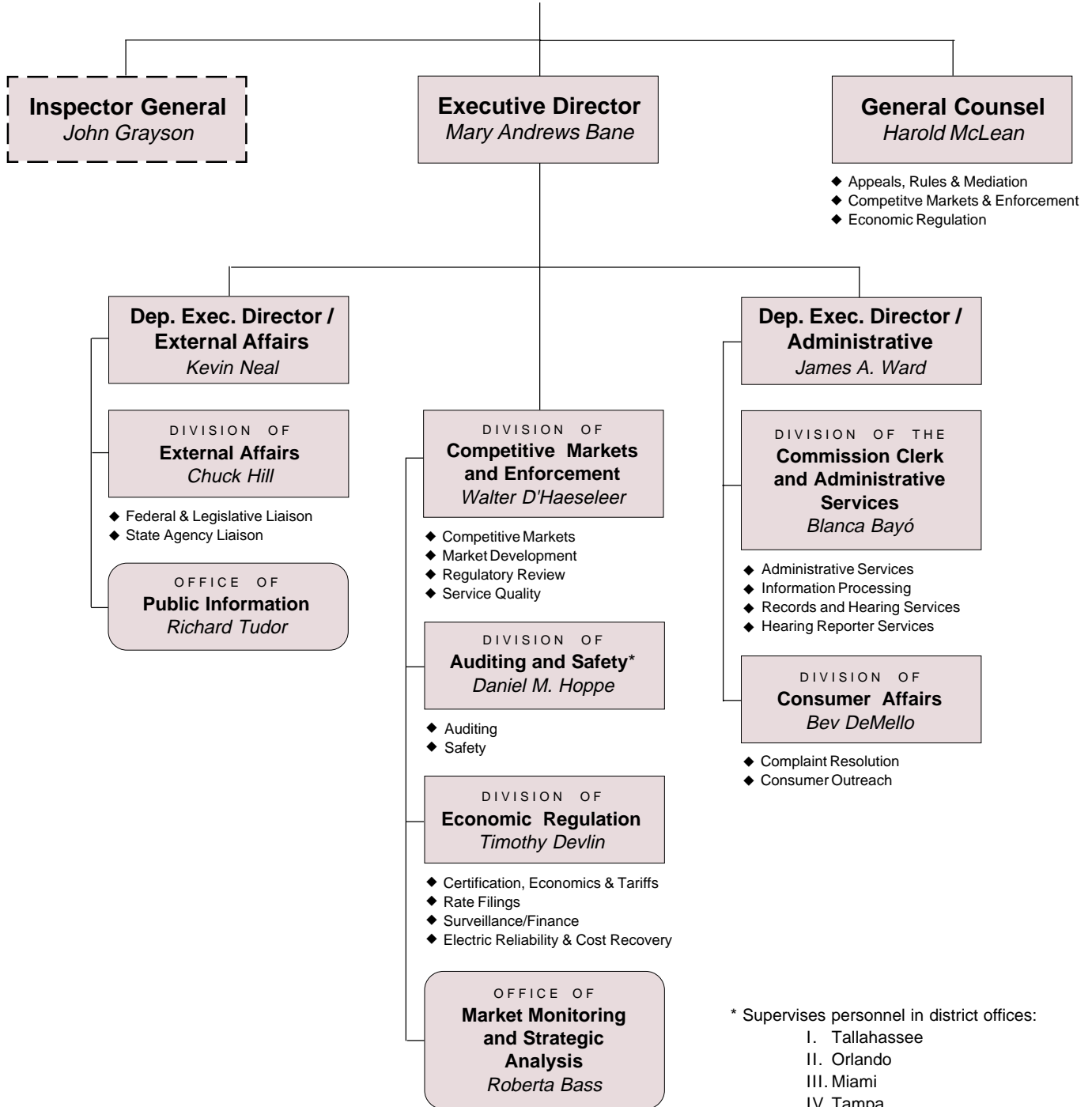
Lila A. Jaber
Appointed through 01/07/05



Braulio L. Baez
Appointed through 01/07/06



Rudolph "Rudy" Bradley
Appointed through 01/08/06



The Commissioners



CHAIRMAN

Lila A. Jaber

Chairman Jaber was appointed to the Florida Public Service Commission (PSC) by Governor Jeb Bush in February 2000 to complete a term ending in January 2001. She was reappointed by Governor Jeb Bush for a term ending in January 2005. Chairman Jaber serves on the National Association of Regulatory Utility Commissioners' Committee on Telecommunications and the Committee on Consumer Affairs. Chairman Jaber chairs the Federal-State Joint Conference on Advanced Services created by the Federal Communications Commission (FCC) to promote the rapid deployment of advanced services to all Americans. In July 2001, she was appointed to the Federal-State Joint Board on Universal Service created to promote the availability and access to quality telecommunications services at just, reasonable and affordable rates throughout the Nation. Chairman Jaber has served as co-chair of the e-Infrastructure Subcommittee for the Information Service Technology Development Task Force (ITFlorida.com) and is a current member of the Florida Research Consortium, the affiliate of ITFlorida.com created as a partnership between Florida's universities and technology sectors to focus on high-tech research and development and collaboration between researchers and Florida's high-tech entrepreneurs. Chairman Jaber is a court-certified mediator and a member of the Florida Bar. Chairman Jaber received a bachelor of arts degree in political science and business from Stetson University in DeLand, Florida, and received a juris doctorate from the Stetson University College of Law in St. Petersburg, Florida.



COMMISSIONER

J. Terry Deason

Commissioner Deason was first appointed to the Commission by the Florida Public Service Commission Nominating Council in January 1991 for a term ending in January 1995. He was subsequently reappointed by the late Governor Lawton Chiles for a term ending in January 1999. Commissioner Deason was then reappointed by Governor Jeb Bush to his current term, which ends in January 2003. Commissioner Deason has served as Chairman of the Commission on two occasions, from January 1993 to January 1995, and from July 2000 to January 2001. Commissioner Deason is an active member of the National Association of Regulatory Utility Commissioners (NARUC). He currently serves on NARUC's Board of Directors, its Finance and Technology Committee, and its Utility Association Oversight Committee. Prior to his appointment, he served as Chief Regulatory Analyst in the Office of Public Counsel. In that capacity, he was responsible for the coordination of accounting and financial analysis used by the Public Counsel in cases before the Public Service Commission, presented testimony as an expert witness, and consulted with the Public Counsel on technical issues and ratemaking policies concerning regulated utilities in the State of Florida. From 1981 to 1987, Commissioner Deason served as Executive Assistant to PSC Commissioner Gerald L. Gunter, during which time he reviewed and analyzed staff recommendations and advised the Commissioner on those recommendations and other pertinent policy determinations. From 1977 to 1981, he served as a Legislative Analyst with the Office of Public Counsel. He attended the U.S. Military Academy at West Point, and in 1975 received his bachelor of science degree in accounting, summa cum laude, from Florida State University. He also received his master of accounting degree from FSU in 1989.



COMMISSIONER

Braulio L. Baez

Commissioner Baez was appointed to the Florida Public Service Commission by Governor Jeb Bush on August 23, 2000, to complete a term ending January, 2002. He was then reappointed by the Governor to a four year term ending January, 2006. Prior to his appointment, Commissioner Baez was an attorney in Miami, Florida, with a statewide practice representing municipal and county governments in telecommunications, cable franchising and other regulatory matters. He was Executive Assistant to Commissioner Joe Garcia from 1994 to 1998. A native of South Florida, Commissioner Baez received his undergraduate degree from Florida International University in 1988, and his Juris Doctorate degree from Nova University, Shepard Broad Law Center, in 1993. Commissioner Baez serves on the National Association of Regulatory Utility Commissioners' Committees on Electricity and International Relations and is President of the Southeastern Association of Regulatory Utility Commissioners. He was appointed to the North American Electric Reliability Council, and is a member of the Florida Bar and American Bar Association. He is a past Director of the Hispanic Bar Association, 2nd Judicial District.



COMMISSIONER

Michael A. Palecki

Commissioner Palecki was appointed to the Florida Public Service Commission by Governor Jeb Bush on November 20, 2000, to complete a term ending in January 2003. From 1995 until his appointment, Commissioner Palecki was Manager of Regulatory Affairs for NUI Corporation, where he practiced before the New York, Pennsylvania, Maryland, North Carolina and Florida Public Service Commissions. He also served as Secretary of the Associated Gas Distributors of Florida, and was on the Board of Directors of the Florida Natural Gas Association. From 1989 to 1995, Commissioner Palecki was an attorney for the Florida Public Service Commission, and was promoted to Chief of the Electric and Gas Bureau in the Legal Division in 1990. Prior to that, he was an attorney for the State Fire Marshal's Office, where he prosecuted arsons and fire-related murders statewide. He also worked with a major law firm, where he represented 23 insurance companies in over 100 arson and fraud cases. He became president of the Florida Advisory Committee on Arson Prevention, and was a founding partner of FireDogs, a company that pioneered the training and use of canines to "sniff" for evidence of arson at fire scenes. Commissioner Palecki also worked for the State Attorney's Office in Polk County, and for the Florida Attorney General's Office, where he argued and won over 300 criminal cases, including the U.S. Supreme Court case of *Tibbs v. State*, preserving Florida's right to retry defendants after appellate reversal of conviction. He serves on the National Association of Regulatory Utility Commissioners' Committee on Water. Commissioner Palecki is a 1976 graduate of the Stetson University College of Law. He is a member of the Florida Bar and is admitted to practice in several federal courts, including the U.S. Supreme Court.



COMMISSIONER

Rudolph "Rudy" Bradley

Commissioner Bradley was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four year term beginning January 8, 2002. Commissioner Bradley serves on the National Association of Regulatory Utility Commissioner's Committees on Consumer Affairs, Gas and International Relations. He is also a member of the Energy Market Access Partnership Board which is a joint project between the Department of Energy and the National Association of Regulatory Utility Commissioners. Prior to his appointment to the Commission, Commissioner Bradley served as a member of the Florida Legislature for seven years representing District 55 which includes Pinellas, Manatee and Hillsborough Counties. As a member of the Legislature, he served as the Vice Chairman of the Utilities and Telecommunications Committee and as the Chairman of the Select Committee on Energy Restructuring. Commissioner Bradley also served as the Chairman of the Business Development and International Trade Committee and Chairman of the Economic Development Council. As a legislator, Commissioner Bradley maintained a special interest in improving Florida's educational system and expanding business opportunities for all citizens. Commissioner Bradley earned his Bachelor of Science Degree from the University of Tampa and his Masters Degree from the University of Michigan. He served as an educator in Pinellas County for several years and he developed several private enterprises involving real estate and livestock.

National Association of Regulatory Utility Commissioners
Current Committee and Subcommittee Memberships

| | |
|------------------------|---|
| Lila A. Jaber | Committee on Consumer Affairs Committee on Telecommunications Representative, Federal-State Joint Board on Universal Service Representative, Federal-State Conference on Advanced Telecommunications Services (Section 706) |
| J. Terry Deason | Board of Directors Committee on Finance and Technology |
| Braulio L. Baez | Committee on Electricity Committee on International Relations Ad Hoc Committee on National Energy Policy |
| Michael A. Palecki | Committee on Water |
| Rudolph "Rudy" Bradley | Committee on Consumer Affairs Committee on Gas Committee on International Relations |
| Cheryl Bulecza-Banks | Staff Subcommittee on Gas |
| James W. Dean | Staff Subcommittee on Electricity |
| Beverlee S. DeMello | Staff Subcommittee on Consumer Affairs Staff Subcommittee on Public Information |
| Timothy J. Devlin | Staff Subcommittee on Accounting and Finance |
| David Dowds | Staff Committee for Federal-State Joint Board |
| Margaret Feaster | Staff Subcommittee on Information Services |
| Gregory Fogleman | Staff Subcommittee on Telecommunications Staff Committee for Federal-State Joint Board |
| Greg Shafer | Staff Committee for Federal-State Joint Conference on Advanced Telecommunications Services (Section 706) |
| Mark Futrell | Vice Chair, Staff Subcommittee on Electric Reliability |
| Lisa Harvey | Staff Subcommittee on Competition and Performance Analysis |
| Patricia Lee | Chair, Staff Subcommittee on Depreciation and Technology |
| Kathryn Lewis | Staff Subcommittee on Nuclear Issues - Waste Disposal |
| Harold McLean | Staff Subcommittee on Law |
| John Mann | Staff Subcommittee on Telecommunications Staff Committee for Federal-State Joint Conference on Advanced Telecommunications Services (Section 706) |
| Jim Ruehl | Representative, American National Standards Institute (ANSI) C-2 Committee (National Electrical Safety Code) Member, ANSI C-12 Committee (Code for Electricity Metering) |
| Mary A. Bane | Staff Subcommittee on Executive Management |
| John D. Williams | Staff Subcommittee on Water |

Florida Public Service Commissioner History

| Commissioner | Years Served | Replaced by | Appointed by Governor |
|---------------------|-------------------------|-------------|-----------------------|
| 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, and recreated in 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 | 10/01/02 - 01/04/27 | R. L. Eaton | |
| Jefferson B. Brown | 01/06/03 - 01/08/07 | Newton A. Blitch | |
| Newton A. Blitch | 01/08/07 - 10/30/21 | A. D. Campbell | |
| Royal C. Dunn | 01/04/09 - 01/04/21 | A. S. Wells | |
| A. S. Wells | 01/04/21 - 12/16/30 | L. D. Reagin | |
| A. D. Campbell | 11/12/22 - 02/10/24 | E. S. Mathews | |
| E. S. Mathews | 02/25/24 - 01/16/46 | Wilbur C. King | |
| R. L. Eaton | 01/04/27 - 02/27/27 | Mrs. R. L. Eaton-Greene | |
| Mrs. R. L. Eaton-Greene | 02/27/27 - 01/08/35 | Jerry W. Carter | |
| L. D. Reagin | 12/16/30 - 07/06/31 | Tucker Savage | |
| Tucker Savage | 07/06/31 - 01/03/33 | W. B. Douglass | |
| W. B. Douglass | 01/03/33 - 08/04/47 | Richard A. Mack | |
| Jerry W. Carter | 01/08/35 - 01/05/71 | William H. Bevis | |
| Wilbur C. King | 01/08/47 - 07/18/64 | William T. Mayo | |
| Richard A. Mack | 09/15/47 - 01/05/55 | Alan S. Boyd | |
| Alan S. Boyd | 01/05/55 - 12/01/59 | Edwin L. Mason | |
| Edwin L. Mason | 12/01/59 - 01/06/69 | Jess Yarborough | |
| William T. Mayo | 09/01/64 - 12/31/80 | Katie Nichols | Graham* |
| Jess Yarborough | 01/06/69 - 01/02/73 | Paula F. Hawkins | |
| William H. Bevis | 01/05/71 - 01/03/78 | Robert T. Mann | |
| Paula F. Hawkins | 01/02/73 - 03/21/79 | John R. Marks, III | |
| Robert T. Mann*** | 01/04/78 - 01/03/81 | Susan Leisner | Graham** |

The Commission became appointive January 1, 1979

| | | | |
|------------------------|---------------------|------------------------|------------------------|
| Joseph P. Cresse*** | 01/02/79 - 12/31/85 | John T. Herndon | Askew/Graham |
| Gerald L. Gunter*** | 01/02/79 - 06/12/91 | Susan F. Clark | Askew/Graham |
| | | | PSC Nominating Council |
| John R. Marks, III*** | 03/22/79 - 03/02/87 | Thomas M. Beard | Graham** |
| Katie Nichols*** | 01/02/81 - 01/03/89 | Betty Easley | Graham |
| Susan Leisner | 02/16/81 - 04/02/85 | Michael McK. Wilson | Graham |
| Michael McK. Wilson*** | 07/12/85 - 11/22/91 | Luis J. Lauredo | Graham/Martinez |
| John T. Herndon | 01/07/86 - 04/17/90 | Frank S. Messersmith | Graham |
| Thomas M. Beard*** | 03/03/87 - 08/13/93 | Diane K. Kiesling | Martinez |
| Betty Easley | 01/03/89 - 01/05/93 | Julia L. Johnson | Martinez |
| Frank S. Messersmith | 06/19/90 - 02/05/91 | J. Terry Deason | Martinez |
| J. Terry Deason*** | 02/06/91 - 01/06/03 | | PSC Nominating Council |
| | | | Chiles/Bush |
| Susan F. Clark*** | 08/15/91 - 07/31/00 | Michael A. Palecki | Chiles/Bush |
| Luis J. Lauredo | 01/23/92 - 05/16/94 | Jose "Joe" Garcia | Chiles |
| Julia L. Johnson*** | 01/05/93 - 11/15/99 | Lila A. Jaber | Chiles |
| Diane K. Kiesling | 12/07/93 - 01/05/98 | E. Leon Jacobs, Jr. | Chiles |
| Jose "Joe" Garcia*** | 08/19/94 - 06/30/00 | Braulio L. Baez | Chiles/Bush |
| E. Leon Jacobs, Jr.*** | 01/06/98 - 01/07/02 | Rudolph "Rudy" Bradley | Chiles |
| Lila A. Jaber | 02/29/00 - 01/03/05 | | Bush |
| Braulio L. Baez | 09/01/00 - 01/02/06 | | Bush |
| Michael A. Palecki | 12/19/00 - 01/06/03 | | Bush |
| Rudolph "Rudy" Bradley | 01/07/02 - 01/02/06 | | Bush |

* 2-year initial term

** 3-year initial term

*** Served as Chairman

Maintaining the Balance

The work of the Florida Public Service Commission (PSC) is a balancing act. The PSC must balance the needs of each utility and its shareholders with the needs of consumers. Traditionally, the PSC achieved this goal by establishing exclusive utility service territories, regulating the rates and profits of each utility, and placing an affirmative obligation on the utility to provide service to all who requested it. For electric and water customers in the state, many of the PSC's traditional methods for achieving the balance continue today. Legislative action during the 1995 session to open up the local telephone market to increased competition, however, has required the PSC to facilitate entry of new firms into the local telephone market, while at the same time ensuring that neither the new entrant nor the incumbent local exchange company is unfairly advantaged or disadvantaged. Thus, the PSC's role in the increasingly competitive telephone industry remains one of balance.

The Florida Public Service Commission consists of five 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.

The Governor appoints Commissioners from nominees selected by the Public Service Commission Nominating Council. Commissioners also must be confirmed by the Florida Senate. Each Commissioner serves a four-year term unless he or she is appointed to replace a departing Commissioner, in which case the new Commissioner will serve out that term. Should the Governor fail to appoint a new Commissioner by the 60th day following receipt of the slate of nominees, the PSC Nominating Council is empowered to appoint, by majority vote, one of the nominees it submitted to the Governor.

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

During 2001, the PSC regulated five investor-owned electric companies, seven investor-owned natural gas utilities, and 207 investor-owned water/wastewater utilities. Additionally, the PSC had regulatory authority and competitive market oversight for 10 incumbent local exchange telephone companies, 439 alternative local exchange telephone companies, 627 long distance (interexchange) telephone companies, 586 competitive pay telephone service providers, 38 alternative access vendors and 28 shared tenant service providers.

While the PSC does not regulate publicly owned, municipal or cooperative utilities, it does have jurisdiction, with regard to rate structure, territorial boundaries, bulk power supply operations and planning, over 32 municipally owned electric systems and 18 rural electric cooperatives. The PSC also has jurisdiction, with regard to territorial boundaries and safety, over 27 municipally owned natural gas utilities, and exercises safety authority over all electric and natural gas systems operating in the state.

In 2001, the PSC received and processed 16,195 numbered documents, which was a decrease of 342 documents over the 2000 total of 16,537. The PSC opened 1,683 dockets, reopened 30 dockets, and closed 1,833 in 2001. The PSC had 386 authorized positions and an annual budget of approximately \$27 million for fiscal year 2001-2002.



EXECUTIVE DIRECTOR

Mary A. Bane

The Executive Director is, essentially, the chief of staff of the Commission, with general responsibility over technical and administrative operations. She acts as an interagency liaison and consults with and advises the Commission on economic and governmental matters. The Office of the Executive Director includes two Deputy Executive Directors. This division of executive duties helps to facilitate the flow and efficiency of the Commission's workload, and provides the proper direction and leadership for the staff. The Office coordinates the activities of the Divisions of Auditing and Safety, Competitive Markets and Enforcement and Economic Regulation, and the Office of Market and Monitoring and Strategic Analysis. The Executive Director is also responsible for implementing Commission policies and making recommendations for the development and implementation of internal management and budget policies.



DEPUTY EXECUTIVE DIRECTOR /
ADMINISTRATIVE

James A. Ward

James Ward is Deputy Executive Director over the Divisions of the Commission Clerk and Administrative Services, and Consumer Affairs.



DEPUTY EXECUTIVE DIRECTOR /
EXTERNAL AFFAIRS

Kevin Neal

Kevin Neal is Deputy Executive Director over the Division of External Affairs, and the Office of Public Information.



GENERAL COUNSEL

Harold McLean

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

II. Highlights of the PSC's Regulatory Efforts for Calendar Year 2001

A number of regulatory issues presented significant challenges for the Florida Public Service Commission (PSC) in 2001. What follows is a summary of the most significant issues to arise during the calendar year, as well as a description of how the PSC dealt with each.

ELECTRIC INDUSTRY

Electric Reliability

The PSC initiated a rulemaking proceeding in 2001 to re-evaluate the adequacy of current distribution reliability indices reported to the Commission. Historically, company reports included the distribution reliability indices required by Rule 25-6.0455, but additional indices have been reported on a trial basis since at least 1998. In June 2001, the PSC directed the utilities to continue reporting the trial distribution reliability indices until such time that revisions to Rule 25-6.0455 are adopted. A staff rule workshop was held on September 26, 2001, and comments were filed on November 26, 2001. In its rulemaking efforts, the PSC will consider changes to distribution reliability reporting requirements. Reliability standards and/or reliability incentives are also being discussed as part of the rulemaking.

The PSC staff also conducted a review on electric utility lightning protection during 2001. In the February 2002 report, *Comparative Review of Lightning Protection by the Four Largest Florida Investor-Owned Utilities*, PSC staff documented and compared lightning protection that each utility had installed on transmission, distribution, and substation facilities. The report also analyzed the latest lightning protection technology available and the number of customer outages as a result of lightning. The final report had 19 recommendations such as purchasing new lightning strike software or considering the installation of other new protective equipment. The Commission staff also recommended that two companies reassess their entire lightning mitigation program.

Florida Power Corporation Merger

Florida Progress Corporation (parent of Florida Power Corporation) completed its merger with CP&L Energy, Inc., (parent of Carolina Power and Light Company) in December 2000. The merger created a company that is one of the ten largest U.S. utilities. The company is called Progress Energy.

The PSC prepared summaries of the filing, conducted discovery, and drafted comments for the Federal Energy Regulatory Commission (FERC). In addition, the PSC required Florida Power Corporation to file the necessary information for a complete review of its rates and earnings.

Electric Utility Refunds

During 2001, Florida Power and Light (FP&L) was required to refund \$108,827,000 based on its revenue sharing plan, which extends to April 2002. Tampa Electric Company (TECO) was required to refund \$6,307,427 for 1999's earnings as a result of its revenue sharing plan. Finally, Gulf Power Company (GPC) made refunds of \$7,203,024 in February 2001 and \$1,529,875 in February 2002, as a result of its revenue sharing plan.

Environmental Cost Recovery Clause

The PSC denied Gulf Power's request to recover the costs of environmental requirements incidental to the construction of its new generating facility at Plant Smith through the environmental cost recovery clause (ECRC). The PSC determined that recovery of prudently incurred expenses associated with the construction of new facilities is appropriate through base rates, rather than through the ECRC. Gulf Power protested the PSC's decision. The matter is now an issue in Gulf Power's rate case.

Florida Energy 2020 Study Commission

In the spring of 2000, Governor Jeb Bush established by Executive Order the Florida Energy 2020 Study Commission to determine what Florida's electric energy needs will be over the next 20 years and how best to supply those needs. PSC staff members attended the 2020 Commission's meetings, provided staff assistance, and made presentations on request. The 2020 Commission issued its final report in December 2001.

Power Plant Need Determination

In April 2001, the Commission granted a joint petition by Orlando Utilities Commission (OUC), Kissimmee Utility Authority (KUA), Florida Municipal Power Authority (FMPA), and Southern-Florida to construct a 633 MW gas-fired combined cycle unit at the existing Stanton site in Orange County. This unit was certified under the Power Plant Siting Act in September 2001. Construction began immediately thereafter to meet an anticipated October 2003 in-service date.

Regional Transmission Organization

In June 2001, FPL, FPC, and TECO filed petitions asking the Florida Public Service Commission to determine the prudence of the formation of, and their participation in, GridFlorida. Hearings were held in October 2001 and the Commission issued its Order in December 2001. The Commission found that the GridFlorida Companies were prudent in proactively forming GridFlorida. However, the Commission stated its belief that certain aspects of GridFlorida were not in the best interests of Florida's retail ratepayers at this time, most particularly the transfer of ownership of transmission assets. In addition, it was found that GridFlorida should be structured as an independent system operator (ISO). The GridFlorida Companies were ordered to modify the GridFlorida proposal consistent with the terms of the Order and file the modified proposal with the Commission within 90 days. The GridFlorida Companies filed a modified proposal in March 2002. A Commission workshop addressing the modified proposal was held in May 2002 and the Commission is scheduled to consider the proposal in August 2002.

Nuclear Waste Issues

Florida's nuclear plants currently store spent nuclear fuel on site in spent fuel pools. These spent fuel pools will reach full storage capacity within the next 10 years, the first in 2005. As plant sites were not designed for long-term storage of spent nuclear fuel, the plants could ultimately be required to shut down if the spent fuel is not removed. The federal Nuclear Waste Policy Act (NWPA) requires each plant to enter into a contract with the Department of Energy (DOE) for the removal of its spent nuclear fuel. The DOE was to begin removal of the spent fuel from plant sites across the U.S. in January 1998, however, the DOE failed to meet this removal date.

Florida ratepayers have paid over \$586 million (\$887 million with interest) into the Nuclear Waste Fund, so that the DOE can administer a nuclear waste disposal program. Despite this substantial investment by Florida ratepayers, no benefits have been received, as the waste remains at plant sites

across the country. Consequently, the PSC has been actively involved in efforts to require the DOE to fulfill its statutory obligation. The PSC has urged the DOE and Congress to move forward with the decision making process regarding the selection and construction of a repository site for the permanent geologic disposal of spent nuclear fuel and high level nuclear waste. The PSC is also a member of the Nuclear Waste Strategy Coalition, an organization comprised of state regulators, state attorneys general, nuclear electric utilities and associate members, who work together to hold the federal government accountable for the removal of spent nuclear fuel from power plants across the nation.

Recent progress was made when President Bush notified Congress on February 15, 2002, that he considers the Yucca Mountain, Nevada site to be qualified for development as a repository. If the President's recommendation survives the state of Nevada's attempts to override it, the DOE must still secure adequate funding from Congress and obtain the necessary permits from the Nuclear Regulatory Commission to move forward with the project. Therefore, the PSC continues its efforts to support the removal of spent nuclear fuel from Florida plant sites and permanent disposal in a geologic repository as envisioned by the NWPA.

TELECOMMUNICATIONS INDUSTRY

Area Code Activity in Florida

Prior to 1995, Florida had four area codes in place. Today, the area code count is 17. The need for additional area codes has been the result of an ever-increasing demand for numbering resources due to the increase in Florida's population, along with new number-utilizing technologies such as fax machines, computers, pagers, cellular phones, and other wireless technology.

During 2001, the PSC addressed proposals for area code relief for the 941 area code, which was nearing jeopardy. The North American Numbering Plan Administration (NANPA), the organization that oversees the nation's area code system, considers an area code to be in jeopardy when the demand for new telephone numbers is projected to exceed the known supply of numbers prior to the area code's estimated exhaust date.

As part of the processing of this area code relief case, the PSC held customer service hearings in Palmetto, Sarasota, Englewood, Port Charlotte, Naples, and Ft. Myers to solicit input from customers, businesses, governmental entities, and city, state, and county officials. On August 16, 2001, the PSC selected an area code relief plan for this area. The relief measures included several number conservation measures designed to slow the rate at which phone numbers are expended in this part of the state. Final Order No. PSC-01-1804-FOF-TL was issued on September 6, 2001.

Arbitration Requests

The previous year marked the end of many of the original interconnection agreements entered into by various companies after the enactment of the Telecommunications Act of 1996. Consequently, several new dockets were opened by the PSC to process requests for arbitration of new agreements. A number of those dockets, including the BellSouth/MCI arbitration (Docket No. 000649-TP), BellSouth/AT&T arbitration (Docket No. 000731-TP) and the BellSouth/Sprint arbitration (Docket No. 000828-TP), progressed through the hearing phase in late 2000 and early 2001, and new agreements were approved by the Commission in 2001.

Pricing of Unbundled Network Elements

Under the Telecommunications Act of 1996, incumbent local exchange companies (ILECs) were required to make parts of their networks available to alternative local exchange companies (ALECs) for use in providing local telephone service. The separate components of the existing local phone network were called "unbundled network elements" (UNEs).

Since pricing of UNEs is integral to the economic viability of ALECs and is a recurring issue in arbitration requests, the PSC established a generic proceeding (Docket No. 990649-TP) to set UNE rates for Florida's three major ILECs: BellSouth Telecommunications, Inc., Sprint-Florida, Incorporated, and Verizon (formerly GTE Florida, Inc.). A hearing on BellSouth's rates was held in late 2000, and at the April 18, 2001 Special Agenda, the PSC set rates for more than 1,400 BellSouth network elements. A number of issues, however, are being evaluated further, including (1) hybrid copper/fiber xDSL-capable loops; (2) network reliability and security concerns; (3) revisions in the cost study for network interface devices (NIDs); and (4) cable placements and associated structures. The Commission is expected to make a decision on these issues in 2002.

Hearings on Sprint and Verizon's rates are scheduled to be held during 2002.

Quality of Service

The PSC approved a settlement in an enforcement proceeding initiated in 1999 against BellSouth Telecommunications, Inc., for failure to meet the PSC's quality-of-service rules. In its settlement agreement approved by the PSC in 2001, BellSouth Telecommunications, Inc., will provide automatic credits to customers whose service is affected by delayed installations or delayed repair. BellSouth Telecommunications, Inc., further, will contribute money to a Community Service Fund for use to promote Lifeline service. BellSouth Telecommunications, Inc., also paid a settlement in the amount of \$125,000 to the State of Florida's General Revenue Fund.

In 2001, the PSC initiated further enforcement proceedings against BellSouth Telecommunications, Inc., for its continued failure to meet the PSC's quality-of-service rules. BellSouth Telecommunications, Inc., filed a settlement agreement to resolve the issues in this proceeding. The Commission approved the settlement agreement and the company will extend, for one year, the automatic credits to customers whose service is affected by delayed installations or delayed repair. In addition, BellSouth Telecommunications, Inc., will continue to contribute to the Community Service Fund and will establish approximately 8,000 Internet accounts per year for three years for Florida K-12 public schools.

In 1999, the PSC initiated an enforcement proceeding against Verizon Florida Inc., for failure to meet the PSC's quality-of-service rules. During 2001, Verizon Florida Inc., filed a settlement agreement which the Commission approved whereby Verizon Florida Inc., will contribute \$2,000,000 to the State of Florida's General Revenue Fund.

Prepaid Calling Card Services

The PSC conducted tests on prepaid calling cards to verify compliance with the PSC's disclosure requirements and service standards. Prepaid calling services providers were notified of any discrepancies and provided an opportunity to resolve the discrepancies. Several proceedings were established resulting in refunds of overcharges or settlement payments to the State of Florida's General Revenue Fund. The PSC also resolved customer complaints with prepaid calling card services.

Reciprocal Compensation

Reciprocal compensation refers to the payment mechanism mandated by the FCC, by which phone companies are to be compensated for terminating local telephone traffic that originates on the network of another company. The issue of the appropriate application of reciprocal compensation continues to be a hot topic at both the state and federal levels. As a result, the PSC opened a generic docket in January 2000 to investigate the appropriate methods to compensate telecommunications carriers for exchange of traffic subject to Section 251 of the Telecommunications Act of 1996. A considerable amount of time has been devoted to this docket, which is ongoing.

Originally, the generic docket considered compensation issues involving traffic bound for Internet Service Providers (ISPs). However, the Commission incorporated additional issues including (1) when ALECs are entitled to the Tandem Switching rate; (2) how "local calling area" should be defined; (3) what should be the responsibilities of an originating local carrier to transport its traffic to another local carrier; (4) under what conditions may carriers utilize "virtual NXXs," and (5) whether the Commission should establish a default compensation mechanism. Subsequently, the proceeding was bifurcated into two phases: Phase I - addressing ISP-bound traffic and Phase II - addressing the remaining compensation issues.

On March 7-9, 2001, a hearing was held for Phase I of this docket. Subsequently, on April 19, 2001, the FCC issued a decision in CC Docket Nos. 96-98 and 99-68, stating that ISP-bound traffic was "information access" not subject to the reciprocal compensation obligations in Section 251 of the Act. The FCC further determined that it had exclusive jurisdiction over ISP-bound traffic and that States would no longer have authority to address compensation for ISP-bound traffic.

A hearing was held for Phase II of this docket on July 5-6, 2001. A number of the issues were decided by the Commission at a Special Agenda Conference held on December 5, 2001. A follow-up hearing will be held during 2002 to further address items (2) and (5) referenced above.

BellSouth Petition for InterLATA Authority

The Telecommunications Act of 1996 conditioned Bell Operating Companies' (BOCs') provision of in-region, interLATA service on compliance with certain market opening requirements contained in Section 271 of the Act. On May 31, 2001, BellSouth filed its second petition with the PSC to provide interLATA services in Florida. The Commission conducted a hearing in October 2001 regarding BellSouth's compliance with the 14-point checklist outlined in the Act. Subsequently, the Commission deferred decision-making on the portion of BellSouth's 271 application which was addressed at the hearing, until the completion of its Operations Support Systems (OSS) testing.

Testing of BellSouth's Operations Support Systems

Section 271 of the Telecommunications Act of 1996 grants the FCC enforcement authority to ensure that the Bell Operating Companies continue to comply with market-opening requirements after the FCC has approved their applications to provide long distance service in their home regions. In accordance with Section 271, the PSC continued to oversee the third-party testing of BellSouth's operations support systems (OSS) by KPMG Consulting, Inc., during 2001.

The results of this testing will provide the basis for the PSC's recommendation to the FCC regarding whether BellSouth is providing non-discriminatory access to its OSS functions to alternative local exchange companies (ALECs). The OSS tests, in conjunction with PSC Docket No. 960786-TL, will assess the adequacy of the systems BellSouth provides to ALECs. The tests will be used to ascertain

whether the operations support systems provide the ALECs with a meaningful opportunity to compete or service on a level at parity with that provided by BellSouth to its analogous retail operations. The testing began in January 2000 and is scheduled for completion in summer 2002. The PSC staff has encouraged ALEC participation and closely monitored interaction between BellSouth, the KPMG Consulting test team, and the ALECs, to ensure that the tests are vigorous, fair, and open.

In Docket No. 000121-TP, during 2001, the PSC conducted hearings and workshops that led to the development of an OSS performance assessment plan for BellSouth. The company will implement the plan by May 31, 2002. After implementation, self-effectuating payments will be made by BellSouth to ALECs and to the PSC if BellSouth fails to meet the prescribed benchmark service levels. Development of similar plans for Verizon and for Sprint will begin during 2002. The intent of these OSS performance assessment plans is to further competition, ensure quality of service to ALECs, and effectively drive process enhancements to deliver improved telecommunication services throughout Florida.

Section 706 Joint Conference

The deployment and provision of advanced telecommunications services continues to be an important issue in the telecommunications arena. Under Section 706 of the Telecommunications Act of 1996, the FCC and the States are given authority to encourage widespread deployment of broadband technologies. In its efforts to comply with the requirements of Section 706, the FCC convened a Federal-State Joint Conference. The Florida Commission has committed resources toward this effort and Florida Commissioner Lila A. Jaber is the current Chairman of the Conference. The PSC hosted a regional Joint Conference hearing in Miami Beach in 2000. In addition, PSC staff, in conjunction with such groups as the National Regulatory Research Institute (NRRRI) and the National Telecommunications and Information Administration (NTIA), are currently researching the status of "killer applications" that will drive greater acceptance of broadband technology and the reasons for variance in "take rates" among the States. On an ongoing basis, the PSC staff participates in bi-weekly calls that showcase recent developments and trends in broadband deployment.

Universal Service for Rural Health Care Program

In November 2000, PSC staff and Florida Department of Health (DOH) staff met to discuss initiation of a joint effort to increase the amount of universal service funding awarded to Florida rural health care providers. Project tasks included evaluating the impact of the Universal Service for Rural Health Care Program on Florida, assisting the DOH with informing eligible Florida rural health care providers about the program, and urging the Universal Service Administrative Company's (USAC) Rural Health Care Division (RHCD) to be more assertive in its efforts to inform Florida rural health care providers about the program, and exploring recommending to the USAC that it simplify the application process.

As part of the project, staff requested that USAC participate at the May 10-11, 2001, Florida Rural Health Summit. Mr. Melvin Blackwell, Vice President of USAC's RHCD, was asked to conduct the workshop, which proved to be a success. Workshop participants represented various organizations involved in the application of telecommunications technologies and telehealth throughout Florida, including the Governor's Office, local health care service providers, DOH, the Florida State Technology Office (STO), and the Agency for Health Care Administration.

During the remainder of 2001, PSC staff continued to work with USAC, DOH, and the STO to assist Florida's rural health care providers in learning about the program and the application process. It is anticipated that through this cooperative effort Florida's rural health care providers will have a better opportunity to receive funding through this program. As many as 72 of Florida's rural health care providers may receive funding during 2002, whereas none received funding in 2001. PSC staff will continue to monitor the Rural Health Care Program and explore additional ways to improve the program if warranted.

WATER & WASTEWATER INDUSTRIES

Copper Pipe Corrosion Project

In August of 2000, the PSC initiated an Interagency Copper Pipe Corrosion Project with the Florida Department of Community Affairs (DCA) and the Florida Department of Environmental Protection (DEP). These agencies were joined by representatives from the Florida Association of Counties, the Florida Building Commission, the Florida Department of Health, the St. Johns River Water Management District, the Southwest Florida Water Management District, Pinellas County Utilities, the Florida Rural Water Association, and other government agencies, associations, universities and private businesses.

The goal of the interagency project was to find a consolidated solution to copper pipe corrosion. Three work groups were formed. The Sulfide Source Water Issues Work Group's task was to explore possible water treatment options to remove hydrogen sulfide and possible revisions to DEP rules. The Building Codes/County Ordinance/Education Work Group's task was to explore new, or changes to existing, building codes or county ordinances regarding the type of material used for water pipes in affected areas and how best to educate affected parties about the changes. The task of the Existing Corroded Copper Pipe Repair/Replacement and Education Work Group was to explore options to assist homeowners who are currently experiencing copper pipe corrosion in their homes.

The final report of the interagency project was published in May 2001. The report was sent to Governor Jeb Bush, every member of the Florida Legislature, several U.S. Congressmen, and many other interested Floridians. The final report contains recommendations covering such topics as DEP permitting rules for new wells, building code education and amendments, and consumer education. The PSC, DCA, and DEP will monitor the progress of the project recommendations through May 2002, and issue a status report by the Fall of 2002. A printed copy of the report may be requested from the PSC or accessed on the PSC's Web site at http://www.psc.state.fl.us/industry/water_waste_water/pipecorrproj.cfm.

Governor's Drought Action Plan/Water Conservation Initiative

In May 2001, a statewide Water Conservation Initiative (WCI) was launched by the Department of Environmental Protection (DEP) and the Water Management Districts in response to the Governor's Drought Action Plan. The DEP requested that the PSC participate in the project. The PSC agreed to co-chair the Water Pricing Work Group with DEP, as well as participate on the Reuse Work Group.

The overall goal of the Water Conservation Initiative is to provide specific recommendations for improving water use efficiency that are significant, permanent, and cost effective. Through a series of individual work group and comprehensive statewide meetings, the project's participants devel-

oped 60 recommendations designed to achieve the project's goal. A public review draft of the project's report was issued in November 2001. It is anticipated that the Final Report will be published during 2002. PSC staff will continue to work with DEP and the other participants to implement the recommendations contained in the report, as well as develop proposed water conservation legislation for the 2003 Florida Legislative Session.

Interagency Memoranda of Understanding

In an attempt to formulate a statewide water quality and conservation plan, the PSC signed a Memoranda of Understanding with the Department of Environmental Protection (DEP) and the five Water Management Districts (WMD). The existing Memoranda of Understanding between the PSC and the DEP was signed in 1992. In 2000, Commissioner Lila A. Jaber of the PSC and Secretary David Struhs of the DEP met and agreed that the current Memoranda of Understanding should be updated regarding water, wastewater, reclaimed water, and interactions between the agencies. During the months following the meeting, PSC and DEP staff worked together to prepare a revised Memoranda of Understanding, which was subsequently reviewed by senior management at both agencies. The revised Memoranda of Understanding became effective on September 13, 2001, following approval and signature by both PSC and DEP agency heads.

In 2000, the DEP proposed adopting a joint Statement of Support for Water Reuse, and requested that the PSC and nine other agencies participate. During 2000 and 2001, staff at the ten participating agencies worked with the DEP to develop an agreement that was satisfactory to each agency. The Statement of Support for Water Reuse represents the participating agencies' resolution to continue to encourage and promote water reuse, to work together to overcome institutional and regulatory disincentives and funding constraints, to ensure protection of public health and environmental quality, and to promote public acceptance of water reuse in Florida. The other nine participating agencies are the U.S. Environmental Protection Agency (Region 4), Florida Department of Health, Florida Department of Agriculture and Consumer Services, Florida Department of Community Affairs, and Florida's five Water Management Districts. The Statement of Support for Water Reuse was approved and signed by each agency head, and became effective on October 10, 2001.

The current Memoranda of Understanding between the PSC and the Water Management Districts was signed in 1991. PSC staff discussed updating the Memoranda of Understanding with various staff from the three largest Water Management Districts, and it was agreed that the agreement needed to be updated. In 2001, Commissioner Palecki met with the Executive Directors of the Southwest Florida and South Florida Water Management Districts to discuss the issue further. Commissioner Palecki will meet with the Executive Directors of the St. Johns River, Suwannee River, and Northwest Florida Water Management Districts in 2002. PSC and WMD staff will then begin revising the Memoranda of Understanding. The revised Memoranda of Understanding will be submitted to the senior management and agency heads for review and approval. It is anticipated that the revised Memoranda of Understanding will be finalized before the end of 2002.

The PSC actively works with the DEP and Water Management Districts in advancing statewide water quality and conservation goals. Both agencies are frequently called upon to testify on water quality and conservation issues in rate cases before this PSC. Whenever feasible, the PSC allows utilities to recover expenses related to conservation programs, and establishes conservation rates to reduce water consumption. For example, in a previous rate case, the PSC worked with one of the Water Management Districts to design an innovative and aggressive conservation program for a utility with extremely high residential usage. The elements of this program included residential irrigation audits; xeriscape consulting and rebates; distribution of low-flow shower kits; installation of moisture sensors for irrigation; and low-flow toilet rebates.

Reuse

In 2001, PSC and Southwest Florida Water Management District staff initiated an informal process whereby staff from both agencies will meet periodically to discuss proposed reuse projects. Specifically, WMD staff will notify PSC staff annually if any PSC regulated wastewater utilities request WMD cooperative funding for a proposed reuse project. This will enable PSC staff to be informed and become involved in reuse projects in the early stages, and help promote the success of more reuse projects. No PSC regulated utilities requested funding assistance for the upcoming 2002 fiscal year, however, PSC and WMD staff will continue to meet periodically to discuss future reuse projects.

The encouragement of reuse by the Department of Environmental Protection (DEP) and the Water Management Districts has raised issues related to the provision of reuse service that are now appearing in water and wastewater cases before the PSC. These issues include the identification of reuse territory, the definition of reuse as it relates to the provision of reuse service and its subsequent used-and-useful rate making treatment, and revenue requirements and rates for reuse. PSC staff members monitor reuse activities in Florida to determine if there is a need for future legislative changes to address these issues and better encourage reuse.

The PSC also participates in quarterly interagency meetings dealing with reuse and conservation. Staff members from the PSC, the DEP, the Water Management Districts, the Department of Health, and the Florida Department of Transportation attend these meetings and discuss reuse issues, including any proposed agency rulemaking and legislation, and reuse projects that are planned or in progress.

ADDITIONAL PROJECTS

Governor's Service First Initiative

The PSC's Human Resources (HR) staff devoted considerable time and effort in the planning, development, and implementation of the Governor's Service First Initiative. During the first part of the year, HR staff attended weekly briefings that addressed the proposed provisions which included the transition of managerial, confidential, and supervisory position classifications from Career Service (CS) to Selected Exempt Service (SES). After the enactment of the Service First legislation, staff immediately began work to implement all of the changes relevant to the Commission. The PSC actively participated in work groups conducted by the Department of Management Services (DMS) to address other changes such as the rewrite of all of the personnel rules.

- ◆ Once the Service First law was enacted, staff immediately began work to successfully implement the classification changes, effective July 1, 2001, which affected 53 of the Commission's 386 positions. The new SES employees were educated about their benefits under the new pay plan.
- ◆ PSC HR staff spent extensive time and effort working with DMS and the Governor's Office of Policy and Budget to convert existing classifications, particularly those unique to the PSC, to the new broadband classes. Implementation is targeted for mid-2002.
- ◆ The PSC HR and Budget staff worked together to draft the PSC Bonus Plan, which was approved by the Governor's Office during 2001. The Bonus Plan, implemented in 2002, provides bonuses totaling \$42,880 to eligible, qualified PSC employees.

- ◆ HR staff attended briefings and participated in work groups with other state agencies as DMS proceeded to promulgate new personnel rules, most of which became effective in January 2002. PSC HR staff is working to update all relevant Administrative Procedures to comply with the new rules.
- ◆ The new law requires all state employees to receive their paycheck via direct deposit, unless they demonstrate a hardship or if in an Other Personnel Services (OPS) position. While many of the OPS employees have converted to direct deposit, all PSC Career Service, Selected Exempt Service, and Senior Management Service employees are paid via direct deposit.
- ◆ During 2001, other measures were taken to comply with the Service First Initiative including streamlining the Commission's recruitment and selection processes and updating the Commission's employee grievance processes. Revisions to the PSC's Administrative Procedures Manual are currently underway and should be completed by mid-2002.

Mentoring and Volunteer Programs

The PSC participated in the Governor's Mentoring Initiative during 2001 by partnering with Tallahassee's Oak Ridge Elementary School, which named PSC employee Scott Wagers its "Mentor of the Year." Agency employees are also involved in other community volunteering programs. One such program is called "Reading Buddies," in which employees spend an hour per week with an assigned third-grade pupil to assist the student with selected reading assignments. These mentors volunteer and donate their time to be role models, encourage students to set goals, and stress the importance of education. Participating mentors have acknowledged that this program is beneficial to them, as well as to the children. During the year, 32 PSC employees donated a total of 224 hours of volunteer service in hospitals, delivering meals on wheels, and mentoring.

Commission's E-Filings

The PSC conducted a two-phase pilot in 2001, where filings submitted electronically were accepted under controlled conditions. The pilot was a part of the Commission's E-Filings Task Force's ongoing consideration of the possibility of Commission acceptance of e-filings on a full-time basis.

Phase One of the pilot was conducted during the month of July, with three companies and one law firm as pre-confirmed participants. Phase Two, which was conducted during October, was opened to anyone wishing to participate. In each phase, filings were submitted to the PSC as attachments to e-mails sent to "filings@psc.state.fl.us" and printed upon receipt for placement in the Commission's official docket files. Under a process developed by PSC staff, the electronic documents were moved to the Commission's on-line filing library. Those involved in handling e-filings agreed the pilot ran smoothly, and expect e-filings to be a routine means of receiving filings in the near future.

Regulatory Assessment Fee (RAF) Database Enhancements

The Regulatory Assessment Fee (RAF) system is a database incorporated with the Master Commission Directory (MCD). It maintains up-to-date information about each utility that is currently or has previously been regulated by the Commission. Such information includes current status of RAF payments, outstanding RAF fees, penalties and interest, scanned copies of RAF filings, and copies of correspondence between utilities and the Commission that are directly related to RAFs.

Internet Home Page

The PSC's Web site (<http://www.floridapsc.com/>) attracted almost 389,322 visitors in 2001. PSC web visitors have shown the most interest in 3 areas of the Web site: company information, docket/case information and consumer assistance resources such as the online complaint form system. These three areas were targeted for improvements and enhancements in 2001.

Real time access to company information, dockets, orders and tariffs was completed in 2001. In addition, navigation and search capabilities were improved by integrating and cross linking related information. Visitors can now find all information on a particular company or subject quickly and effortlessly. The PSC Web development team is continuously improving and enhancing this popular section of the Web site based on the feedback of Web site visitors.

In May 2001, the PSC launched a new, more advanced version of the consumer online complaint form system. The new forms interact directly with the Master Commission Directory. This feature enables the Web site's users to be given the most accurate and up to date listing of currently regulated companies. This process, in conjunction with field validation procedures, allows only jurisdictional complaints to be processed online, which improves the efficiency in which these complaints are handled.

The new online complaint forms are also a part of a pilot program that is an extension to the Commission's Call Center warm transfer/transfer connect program. Eleven utility companies are currently participating in a pilot program that provides the user with the option of either sending the complaint directly to the company or sending it to the PSC. From June through December 2001, 50 percent of all consumers chose to send their complaint directly to the company. Due to the program's popularity and consumer approval, the PSC will be working toward fully implementing this program in 2002.

Other consumer resources added in 2001 include five informational brochures and many more frequently asked questions based on the latest and most common concerns of those consumers contacting the PSC.

Behind the scenes, the PSC Web site underwent major transformations in 2001 to improve the reliability, accuracy and timeliness of the Web site and the information it provides. These improvements include converting the site to a Cold Fusion/Windows NT platform and upgrading the hardware to almost twice the previous speed. Some of the enhancements the Cold Fusion server software provides are improved search engines, dynamic page generation, and real time data access to Commission databases.

72-Hour Rule

In 2000, the PSC implemented a "72-Hour Rule" in which regulated utilities subscribing to the Transfer Connect telephone system may resolve customer complaints within three days in the following manner:

- A) PSC staff member handling the complaint will forward a description of the complaint to the company for response and resolution. The three-day period will begin at 5 p.m. Eastern Standard Time (EST) on the day the information is sent to the company and end at 5 p.m. on the third day, excluding weekends and holidays. If the company satisfactorily resolves the complaint, the company shall notify the staff member of the resolution.

- B) PSC will contact the customer to confirm that the complaint has been resolved. If the customer confirms that the complaint has been resolved, the complaint will not be reported in the total number of complaints shown for that company in the Commission Consumer Complaint Activity Report. However, the PSC will retain the information for use in enforcement proceedings, or for any other purpose necessary to perform its regulatory obligations.
- C) If the customer informs the PSC staff member that the complaint has not been resolved, the PSC will notify the company and require a full report.
- D) A complaint is considered "resolved" if the company and the customer indicate that the problem has been corrected, or the company and the customer indicate that they have agreed to a plan to correct the problem.

Transfer Connect

The PSC utilizes the AT&T "Transfer Connect" option in working to resolve many consumer complaints as quickly and efficiently as possible. When a Florida resident calls the PSC's toll-free telephone number (1-800-342-3552) with a question or complaint regarding utility services, PSC staff can transfer the call directly to the utility for handling if that company has an AT&T toll-free number, (and the customer is willing.) The utility then pays for the call from the point of transfer until completion.

Consumers benefit when they can have all of their needs met with a single toll-free call. The Transfer Connect option also enables PSC staff to consult with a utility representative and pass on information about the caller without the caller needing to repeat the information.

Each company subject to regulation by the PSC may provide a Transfer Connect, or "warm transfer," telephone number by which the PSC can directly transfer a customer to that company's customer service personnel. Each company that subscribes to the Transfer Connect system must provide customer service personnel to handle transferred calls during the company's normal business hours, and at a minimum, from Monday through Friday, 9 a.m. to 4 p.m. Eastern time, excluding holidays.

III. Defining the PSC's Role

The Florida Public Service Commission is committed to making sure that Florida's consumers receive some of their most essential services — electric, natural gas, telephone, water, and wastewater — in a safe, affordable, and reliable manner. In doing so, the PSC exercises regulatory authority over utilities in three key areas: competitive market oversight; rate base/economic regulation; and monitoring of safety, reliability, and service issues. Those areas are briefly described as follows:

- ◆ Competitive market oversight entails monitoring the development of competitive markets and all issues associated with them.
- ◆ 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.
- ◆ Monitoring of safety, reliability, and service issues involves ensuring the uninterrupted provision of utility services in a manner that presents minimal risks to the general public, and confirming that such services are provided in a reasonable and timely manner.

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

COMPETITIVE MARKET OVERSIGHT

The PSC is addressing competitive market structure and regulatory issues in industries that have traditionally been considered monopolies, but are now transitioning into competitive markets. New technologies and customer choice are two of the catalysts for the change to competition. The advent of new technologies allows new market entrants and new opportunities for established regulated companies. Telecommunications companies are not "utilities" by law. In addition, customers may benefit with increased competition by having more options as to whose services they use. Each of these changes shifts the dynamics of the market and requires the PSC to re-evaluate the pricing, regulations, and barriers that currently exist. Competitive issues frequently arise in conjunction with the other two major regulatory roles of the PSC: establishing rates and monitoring service issues.

Electric - Wholesale Competition

The electric industry in Florida may be on the verge of major changes. The creation of GridFlorida will require changes in the way existing utilities do business. The Federal Energy Regulatory Commission (FERC) believes that having electric transmission operated by independent entities will facilitate competition in the wholesale electric market. The FERC hopes that this will lead to lower retail prices in the long term. While the PSC does not have jurisdiction to establish wholesale transmission rates, the potential effect on retail consumers of this effort to develop a competitive wholesale market is considerable. Thus, the PSC monitors FERC proceedings and provides comments to FERC on issues which may affect Florida ratepayers.

The PSC also monitors proposed electric utility mergers to ensure that Florida ratepayers will not be unduly burdened. PSC staff prepares summaries of merger filings and drafts comments for the FERC or other related federal agencies.

The PSC also has had to consider competitive issues regarding the utilities' customers. In order to give the utilities the flexibility to preserve their customer base, the PSC approves economic development and/or load retention tariffs for the state's four largest investor-owned electric utilities when such tariffs are found to have net benefits for all ratepayers.

Natural Gas

All non-residential natural gas customers that take service from an investor-owned natural gas utility regulated by the PSC have the option to purchase their gas from the competitive market. Transportation and distribution of the gas would be provided by the monopoly investor-owned utility.

The PSC also reviews special contracts and proposed tariff changes of natural gas utilities to ensure that the provisions are reasonable and non-discriminatory.

Telecommunications

In the telecommunications industry, a key focus of the PSC has been facilitating the development of competition in the local telephone market by arbitrating agreements between incumbent local exchange companies (ILECs) and alternative local exchange companies (ALECs) when negotiations fail. The PSC also is active in monitoring and assessing the status of local competition, processing negotiated agreements, interpreting agreements and tariffs, providing input on legislative and Federal Communications Commission (FCC) initiatives, and conducting generic proceedings to implement approved initiatives and to address recurring issues.

The PSC has numerous other responsibilities related to competitive market oversight in the telecommunications industry. Reviews of industry practices are regularly conducted to determine whether entities are engaging in anti-competitive practices that could dampen the development of competition. Another major area involves the processing of area code relief cases and providing oversight of numbering resources.

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

The pricing of unbundled network elements (UNEs), previously discussed on page 17, has emerged as another significant competitive issue in the telecommunications industry. In May 1999, in response to a petition from a group of competitive carriers, the PSC granted a request to open a generic UNE pricing docket (Docket No. 990649-TP) for the three major incumbent local exchange providers, BellSouth Telecommunications, Inc., Sprint-Florida, Incorporated, and Verizon (formerly GTE Florida, Inc.). Accordingly, the UNE pricing docket was opened to address the deaveraged pricing of UNEs, as well as the pricing of UNE combinations and nonrecurring charges. Due to the critical impact of these issues on competition in the telecommunications industry, PSC staff spent extensive time analyzing the data and preparing for the hearings in July and September 2000. In April 2001, the Commission established more than 1,400 UNE rates for BellSouth. Hearings regarding Sprint and Verizon's UNE rates are expected to be held in 2002.

In addition, the issue of reciprocal compensation is one that has grown in prominence in recent years. On January 21, 2000, the PSC established a docket to investigate the appropriate methods to

compensate telecommunications carriers for exchange of traffic subject to Section 251 of the Telecommunications Act of 1996. On April 19, 2001, the FCC determined that ISP-bound traffic was "information access" traffic under the exclusive jurisdiction of the FCC. The PSC, however, addressed additional reciprocal compensation issues involving the tandem switching rate, an originating carrier's responsibility to transport its traffic to another local carrier, and utilization of virtual NXXs. An additional hearing is scheduled during 2002 to address local calling area definitions and default compensation mechanisms.

Another critical aspect of competitive market oversight in the telecommunications industry is the certification process. All telecommunications companies doing business in Florida must be certificated by the PSC. The PSC staff reviews the telecommunications companies' certification requests prior to the requests being voted on by the commissioners. Traditionally, there are a large number of certification requests. However, certification activity is affected by conditions in the capital markets, which directly affect the viability of facility-based carriers.

Water and Wastewater

Within the water and wastewater industries, the issue of wastewater reuse is becoming a significant competitive market policy area for the PSC. The State of Florida's policy is to encourage the use of treated wastewater for irrigation and in manufacturing processes instead of using potable water that could otherwise be used for drinking, cooking, and bathing. Establishing the rates for the use of treated wastewater requires consideration of several factors. The reuse of treated wastewater is a relatively new concept and one that requires public education in order to encourage a demand for reuse wastewater. Rates have to be designed in such a way that they give consideration both to cost and to competing customer options. If the rates are set too high, customers may choose to use private wells or to simply not use reuse water and instead use drinking water, thereby diminishing the water supply.

RATE BASE/ECONOMIC REGULATION

The PSC establishes and monitors earnings levels for regulated electric, natural gas, water, and wastewater companies. In addition, there is one remaining telephone company under rate-of-return regulation. Whenever a company believes that its earnings are below a reasonable level, it can petition the PSC for a change in rates. The PSC conducts an extensive review of the company's earnings and determines what fair levels of rates and earnings are for the company. The review consist of an analysis of the company's books and records, as well as a determination of what a reasonable return is for the company. The review also includes an analysis of 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 PSC also monitors each company's earnings levels to reduce the likelihood that any company receives excessive earnings. Each company files an annual report, which is reviewed to determine its level of earnings for the prior year. If, based on prior year earnings, it appears that a company's earnings will be excessive in the following year, the PSC will fully analyze that company's books and records and, when appropriate, reduce its rates. During that overearnings review, the PSC may place earnings subject to refund if the review indicates the company is overearning.

Electric

In addition to annual reviews, the larger electric and natural gas companies also file earnings information on a more frequent basis, with some companies filing quarterly, semi-annually or monthly, depending upon their size. These more frequent filings allow the PSC to take quicker action if it appears that a company may be overearning and allow consumers' rates to be reset to reflect that review.

In addition to processing utility requests for rate changes, the PSC devotes considerable resources to various tariff, rate, and other economic issues. Reviews of fuel, capacity, conservation, environmental costs considered in cost-recovery-clause dockets, special contracts, new tariff offerings, conservation program approvals, and revision, depreciation, amortization, and decommissioning studies are just some of the many aspects of economic regulation involving electric and natural gas utilities that are regularly pending before the PSC.

Natural Gas

In the natural gas industry, the PSC is responsible for the economic regulation of utilities with regard to the purchased gas cost recovery clause and the conservation cost recovery clause. These clauses allow each natural gas company to recover the costs incurred by that company from ratepayers, on a dollar-per dollar basis. PSC staff conducts analyses on expenses to ensure that only reasonable and prudent costs are recovered.

Water and Wastewater

In the water and wastewater industries, the PSC processes a significant number of cases. The majority of these cases involve rate increases or limited-proceeding increases arising from increased costs of providing service. A smaller number of cases involve overearnings investigations in which the PSC determines whether it is necessary to reduce rates. The PSC's duties include participating in customer meetings, staff-assisted rate cases, limited proceedings, prehearings and hearings, as scheduled; writing recommendations based on information gathered by staff; answering Commissioners' legal and technical questions at PSC Agenda Conferences; voting on the issues raised in the recommendations; and drafting orders memorializing the Commissioners' decisions in each case.

The Commission also processes requests related to certification. The majority of these cases involve the transfer or amendment of certificates of authorization. A smaller number of cases involve the original certification of a new utility. The staff's role in certification cases includes preparing recommendations regarding issuing certificates and setting initial rates and charges for new utilities; transferring or amending existing certificates; acknowledging abandonments and appointment of receivers; and cancelling certificates for systems transferred to exempt entities. In addition, staff also answers questions at Agenda Conferences, responds to customer inquiries, and assists in representing the PSC at prehearings and hearings.

As stated earlier, the issue of reuse (using effluent water for a beneficial purpose, such as irrigation) is a growing one for the PSC in terms of competitive market oversight. However, reuse also 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 the chosen means of effluent disposal and as a method of water conservation. The PSC has clearly been given direction from the Legislature that reuse should be considered a public good and should be implemented by utilities wherever feasible.

The PSC's charge is to identify reuse issues related to its jurisdiction and to establish policies that are consistent with these statewide goals, while mitigating the effect on water and wastewater rates. In meeting this charge, PSC staff participates on a Reuse Coordinating Committee along with staff from the DEP, the Water Management Districts, the Florida Department of Health, and the Florida Department of Transportation. The Reuse Coordinating Committee meets quarterly and discusses reuse issues, including any relevant proposed agency rulemaking and legislation. PSC staff also participates in two different quarterly meetings with the St. Johns River Water Management District to discuss reuse, conservation, and water allocation issues within the District.

Water conservation is another area with major economic implications. As an economic regulator, the PSC is actively involved in demand-side water conservation through rate level and rate structure. Rates and rate structure have a direct bearing on water usage and, therefore, water resource allocation. Through participation in quarterly meetings of the Reuse Coordinating Committee, PSC staff has developed a good working relationship with the agencies having primacy over water supply issues and has stayed abreast of emerging issues that may affect utilities under the PSC's jurisdiction. The PSC has entered into a Memoranda of Understanding (MOU) with the five WMDs in order to coordinate efforts to meet statewide conservation goals. PSC and WMD staff will be working to update the Memoranda of Understanding. It is anticipated that the revised Memoranda of Understanding will be finalized before the end of 2002.

Consumer Assistance

A final aspect of economic regulation relates to customer issues such as billing. The PSC assists consumers with analyzing their utility bills and verifying the accuracy of charges.

SAFETY, RELIABILITY, AND SERVICE ISSUES

Through performance and operations investigation, the PSC provides information on reliability, service quality, and service availability issues for review and enforcement.

Electric

In the electric industry, the PSC 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 PSC also considers petitions for determination of need for electric power plants and transmission lines as a way of ensuring that the state's power needs are being met. The level of activity in this area has increased significantly over the past two years.

Also in the electric industry, the PSC receives numerous inquiries from local governments about "undergrounding" electric utility facilities. One of the primary concerns raised by local governments is how they can pay contributions in aid of construction (CIAC) to utilities for placing facilities underground. One option is the use of local community surcharges on electric bills to pay for undergrounding of new or existing electric facilities where undergrounding is required by local governments. Such an approach would help local communities recoup the cost of undergrounding facilities from all of the electric customers in the community. PSC staff meets with representatives of various communities to discuss possible options for the recovery of undergrounding costs.

The PSC 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, including the siting of power plants owned by non-traditional generating entities; electric and natural gas safety and service quality, including complaints; electric utility conservation goals and programs; and emergencies due to operational events or weather.

Natural Gas

In the natural gas industry, the PSC evaluates projections of natural gas needs of the state to determine whether sufficient pipeline capacity will be available to fuel future electric generating needs, as well as end user requirements.

Telecommunications

In the telecommunications industry, the PSC monitors telephone safety through inspection of the local telephone companies central offices and outside facilities for compliance with the National Electric Safety Code and the National Electric Code. This is done to ensure the safety of the companies workers as well as customers. Network reliability is monitored through service outage reports from the local telephone companies and call completion tests. 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.

Water and Wastewater

In the water and wastewater industries, the PSC oversees quality-of-service issues such as water pressure and capacity. Sometimes these issues are addressed in response to consumer complaints. The PSC will assign an engineer to investigate the complaint. The engineer works with the consumer and utility personnel to determine the cause of the consumer's problem.

Finally, service quality issues often arise when a utility files an application for a rate change because the PSC conducts customer hearings as a part of the rate case process. Consumers' comments at rate case hearings typically include service quality issues. Again, a staff member is assigned to review consumer concerns and work with the utility to resolve service issues. In some cases, a complaint may result from possible violations of public health rules of the Department of Environmental Protection (DEP); in those cases, PSC staff will work with the DEP to resolve the issue.

Consumer Assistance

The PSC also handles complaints and inquiries related to such issues as service reliability, slamming, cramming, tariffed telephone services, and water and wastewater certification.

ADDITIONAL REGULATORY ACTIVITIES

All orders of the PSC, whether they pertain to competitive market oversight, rate base/economic regulation, or monitoring of safety, reliability, and service functions, are subject to judicial review. Orders affecting the rates and service of electric, natural gas, and telecommunications companies are reviewable by direct appeal to the Florida Supreme Court. The PSC is unique in that respect, since orders of all other state agencies may be appealed only to the District Court of Appeal. If those orders reach the Florida Supreme Court, it is by way of discretionary review on writ of certiorari. Orders of the PSC affecting water and wastewater utilities may be appealed to the 1st District Court of Appeal. Finally, under the unique provisions of the Telecommunications Act of 1996, PSC orders approving interconnection agreements between competitive telecommunications companies, and orders relating to enforcement of these agreements, are reviewable in the U.S. district courts.

In addition to defending its orders on direct review, the PSC may initiate or intervene in court proceedings that impinge upon its jurisdiction. The PSC also participates as amicus curiae, or "friends of the court," in court proceedings at the local, state, and national levels in which matters of regulatory interest are at issue.

IV. Agency Organization During 2001

DIVISION OF
The Commission Clerk and Administrative Services



The Division of the Commission Clerk and Administrative Services is responsible for overseeing all financial transactions and maintaining the Commission's accounting records. The division, which is designated as the agency clerk, accepts official filings, maintains official case files, coordinates the Commission's records management program, and issues all Commission Orders and notices. Other responsibilities include administrative support services such as human resource programs, budget management, mail processing, computer hardware and applications support, staff training, and purchasing.

DIRECTOR
Blanca Bayó

The responsibilities of the Division of the Commission Clerk and Administrative Services are further detailed under its component bureaus:

- ◆ The **Bureau of Administrative Services** consists of Administrative Support, Fiscal Services, and General Services.

The bureau oversees all financial transactions, including the approval and processing of all expenditures, the collection and deposit of all revenues, and the maintenance of accounting records. The bureau coordinates and prepares the Commission's legislative budget requests and long range program plans, monitors the operating budget, and prepares budget amendments as necessary. In addition, the bureau provides administrative support services in the areas of purchasing, leasing, duplicating, mail handling, fleet management, staff training programs, employee personnel records, insurance benefits, and other staff support needs.

The Administrative Support Section (ADS) is responsible for the administration of all human resources programs which include 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. This section is also responsible for the coordination and maintaining of the performance measures and outputs for the *Long-Range Program Plan*, as well as finalization of the *Legislative Budget Request*. The section maintains files/records required by the Commission's Administrative Procedures and State Personnel Rules and Regulations. Other responsibilities include monitoring Equal Employment Opportunity/Affirmative Action compliance, coordinating the agency's Sick Leave Pool and Sick Leave Transfer Plan, ensuring that agency employees comply with financial disclosure requirements, and developing/revising internal personnel policies and procedures. The Employee Assistance and Telecommuting Programs are also coordinated through this section.

The *Fiscal Services Section (FSS)* is responsible for providing support in the preparation of the annual budget allotments, depositing of all revenues, payment of all bills, and maintenance of centralized accounting and financial records. The section's staff inputs and maintains the Purchase Order Tracking System (POTS), the Regulatory Assessment Fee (RAF) system, and the FLAIR/LASPBS budget system. Other duties include review, approval, and payment of all travel vouchers for in and out-of-state travel; maintenance of the petty cash fund; distribution of payroll warrants; and the mailing of RAF notices.

The *General Services Section (GSS)* is responsible for purchasing all of the commodities and services required for the Commission's operations. Responsibilities for this section include managing the Imaging, Distribution and Publication Center; coordinating internal and external mail services; maintaining an inventory of the agency's general office supplies; procuring and maintaining the Commission's fleet of motor vehicles; selecting and maintaining copiers; disposing of surplus property; and coordinating facility maintenance, safety, and security concerns.

◆ The ***Bureau of Hearing and Records Services*** consists of the Records and Hearing Services.

The bureau maintains a computerized document and case management information system; issues reports and assists in the coordination of case management activities; prepares agendas for the Commission's regular conferences; prepares and maintains the official minutes of all Commission meetings; makes arrangements for hearings, and assigns hearing reporters. The bureau maintains the master directory of utilities, as well as mailing lists of parties to and persons interested in proceedings before the Commission; issues all orders and notices of the Commission; coordinates the Commission's records management program; and, upon request and the payment of appropriate fees, provides copies of public records.

The *Records Section* receives, records, distributes, and maintains the official files of all documents filed in proceedings before the PSC. In coordination with the Hearing Services Section, the section also maintains a computerized document and case management information system. In addition, the section maintains docket mailing lists of parties and persons interested in PSC proceedings. Finally, it issues all orders and notices of the PSC, coordinates the PSC's records management program and, upon request, processes the payment of appropriate fees and provides copies of public records.

The *Hearing Services Section* issues reports and assists in the coordination of case management activities; prepares agendas for the PSC's regular conferences; prepares and maintains the official minutes of all PSC meetings; and makes arrangements for out-of-town hearings. The section also maintains the Master Commission Directory of Utility Data.

◆ The ***Bureau of Information Processing*** is responsible for monitoring and evaluating the information processing needs of the PSC, proposing enhancements to information processing resources to management, and providing technical support services for the PSC. The bureau is divided into two sections: Systems Programming and Hardware Maintenance and Support. The services provided by both sections fall into several categories: Local Area Network (LAN) system, hardware, software, programming, and user support; microcomputer hardware, software, and programming support; outside mainframe services access and programming support; training; security; and hardware/software evaluation, purchase, and implementation support.

◆ The ***Office of Hearing Reporters*** attend all PSC hearings, both in Tallahassee and throughout the state, transcribe the proceedings, and prepare transcripts for placement in the official record and for dissemination to participants.

DIVISION OF
Competitive Services



DIRECTOR
Walter D'Haeseleer

The Division of Competitive Services monitors the development of competitive markets and has responsibility for the issues associated with emerging competitive markets. The division participates in informal and formal proceedings involving appropriate area code relief and number conservation plans and establishes policies and procedures governing intercompany contracts, arbitration of terms of intercompany contracts, and resolution of issues of contractual interpretation. The division also resolves conflicts arising from changes in service providers. In addition, it evaluates the quality of service provided by telecommunications companies and conducts periodic on-site inspections of telecommunications facilities.

Issues involving conservation, tariff filings and territorial disputes in the natural gas industry are also the responsibility of this division. Investigations are conducted to ensure compliance with applicable rules, tariffs, procedures, and laws and to provide competitive safeguards.

The responsibilities of the Division of Competitive Services are further detailed under its component bureaus:

- ◆ The ***Bureau of Competitive Safeguards*** consists of the Competitive Industry Practices Section and Direct Support Staff.

The *Competitive Industry Practices Section* is responsible for processing area code cases; reclaiming numbering resources from carriers that have failed to activate central office codes; processing numbering codes denials; recommending and implementing various number conservation measures; reviewing regulatory assessment fee (RAF) filings; reviewing natural gas conservation programs and cost recovery filings; reviewing purchased gas filings for mathematical accuracy and policy adherence; developing policies to discourage anti-competitive business practices; and processing cases involving anti-competitive business practices.

The *Direct Support Staff* is responsible for processing tariff filings of natural gas utilities; determining natural gas capacity requirements for electric need determination cases and ten-year planning reviews; reviewing natural gas procurement practices; developing policies to promote competition in the natural gas industry; and analyze electric industry initiatives to determine the financial impact on the utility and its customers.

- ◆ The ***Market Development Bureau*** consists of the Market Assessment Section and the Carrier Services Section.

The *Market Assessment Section* is primarily responsible for setting prices for wholesale offerings (i.e., unbundled network elements and resale agreements), whether in the context of an arbitration or a generic proceeding. In addition, this section prepares an annual *Competition in Telecommunications Markets in Florida* report for the Legislature, provides input on legislative and Federal Communications Commission (FCC) initiatives in such areas as universal service support and access charge reform, and coordinates PSC activities necessary to implement approved initiatives. Finally, this section resolves tariff issues that may arise in the context of a tariff filing or a complaint, particularly in situations where the tariff may be anti-competitive or subject to interpretation.

The *Carrier Services Section* resolves operational issues that surface in negotiations between incumbent local exchange companies (ILECs) and alternative local exchange companies (ALECs) that cannot be resolved by the parties and must be arbitrated. In addition, this section processes all negotiated agreements, and resolves complaints of an operational and interpretive nature that pertain to existing agreements.

To the extent that there are recurring themes in the operational issues that are presented in arbitration cases, the Carrier Services Section establishes generic proceedings. While the Market Assessment Section is the group primarily responsible for setting prices, the Carrier Services Section determines the applicability of prices.

- ◆ The **Service Quality Bureau** consists of the Service Quality Section and the Compliance Section.

The *Service Quality Section* is responsible for completing field evaluations of the local telephone companies regarding service quality. During the field evaluations, call completion tests are done to ensure network reliability and to evaluate the billing accuracy of long distance companies. This section also inspects pay telephones and call aggregators (hotels/motels) for compliance with PSC rules.

The *Compliance Section* is responsible for recommending enforcement action to the PSC against all types of telecommunications companies for violations of PSC rules and orders or Florida statutes. This section also sends apparent violation notices to pay telephone providers and call aggregators as the result of the inspections completed by the Service Quality Section.

DIVISION OF

Consumer Affairs

DIRECTOR

Bev DeMello

The Division of Consumer Affairs has the PSC's primary responsibility for handling utility complaints and preparing statistical summaries on consumer complaint activity. The Division compiles and relays information about the PSC's regulatory decisions to utility customers, consumer groups, media representatives, and local, state, and federal governmental agencies. The division also is responsible for handling consumer information, media relations, and consumer education.

The responsibilities of the Division of Consumer Affairs are further detailed under its component bureaus:

- ◆ The **Bureau of Complaint Resolution** is responsible for handling consumer complaints, preparing statistical summaries on consumer complaint activity, preparing testimony for rate cases on complaint activity and participating in or initiating dockets on utility matters related to consumers. This bureau is the main inbound conduit for communication with the public and is often where consumers form their first impressions of the agency. Within the bureau are two sections: Complaint Intake and Complaint Resolution.

The *Complaint Intake Section* is responsible for handling consumer inquiries/complaints via the Commission toll-free number. This section receives, reviews, handles and processes consumer inquiries/complaints filed against regulated utilities, received by Internet, fax and mail. Also, this section receives opinions and inquiries from the public and provides explanations and information about the Commission and its activities. Analysts have a thorough knowledge of PSC rules and procedures, and must possess strong communication skills required to effectively communicate with customers and utility representatives.

The *Complaint Resolution Section* serves as an intermediary in seeking to resolve consumer problems. This section makes decisions on complaints based on findings, applicable laws, Commission Rules, regulations and tariffs. This section also proposes resolutions on complaints to consumers and handles customer contacts directed to CAF by public officials including PSC Commissioners. This section also attempts to resolve disputes between customers and utility in order to preclude a need for an informal conference. This section also assesses the timeliness and quality of company responses to PSC complaints and reviews cases to pinpoint new complaint trends. Finally, this section compiles statistical data and prepares various Commission reports including the Monthly Consumer Activity Report, located on the Commission's Web site.

- ◆ The **Bureau of Consumer Information and Conservation Education** is responsible for helping Florida's consumers understand how to make wise decisions in an increasingly complex utility marketplace. Bureau staff members attend customer hearings and meetings held throughout the state in conjunction with utility cases before the PSC. The bureau has several operational goals, including, but not limited to, the following:

- disseminating consumer information about regulatory matters to various consumer groups;
- establishing the PSC's presence and increasing its visibility as a consumer education agent; and
- maintaining an outreach plan for PSC hearings and workshops held across the state.

During the first half 2001, the bureau's consumer education efforts involved the production of public service announcements for television and radio. These have been very effective at conveying utility- and conservation-related information to a large Florida audience.

Another focus of the bureau's efforts has been the PSC's Web site. The site, located at www.floridapsc.com, has been expanded and redesigned by the Bureau to supply consumers with more information about the industries regulated by the PSC and about specific issues before the PSC. Press releases, videos of public service announcements, and electronic versions of most PSC brochures and publications can be accessed via the Web site. Consumers are also able to file online complaints regarding their utility services via the PSC home page.

The bureau has produced a number of brochures and fliers designed to help consumers become more knowledgeable about their rights and options as users of utility services. (Many of these brochures also have been translated into Spanish to assist Florida's Hispanic consumers.) All of the brochures are made available to consumers who contact the PSC and request a copy. Many are also distributed at those PSC hearings and meetings that are open to the public.

Finally, the bureau is responsible for providing all artistic services, including design, layout and printing coordination for the entire agency; for maintaining the audio/video equipment used to conduct public meetings such as PSC Agenda Conferences and customer meetings; and for broadcasting many meetings live on the PSC Web site and/or via satellite, when available.

The two bureaus of the Division of Consumer Affairs work collaboratively. For instance, the Bureau of Consumer Information and Conservation Education closely monitors and builds educational campaigns around trends in consumer inquiries received by the Bureau of Complaint Resolution. The Bureau of Complaint Resolution, meanwhile, often utilizes informational brochures, press releases and other materials prepared by the Bureau of Consumer Information and Conservation Education to provide utility information to consumers.

DIVISION OF
Economic Regulation



DIRECTOR
Tim Devlin

The Division of Economic Regulation participates in informal and formal proceedings relating to the rates and earnings of rate-base-regulated companies in the electric, natural gas, water, wastewater, and telecommunications industries. The division has primary responsibility for processing rate changes and for conducting earnings surveillance to ensure that regulated utilities are not exceeding their authorized rates of return. The division receives and maintains copies of annual financial reports and periodic surveillance reports for rate-base regulated companies.

The division also participates in proceedings concerning economics/forecasting, cost of capital, taxes, and capital recovery. In addition, the division works to resolve consumer complaints concerning billing issues in the electric, natural gas, water and wastewater industry and consumer complaints concerning water quality issues such as pressure and capacity.

The responsibilities of the Division of Economic Regulation are further detailed under its component bureaus:

- ◆ The ***Bureau of Rate Cases*** has the responsibility to process rate filings and complex consumer complaints and to investigate overearnings of water and wastewater utilities. This work is accomplished through the Bureau's File and Suspend Cases Section, Staff Assisted Cases Section, and Engineering Section.

The *File and Suspend Cases Section* has the responsibility of processing filings by Classes "A" and "B" water and wastewater utilities. The types of filings handled are file and suspend, limited proceedings, overearnings investigations, applications of allowance for funds used during construction (AFUDC), applications of allowance for funds prudently invested (AFPI), service availability applications, rule proceedings, and complex complaints that cannot be handled by the PSC's Division of Consumer Affairs. The processing of the section's workload involves holding customer meetings; participating in formal and informal proceedings before the PSC; analyzing filings, expert testimony and exhibits; developing cross-examination questions; presenting direct testimony; coordinating with staff outside of the bureau; and preparing and presenting recommendations concerning the disposition of these types of cases before the PSC.

The *Staff Assisted Cases Section* has the responsibility of processing filings by Class "C" water and wastewater utilities. The types of filings handled are staff-assisted rate cases, staff-assisted requests for alternative rate setting, limited proceedings, overearnings investigations, AFUDC applications, AFPI applications, service availability applications, rule proceedings, and complex complaints that cannot be handled by the PSC's Division of Consumer Affairs. The processing of the section's workload involves holding customer meetings; participating in formal and informal proceedings before the PSC; analyzing filings, expert testimony and exhibits; developing cross-

examination questions; presenting direct testimony; coordinating with PSC staff outside of the Bureau; and preparing and presenting recommendations concerning the disposition of these types of cases before the PSC.

The *Engineering Section* has the responsibility of supplying the necessary technical assistance to the File and Suspend Cases Section and the Staff Assisted Cases Section in the specialized area of engineering, related to the issues of quality of service, used and useful, construction programs and budgets, plant maintenance, service availability charges, complex customer complaints, and rule proceedings. The processing of the section's workload involves holding customer meetings, participating in formal and informal proceedings before the PSC; analyzing filings, expert testimony and exhibits; developing cross-examination questions; presenting direct testimony; coordinating with PSC staff outside of the bureau; and preparing and presenting recommendations concerning the disposition of these types of cases before the PSC.

- ◆ The ***Bureau of Surveillance/Accounting*** consists of three sections: the Accounting Section, the Monitoring, Compliance and Enforcement Section, and the Depreciation Section. The functions and responsibilities of each section are described below.

The *Accounting Section* is responsible for the revenue requirements of the electric, natural gas and rate-base-regulated telecommunications companies. It processes rate cases and monitors the earnings for these industries. It carries out the PSC's surveillance program for electric, natural gas and telecommunications companies, and regularly reviews the actual earnings of the larger electric and gas utilities. The section is responsible for the electric, natural gas, and telecommunications annual report process, including all mailings, extensions, filings, follow-up letters, delinquency notices, penalty letters, and show causes. The section also reviews the regulatory assessment fee (RAF) returns of electric and natural gas utilities and reconciles them to the revenues reported in the utilities' annual reports. In addition, the section regularly produces PSC reports such as the *Annual Comparative Rate Statistics* for electric, natural gas, and telecommunications.

The *Monitoring, Compliance and Enforcement Section* is responsible for the water and wastewater annual report process, including all mailing, extensions, filings, follow-up letters, delinquency notices, penalty letters, and show causes. More than 200 annual reports are reviewed for thoroughness. Additionally, the earnings of each company and system (more than 400) are calculated to determine if the company is overearning. This is the PSC's surveillance program for water and wastewater companies. The section also is responsible for reviewing all RAF returns (more than 400) and reconciling them to the revenues reported in the annual reports. All index and pass-through applications (more than 100 annually) are reviewed and processed through this section. The section ensures that four-year rate reductions are implemented. It also monitors individual companies for compliance with PSC orders which direct the utility to do something specific. The section also produces reports such as the *Quarterly Rate Increase and Decrease Report* and the *Annual Comparative Rate Statistics* for water and wastewater companies.

The *Depreciation Section* is responsible for reviewing and assessing the economic effects of depreciation and related capital recovery and technology implementation practices of jurisdictional, regulated companies. Those responsibilities include acting as technical advisers to the PSC, participating in generic docket issues and rules, and acting as consultants to assist other PSC staff in carrying out assigned responsibilities, specialty research, and staff technical training. The section supports the PSC with professional and unbiased advice based on an analysis of

depreciation practices, industry records, Florida Statutes, the Florida Administrative Code, PSC policy, and other relevant information and technical knowledge.

- ◆ The ***Bureau of Economics, Finance and Rates*** consists of three sections: Forecasting and Economics, Finance and Tax, and Rates. The Bureau's responsibilities cross industry lines and affect nearly every facet of economic regulation.

The *Forecasting and Economics Section* participates in proceedings in support of all the industries under PSC jurisdiction. These proceedings include electric-plant need determination cases, in which the Section conducts analyses of load forecasts supporting the need for additional power. The section also analyzes the customer, energy, and demand forecasts included in the ten-year site plans submitted by ten Florida utilities.

Additional responsibilities include analyzing therm and customer forecasts in rate cases for natural gas companies; providing economic information in dockets that analyze the competitive performance of local providers in the telecommunications industry; forecasting demand and repression adjustments for water and wastewater rate cases; and conducting research and writing statements of estimated regulatory costs for rulemaking and other issues. The section also assists the Fiscal Bureau in the PSC's Division of Administration by independently forecasting all the regulated utilities' gross revenues, which is used to determine regulatory assessment fees (RAFs).

The *Finance and Tax Section* provides capital structure and cost-of-capital support in earnings investigations in the water, wastewater, telephone, electric and natural gas industries. Other cases may involve water reuse projects, merger impacts, effects of diversification on mergers, and the cost of telecommunications services. In addition, the section evaluates the applications for certificates to provide competitive services in the telecommunications industry, reviews the financial assumptions underlying need determination proceedings for new power plants, and participates in various rulemaking proceedings.

On an ongoing basis, the section also processes the security applications for all investor-owned natural gas and electric utilities; evaluates requests for corporate undertakings from all water and wastewater utilities; monitors all Federal Accounting Standards Board (FASB) and SEC pronouncements that affect financial and reporting requirements of utilities, calculates the interest on refunds, and maintains the database and cost-of-equity models used by staff to estimate the required rate of return on common equity capital. Staff also monitors notices issued by the FASB, the Internal Revenue Service (IRS), the FERC, and the Nuclear Regulatory Commission (NRC) for relevant tax developments.

The *Rate Section* develops rates for earnings-regulated utilities based upon revenue requirements computed by the Bureau of Rate Cases. The section determines the split of responsibility to produce needed revenues among classes of customers and determines rate structure. Outside of rate case activity, the section also analyzes rate structure for non-earnings-regulated municipal utilities and rural electric cooperatives.

Other dockets in which the section is involved address potentially volatile customer issues such as billing practices, master metering, and reconnect policies, as well as merger and deregulation effects on rates.

OFFICE OF THE
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GENERAL COUNSEL
Harold McLean

Staff attorneys in the General Counsel's office process the legal aspects of all docketed and undocketed matters pursuant to Chapters 364, 366, and 367, Florida Statutes. Attorneys are cross-trained and they process cases across industry lines. The attorneys are part of the technical team that processes all cases under Sections 120.569 and 120.57, Florida Statutes. In addition, the legal staff assures that all requirements of the Public Records Law, the Sunshine Law, and the Administrative Procedures Act are met in all assigned cases.

The PSC attorneys represent and defend the PSC's actions in all state and federal courts and at the Division of Administrative Hearings as cases arise. The staff attorneys are also responsible for declaratory statements and all rulemaking activities, from conducting workshops and informal rule hearings to defending rule challenges. Further, the PSC's legal staff is responsible for the procedural and legal aspects of rate cases and other formal proceedings before the PSC, the Division of Administrative Hearings and, on behalf of the PSC, in civil court proceedings.

The role of PSC attorneys includes providing legal advice to PSC technical staff throughout the processing of each docket; identifying legal issues; writing legal issues for recommendations as they arise; including show cause and other legal issues; participating in customer meetings conducted prior to filing recommendations in proposed agency action (PAA) rate cases, staff-assisted rate cases, limited proceedings, and reuse cases; conducting formal discovery and depositions; participating in meetings with the parties to crystallize issues and/or to discuss settlement or stipulations on certain issues; answering legal questions as necessary at PSC Agenda Conferences; drafting orders resolving motions in dockets scheduled for hearing; representing the PSC's technical staff at prehearings and hearings; and drafting orders memorializing the Commissioners' decisions made in each case. Thereafter, attorneys prepare the recommendation on any motion for reconsideration that may be filed, as well as the order resulting from that recommendation. In enforcement cases, a PSC attorney prepares the order initiating the action by the Commission and assists in any negotiation efforts between staff and the company. During 2001, the PSC legal staff wrote 2,664 orders.

This office also provides legal advice to the Commissioners and represents the PSC in personnel and contract matters, as well as a variety of peripheral legal matters affecting the agency.

DIVISION OF

Policy Analysis and Intergovernmental Liaison

DIRECTOR

Charles Hill

The Division of Policy Analysis and Intergovernmental Liaison is responsible for identifying emerging issues and areas of inquiry in the energy, telecommunications, water, and wastewater industries. It is also responsible for conducting studies on topics of regulatory interest, and providing the findings to the Commissioners and other PSC divisions for use in making decisions regarding regulatory policy matters. Further, the division provides the primary technical interface with both state and federal agencies on regulatory matters in coordination with other PSC divisions, the Office of General Counsel, the PSC's Deputy Executive Director/Technical, and the Commissioners.

The responsibilities of the Division of Policy Analysis and Intergovernmental Liaison are further detailed under its component bureaus below:

- ◆ The primary function of the ***Bureau of Policy Analysis*** is to assist and facilitate in the identification and analysis of policy issues. Responsibility for the bureau falls into two broad areas: first, to identify, analyze and alert the PSC about emerging issues, and second, to assist PSC technical divisions and the Commissioners in analyzing policy-related matters. The sections responsible for carrying out these responsibilities are the Special Studies Section and the Policy Analysis Section.

Emerging competition in the regulated telecommunications and electric industries and its effect on regulatory policy will have far-reaching effects on ratepayers. The *Policy Analysis Section* identifies emerging policy issues that are critical in this rapidly changing regulatory environment. Timely analyses of these technical issues enable the PSC to assess the effects of policy changes on Florida ratepayers, and to respond to these changes.

In conjunction with the Policy Analysis Section, the *Special Studies Section* analyzes issues and trends and produces reports, white papers, and position papers on matters identified through the above activities. These reports/studies are the primary means of informing and educating Commissioners and PSC staff on emerging issues and their effects on ratepayers. The regulatory issues that have resulted from the changing telecommunications and electric industries are highly complex. The PSC needs timely, concise and pertinent information in order to properly anticipate the changes and formulate forward-looking policies that will benefit Florida's ratepayers. The above activities are critical to this end.

- ◆ The ***Bureau of Intergovernmental Liaison*** has responsibilities at both the federal and state levels:

At the federal level, the bureau's purpose is to ensure proper monitoring of and timely responses to documents issued by federal agencies, the National Association of Regulatory Utility Commissioners (NARUC), and Congress related to issues involving the electric, telecommunications, and water industries.

The bureau actively filed comments, after PSC approval, in Federal Energy Regulatory Commission dockets on Regional Transmission Organizations. These dockets have major impacts on ratepayers and the regulated companies. The bureau also participated in Federal Communications Commission dockets which impact consumers in Florida. Key dockets related to universal service, local competition, and advanced services. The Bureau of Intergovernmental Liaison staff is responsible for monitoring action taken by these organizations, keeping the Commissioners and appropriate agency staff informed, and leading and coordinating the proper response. This may also include meetings with key staff in federal agencies and Congress.

At the state level, the PSC is worked to improve communication and coordination with other state and local agencies. As a result of a recent reorganization, the PSC now has a *State Liaison Section* within the Division of Policy Analysis and Intergovernmental Liaison that is charged with facilitating effective coordination between the PSC and other state agencies and local governments.

The conflicting objectives of the agencies sometimes create difficulty in the Commission's coordination efforts and prevent the most reasonable, least-cost solution to the problem at hand. The difficulty is not a result of a lack of effort to cooperate with other agencies. As shown in the example below, the PSC has often addressed these matters through mechanisms such as Memoranda of Understanding. Due to the willingness of both parties to work together, communication lines between the agencies are continually improving, and the challenges of coordination with other agencies are becoming increasingly rare.

Since 1991, the PSC has entered into a Memoranda of Understanding with several other agencies to facilitate the agencies' working relationship on issues of mutual interest. For example, the PSC and the Florida Department of Environmental Protection (DEP) entered into a Memoranda of Understanding that formally establishes policies and procedures to be followed by the agencies to promote and encourage water conservation, reuse of reclaimed water, and safe and efficient water supply and wastewater management services. Additionally, the PSC, DEP, and nine other agencies entered into a separate Statement of Support for Water Reuse which represents the participating agencies' resolution to continue to encourage and promote water reuse, to work together to overcome institutional and regulatory disincentives and funding constraints, to ensure protection of public health and environmental quality, and to promote public acceptance of water reuse in Florida.

Also, the PSC and the five Florida Water Management Districts entered into a Memoranda of Understanding that formally establishes policies and procedures to be followed by the agencies to encourage the exchange of information, participation in cases before the agencies, and other efforts to implement an effective, statewide conservation policy. The PSC and the Florida Department of Community Affairs entered into a Memoranda of Understanding that formally establishes guidelines for working together in PSC certificate cases in order to facilitate the intent of Chapters 163 and 367, Florida Statutes, with respect to the regulation of investor-owned water and wastewater utilities and local comprehensive planning. Finally, the PSC, the Florida Department of Elder Affairs, the Florida Department of Children and Families, and the former Florida Department of Labor and Employment Security entered into an Interagency Agreement to establish procedures by which the agencies would work together to increase consumer awareness of the Lifeline Assistance and Link-Up Florida Programs which reduce costs for telephone connection and service for eligible low-income citizens.

The State Liaison Section helps coordinate various activities between the PSC and other agencies in accordance with the guidelines established in the Memoranda of Understanding. During 2001, the State Liaison Section helped coordinate activities between the PSC and other participants on the Interagency Copper Pipe Corrosion Project, Water Conservation Initiative, and telecommunications Rural Health Care Program Project. Examples of the section's liaison activities related to the electric industry include coordination of an electric merchant plant training session requested by the Southwest Florida Water Management District. The training was conducted jointly by PSC and DEP staff. Also, the section coordinated a presentation on the undergrounding of electric facilities in response to concerns expressed by several local governments. The presentation was requested by the Florida Department of Community Affairs. Liaison efforts on these various projects extended beyond our sister state agencies to include cities, counties, associations, universities, and private businesses. In 2002, the State Liaison Section will continue to coordinate the PSC's involvement in these projects, as well as new projects, including revision of the Memoranda of Understanding with Florida's five Water Management Districts.

DIVISION OF

Regulatory Oversight



The Division of Regulatory Oversight is responsible for financial, performance, and operational audits. In addition, the division processes certification of jurisdictional telecommunications companies and water and wastewater utilities. The division also resolves customer complaints associated with telecommunications services and water and wastewater certification.

DIRECTOR

Dan Hoppe

The responsibilities of the Division of Regulatory Oversight are further detailed under its component bureaus:

- ◆ The ***Bureau of Regulatory Review*** is responsible for reviewing utility performance and operations, investigating and documenting current processes and results, and identifying areas for improvement. The bureau reviews utility performance and processes to determine if appropriate internal controls are in place and if the utility is in compliance with company, state, and federal guidelines. Areas for investigation include competitive performance analysis, electric reliability, service quality, service availability, systems analysis, and consumer protection. These reviews may be of a focused or a comparative nature. The bureau also performs special investigations of allegations relating to systemic utility fraud such as slamming and cramming. Additionally, the bureau responds to requests for focused or comparative reviews, audits and investigations from other divisions, the Executive Suite, and the Commissioners.
- ◆ The ***Bureau of Certification*** consists of two sections, the Certification and Tariff Administration Section and the Industry Structure Section.

The *Certification and Tariff Administration Section* is responsible for processing all telecommunication filings related to certification for Incumbent Local Exchange Companies (ILECs), Alternative Local Exchange Companies (ALECs), Interexchange Companies (IXCs), Pay Telephone Service (PATs) providers, Alternative Access Vendor (AAVs), and Shared Tenant Service (STS) providers, including new certificates, name changes, transfers, and cancellations. The section is also responsible for ILEC, ALEC, and IXC tariff and price list filings. Certificate, tariff and price list filings are reviewed for compliance with applicable Commission rules, statutes, and orders. The staff provides information on tariffed services to customers and companies and resolves customer complaints associated with tariffed services.

As of December 2001, the number of certificated telecommunications companies in the State of Florida were as follows:

- 10 incumbent local exchange companies (ILECs)
- 439 alternative local exchange companies (ALECs)
- 627 interexchange companies (IXCs)
- 586 pay telephone service companies (PATs)
- 38 alternative access vendors (AAVs)
- 28 shared tenant service (STS) providers

By comparison, as of December 31, 2000, there were 10 ILECs, 441 ALECs, 685 IXC's, 711 PATs, 37 AAVs, and 32 STS providers in Florida.

The *Industry Structure Section* is responsible for all water and wastewater certification filings, including original and grandfather certificates, amendments of territory, transfers of facilities or stock, transfers to governmental entities, name changes, cancellation of certificates, abandonments, territorial disputes, and exemption activity. The section is also responsible for tariff filings associated with certification cases and handles complaints and inquiries relating to any of these areas. Certificate and tariff filings are reviewed for compliance with applicable Commission rules, statutes, and orders.

During 2001, there were 207 PSC-certificated water and wastewater utilities in Florida. The PSC currently has jurisdiction in 35 of the 67 counties in Florida.

- ◆ The ***Bureau of Auditing Services*** consists of four field offices in Orlando, Miami, Tallahassee, and Tampa. The auditors conduct physical examinations of utility-related financial and operating records and provide the PSC with an independent verification of the supporting documentation for any statements or filings made by the regulated companies. A staff of 25 accountants completed 78 financial and special investigative audits to support the staff analysis of utility petitions and PSC initiatives during 2001. These investigations included such topics as: rate cases, earnings surveillance, cost recovery clauses, and affiliate transactions.

DIVISION OF

Safety and Electric Reliability

DIRECTOR

Joe Jenkins

The Division of Safety and Electric Reliability participates in formal and informal proceedings relating to long-range electric-utility bulk power supply operations and planning; power plant and transmission line siting, including the siting of power plants owned by non-traditional generating entities; electric and natural gas safety and service quality, including complaints; electric utility conservation goals and programs; emergencies due to operational events or weather; and fuel, conservation, and environmental cost recovery. The division consists of two bureaus: the Bureau of Electric Reliability and Cost Recovery and the Bureau of Safety.

The responsibilities of the Division of Safety and Electric Reliability are further detailed under its component bureaus:

- ◆ The ***Bureau of Electric Reliability and Cost Recovery*** is composed of two Sections, Electric Reliability and Cost Recovery.

The *Electric Reliability Section* processes and makes recommendations to the PSC on proposed power plants with a steam cycle greater than 75 megawatts, including non-utility-owned power plants (also called merchant plants) and 230-kilovolt or higher electric transmission lines. The recommendations to approve or reject a proposed power plant or transmission line are based on either continued reliability of Florida's bulk electric system or, if not needed for reliability, on the proposed addition reducing electricity costs to customers from what these costs may otherwise be. If approved by the PSC, a proposed power plant or transmission line is subject to environmental review by the Florida Department of Environmental Protection and ultimately by the Governor and Cabinet, sitting as the siting board. Included in bulk power supply reliability and costs are the dispositions of wholesale power purchases and contract buyouts. The Electric Reliability Section analyzes and prepares a report on the reliability likely to result from implementation of annual electric utility ten-year site plans required by Florida Statutes.

The Electric Reliability Section also makes recommendations to the PSC on utility conservation programs focusing on whether a net benefit is conveyed to those customers not participating in a particular program. Conservation program benefits include the avoidance of power plants or transmission lines but does not include non-quantifiable costs, such as the benefits of cleaner air or less reliance on imported oil. The section is also responsible for administering the conservation cost recovery clause.

The *Cost Recovery Section* makes recommendations to the PSC on fuel, purchased power, capacity, and environmental cost recovery petitions for Florida's investor-owned electric utilities. For 2002, the projected amount of associated cost recovery by the utilities is \$5.29 billion. Fuel purchases are analyzed by the section for prudence, as are major power plant outages that can adversely affect the fuel costs charged to customers. The section administers a power plant efficiency incentive factor as part of the fuel clause.

The environmental cost recovery clause (ECRC) provides for cost recovery of both capital and operating expenses incurred by investor-owned electric utilities to comply with new environmental regulations. The choice of which environment cost recovery method (either base rates or the clause) is appropriate for certain environmental costs, especially those costs associated with new power plants, seems to be a continuing issue. The continued implementation of the 1992 Clean Air Act is expected to result in new environmental costs for Florida utilities during 2002.

The Cost Recovery Section also makes recommendations on territorial agreements and disputes. The Section reviews the reasonableness of the purchase price of the facilities being transferred, impacts to reliability, and the likelihood that the agreement will eliminate existing or potential duplication of facilities.

The Section also resolves the more complex electric distribution outage complaints and is in the process of proposing revised electric distribution reliability reporting requirements/standards.

◆ The ***Bureau of Safety*** is composed of two sections, Electric Safety and Gas Safety.

The *Electric Safety Section* engineers verify that the electric utilities comprised of investor-owned, municipal and cooperatives are constructing transmission and distribution electrical systems in accordance with the National Electrical Safety Code. Random samples of completed work orders are inspected by the PSC's electric safety engineers. Variances from the safety code are reported to utilities with variances. The utilities then correct the variances and report back to the Electric Safety Section when completed. The work order is then re-evaluated to verify that everything is in compliance.

The Electric Safety Section also provides technical support to the PSC's Division of Consumer Affairs regarding consumer complaints that either require direct contact with customers, site visits, or require expert advice.

The *Natural Gas Safety Section* is responsible for natural gas safety. The PSC's natural gas pipeline safety jurisdiction begins at the tap on interstate pipelines and ends at the outlet of the last gas meter prior to the point of consumption.

The PSC's natural gas safety engineers evaluate natural gas pipelines operated by Florida's investor-owned natural gas utilities, municipal natural gas systems, special natural gas districts, intrastate transmission systems, housing authorities, and private master meter operators. General areas covered by these evaluations are new pipeline construction, maintenance, and operations. Evaluations are made of corrosion control programs, qualifications of personnel, operating pressures, odorant concentrations in gas, emergency plans, testing of personnel for alcohol and drug use, completion of gas leak surveys, and repairs of leaks. Additionally, staff investigates natural gas accidents to obtain information that can be used to prevent a recurrence.

The Florida Emergency Operations Center is provided technical support and staffing from both the Electric Safety Section and Natural Gas Safety Section during natural or manmade emergencies. The bureau is the twenty-four hour contact point for assistance and advice for all energy related emergencies for electric utilities, natural gas pipelines, and fuel related problems.