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STATE OF FLORIDA



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## Public Service Commission

September 28, 2010

Jerry L. McDaniel, Director  
Office of Policy and Budget  
Executive Office of the Governor  
1701 The Capitol  
Tallahassee, FL 32399-0001

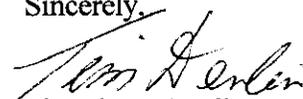
JoAnne Leznoff, Council Director  
House Full Appropriations Council  
221 The Capitol  
Tallahassee, FL 32399-1300

David Coburn, Staff Director  
Senate Policy and Steering Committee on Ways and Means  
201 The Capitol  
Tallahassee, FL 32399-1300

Dear Directors:

Pursuant to Chapter 216, Florida Statutes, our Long Range Program Plan (LRPP) for the Florida Public Service Commission is submitted in the format prescribed in the budget instructions. The information provided electronically and contained herein is a true and accurate presentation of our mission, goals, objectives, and measures for Fiscal Year 2011-12 through Fiscal Year 2015-16.

Sincerely,

  
Timothy J. Devlin  
Executive Director

FLORIDA  
PUBLIC SERVICE COMMISSION

**LONG-RANGE PROGRAM PLAN**  
**FY 2011-2012 THROUGH FY 2015-2016**

September 30, 2010

## **AGENCY MISSION**

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

**PUBLIC SERVICE COMMISSION**  
**Long Range Program Plan FY 2011-12 - 2015-16**  
**Goals and Objectives**  
**In Priority Order**

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

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

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

	FY 2000-01 Baseline (Actual)	FY 2011-12	FY 2012-2013	FY 2013-14	FY 2014-15	FY 2015-2016
<i>Actual CPI/Actual FL</i>	CPI 3.4%/FL 1.84%	CPI + 1	CPI + 1	CPI + 1	CPI + 1	CPI +1

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

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

	FY 2000-01 Baseline (Actual)	FY 2011-12	FY 2012-2013	FY 2013-14	FY 2014-15	FY 2015-2016
<i>USA/ Florida</i>	Electric USA 12.2 / FL 11.38; Gas USA 11.6 / FL 11.31; W/W USA 11.2 / FL 9.69	USA +/- 1	USA +/- 1	USA +/- 1	USA +/- 1	USA +/- 1

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

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

	FY 2000-01 Baseline (Actual)	FY 2011-12	FY 2012-2013	FY 2013-14	FY 2014-15	FY 2015-2016
<i>Within Range/ Over Range</i>						
Electric	67% / 33%	100% / 0%	100% / 0%	100% / 0%	100% / 0%	100% / 0%
Gas	25% / 0%	29% / 0%	29% / 0%	29% / 0%	29% / 0%	29% / 0%
Water & Wastewater	10% / 5%	10% / 5%	10% / 5%	10% / 5%	10% / 5%	10% / 5%

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

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

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

	FY 2000-01 Baseline (Actual)	FY 2011-12	FY 2012-2013	FY 2013-14	FY 2014-15	FY 2015-2016
	6.1%	11.0%	11.0%	11.0%	11.0%	11.0%

## Long Range Program Plan FY 2011-12 - 2015-16 Goals and Objectives

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

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

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

FY 2000-01 Baseline (Actual)	FY 2011-12	FY 2012-2013	FY 2013-14	FY 2014-15	FY 2015-2016
18.77%	19%	19%	19%	19%	19%

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

FY 2000-01 Baseline (Actual)	FY 2011-12	FY 2012-2013	FY 2013-14	FY 2014-15	FY 2015-2016
65.6%	87.3%	87.3%	87.3%	87.3%	87.3%

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

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

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

FY 2000-01 Baseline (Actual)	FY 2011-12	FY 2012-2013	FY 2013-14	FY 2014-15	FY 2015-2016
93%	95%	95%	95%	95%	95%

**OUTCOME 4B:** Consumer Calls: Average waiting time.

FY 2000-01 Baseline (Actual)	FY 2011-12	FY 2012-2013	FY 2013-14	FY 2014-15	FY 2015-2016
.83 min.	.05 min	.05 min	.05 min	.05 min	.05 min

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

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

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

FY 2000-01 Baseline (Actual)	FY 2011-12	FY 2012-2013	FY 2013-14	FY 2014-15	FY 2015-2016
193 kWh	393 kWh	430 kWh	468kWh	505 kWh	543 kWh

## TRENDS AND CONDITIONS STATEMENT

The Florida Public Service Commission (FPSC or 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. At the same time, the FPSC must balance these consumer needs with the opportunity for utilities and their stockholders to earn a fair rate of return for their capital investments. In doing so, the FPSC exercises regulatory authority over utilities in one or more of three key areas: rate base/economic regulation, competitive market oversight, and monitoring of safety, reliability, and service.

### FPSC Responsibilities

#### Scope of Authority

The FPSC regulates all investor-owned electric utilities, gas utilities, and telecommunications companies. The regulation of energy (electricity and natural gas) and water and wastewater investor-owned utilities is commonly referred to as rate base or rate-of-return regulation, which includes rate setting responsibility and earnings oversight and also extends to quality of service and consumer complaints. A characteristic unique to Florida's water and wastewater industry is that counties have the option to elect to regulate the investor-owned water and wastewater companies in their county pursuant to Chapter 367, or transfer regulation to the FPSC. Currently 35 of 67 counties have either left regulation with the FPSC or transferred regulatory authority to the FPSC. All incumbent local exchange telecommunications companies are price-cap regulated. The Commission does not have rate setting or earnings oversight authority for those companies. For telecommunications companies, the Commission has jurisdiction over company-to-company matters, quality of service issues for basic local service customers, and consumer billing complaints.

Further, the FPSC exercises rate structure and territorial jurisdiction over municipally-owned electric systems and rural electric cooperatives. Proper rate structure ensures that rates charged to customers of these utilities are non-discriminatory. Proper rate structure insures that one class of customers does not subsidize another class. The FPSC also ensures compliance with gas safety rules and regulations for municipally-owned natural gas utilities, special gas districts, investor-owned gas utilities, intrastate gas pipelines, and private master meters. The FPSC has electric safety, power supply planning and power plant and transmission line need determination authority over all electric utilities. Finally, the FPSC also has authority to set conservation goals for Florida's investor-owned electric utilities and the two largest municipal electric utilities. These latter areas of responsibility give the Commission a significant role in ensuring that energy production is sufficient to meet both current and future demand.

## **Statutory Authority**

The FPSC's authority for its activity is contained in the following Florida Statutes:

- Chapter 120, Rulemaking
- Chapter 186, Planning and Development (10 Year Site Plans)
- Chapter 350, Organization, Powers and Duties
- Chapter 364, Telecommunications
- Chapter 366, Electric Utilities
- Chapter 367, Water and Wastewater Systems
- Chapter 368, Gas Transmission and Distribution Facilities
- Chapter 403, Power Plant, and Transmission Line Siting, and Intrastate Natural Gas Pipeline Siting
- Chapter 427, Special Transportation and Communications Services

The FPSC has quasi-legislative and judicial responsibilities, as well as some executive powers and duties. In its legislative capacity, the FPSC promulgates rules governing utility operations. In a judicial manner, the FPSC conducts evidentiary hearings on issues regarding the cost and quality of regulated services. Additionally, it hears and decides complaints and issues written orders.

Rules adopted by the FPSC to implement the above laws are contained in Chapter 25, Florida Administrative Code (F.A.C.).

To meet its statutory responsibilities, the FPSC has established the following five primary goals:

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

## **Agency Priorities**

As discussed previously, the FPSC's authority extends over three major utility industries: energy (electricity and natural gas), telecommunications, and water and wastewater. Each industry has unique characteristics and each has significant issues that will require regulatory actions by the FPSC over the next five years. The agency's priorities are based on legislative directives and economic and environmental factors affecting provision of utility services within the state.

### **Energy Priorities**

Florida's electric utilities are required by law to furnish adequate, reliable, and affordable electricity service to each customer. Meeting increasing customer demand in a time of rising costs and growing concerns about global climate change represents a significant challenge. During the 2008 regular session, the Legislature outlined its plan to meet these challenges in HB 7135, which is Florida's most aggressive energy legislation to date. HB 7135 stresses the importance of diversifying fuels used for electric power generation, increasing the focus on demand-side conservation and energy efficiency, and preserving existing supply-side renewable energy resources while encouraging the development of new renewable energy resources.

Other recent legislation has created financial incentives to encourage utilities to make capital investments, to expand existing and construct new nuclear power plants, and to explore clean coal technologies such as integrated gasified combined cycle (IGCC) units. To date, utilities have proposed, and the FPSC has found, an affirmative need for approximately 5,000 megawatts of additional nuclear facilities through 2023 that will help maintain Florida's fuel diversity by reducing the State's future dependence on oil and natural gas while reducing the emission of greenhouse gases.

### **Fuel Diversity**

During the late 1990's, utilities across the nation and within Florida selected natural gas-fired generation as the predominant source of new capacity. The use of natural gas for electricity production in Florida increased significantly from 19.3 percent in 1995 to 48 percent in 2010. Given the volatility of natural gas prices, evidenced by the wide range of projected prices and availability of natural gas, the FPSC has required electric utilities to explore the feasibility of improving the State's fuel diversity. Both Florida Power and Light Company (FPL) and Progress Energy Florida, Inc. (PEF) have begun the application process for approval to construct a total of four new nuclear reactors in Florida. In August 2009, PEF received approval for site certification by the Power Plant Siting Board for its two planned nuclear units in Levy County. FPL is currently proceeding through site certification and is currently scheduled to go before the Power Plant Siting Board in November, 2011.

Both utilities (FPL and PEF) have filed petitions pursuant to Section 366.93, F.S., which allows early cost recovery for new nuclear power plants. A hearing to address cost recovery of nuclear pre-construction expenditures for both utilities was held on August 24-27, 2010. The in-service dates of 2018 through 2023 for these nuclear units, will require the Commission to annually evaluate the cost recovery and the long-term feasibility of these projects over the next 8 to 13 years.

Fuel diversity will continue to be a critical issue for the FPSC as it monitors potential climate change legislation, fuel price variability, the changing capital cost of generating units, and the expansion and integration of renewable energy resources.

### **Energy Conservation**

During the 2008 legislative session, the Legislature amended the Florida Energy Efficiency and Conservation Act (FEECA) to place greater emphasis on the pursuit, through utility sponsored incentives, of all cost-effective customer conservation and energy efficiency measures including demand-side renewable energy systems. Under FEECA, the FPSC must establish numeric conservation goals for each FEECA utility, at least every five years. FEECA goals were last set by the FPSC in 2004 and were reset in 2009 to reflect the provisions of the revised FEECA statutes. Hearings to establish new conservation and energy efficiency goals were held on August 10 through 13, 2009. Interveners in the hearing included the Florida Industrial Power Users Group, the Florida Solar Coalition, the National Resources Defense Council, and the Southern Alliance for Clean Energy. On December 30, 2009, the PSC established aggressive new goals for the FEECA utilities that were more robust than those proposed by the utilities. These new goals were based on an Enhanced Total Resource Cost (E-TRC) test that includes total system costs and benefits and estimates of the potential impact of environmental regulations to control green-house gas emissions. In addition, the Commission increased the goals to include estimates of the effect of certain measures that have a payback period of two years or less to the participating customer. In order to implement the new goals, each FEECA utility was required to file plans and programs designed to meet the goals. The Commission is currently reviewing the proposed utility plans and programs and is scheduled to make a decision at the August 31, 2010, Agenda Conference.

### **Renewable Generation**

Another priority of the FPSC is to increase the use of affordable renewable energy. Currently there are approximately 1,291 MW of renewable generation resources in Florida from non-utility and utility owned renewable generating facilities. The majority, approximately 900 MW, are municipal solid waste (MSW) or biomass facilities. Over the next ten years, the utilities project an increase of approximately 809 MW of new renewable facilities, again primarily from MSW and biomass facilities.

The Florida Legislature, in HB 7135, placed emphasis on customer-owned renewable energy as well as supply-side or grid-tied renewables. All electric utilities were directed to offer customers standard interconnection agreements and net metering for renewable energy generation. This policy ensures a simplified, expedited process for interconnecting a renewable system to the utility. Net metering is a billing function that allows customers to receive credit for renewable energy generated in excess of the customer's requirements. As of December 31, 2009, 1,590 customers owned renewable energy systems with an electric capacity of 13.2 MW, up from 537 systems with a capacity of 2.8 MW in 2008. Small customer-owned renewable facilities are primarily solar photovoltaic (PV) installations. Between 2008 and 2009, the number of these small solar installations increased approximately 300%.

Also in HB 7135, the FPSC was directed to develop a draft Renewable Portfolio Standard (RPS) rule for consideration by the Legislature. The FPSC's draft rule, submitted in January 2009, included an aggressive standard of 20 percent renewable energy by 2020. It also provide for ratepayer protections, including a 2 percent rate cap with close oversight by the FPSC of the costs of compliance. The draft rule was not ratified by the Legislature during the 2009 and 2010 Regular Sessions.

Over the next five years, the FPSC will continue to enforce existing renewable policies, and explore additional policies to benefit Florida's consumers. In addition, the FPSC will monitor the utilities' efforts to interconnect and net meter customer-owned renewables under the FPSC's rule. The FPSC will also review and approve investor-owned utilities' standardized contracts to purchase renewable capacity and energy. Finally, the FPSC will monitor the impact of evolving federal and state energy policies on the development of renewables in Florida, and on the state's ratepayers and provide technical information to assist legislators in the formulation of renewable energy policy.

### **Rate Cases**

During 2009, the Commission heard requests for rate increases from three of the four major investor-owned electric utilities in the state. Tampa Electric Company (TECO) was approved for a total annual base rate revenue increase of \$113.6 million based in part upon a return on equity (ROE) of 11.25 percent. In addition to this increase in base rates effective May 2009, the Commission also approved a step increase in base rates in the amount of \$33.5 million effective January 2010. The interveners in TECO's rate case proceeding (the Office of Public Counsel (OPC), the Office of Attorney General (OAG), the Florida Industrial Power Users Group (FIPUG), and the Florida Retail Federation (FRF)), jointly filed a Motion for Reconsideration contesting the Commission's decision to grant the step increase. On July 20, 2010, a Joint Motion for Approval of Stipulation and Settlement Agreement (TECO Stipulation) was filed by TECO, OPC, OAG, FIPUG, and FRF. The proposed TECO Stipulation, if approved in its entirety, would grant a one-time refund of \$24.0 million to TECO's customers, a rate reduction of \$1.28 million for TECO's Interruptible Service customer class, a reduction in the total amount of the step increase to \$24.4 million, and the dismissal with prejudice

of the interveners' appeal of Order Nos. 09-0283 and 09-0571 currently pending before the Supreme Court of Florida regarding TECO's rate case. The Commission is scheduled to render its decision regarding the TECO Stipulation at the August 19, 2010, Agenda Conference.

The Commission issued a Final Order on March 5, 2010, denying Progress Energy Florida's (PEF) request for an annual base rate revenue increase above the \$126 million rate increase granted for PEF's Bartow Repowering Project (Bartow) in June 2009. The ROE authorized for PEF was 10.50 percent. On March 18, 2010, PEF filed its Motion for Reconsideration of the Final Order asserting certain mathematical errors were made in the calculation of PEF's revenue requirements. On March 29, 2010, OPC filed its Cross Motion for Reconsideration of the Final Order challenging the increase granted for Bartow. A Joint Motion for Approval of Stipulation and Settlement Agreement (PEF Stipulation) was filed on May 10, 2010 by PEF, OPC, OAG, FIPUG, FRF, PCS Phosphate, and the Navy. The PEF Stipulation was approved by the Commission on June 18, 2010. The PEF Stipulation provides for the following: a base rate freeze through December 2012 unless the ROE falls below 9.50 percent; the discretion to record a depreciation expense credit of up to \$150 million in 2010, up to \$250 million in 2011, and up to any remaining balance of the depreciation reserve surplus in 2012; the discretion to accelerate the amortization of certain regulatory assets; and specified recovery of storm damage costs and storm damage reserve replenishment. In addition, the PEF Stipulation also provides for any party to petition the Commission for a review of PEF's base rates if the Company's reported ROE exceeds 11.50 percent. Absent a major storm that results in significant damage to PEF's service territory or the Company earning an ROE above 11.50 percent or below 9.50 percent, PEF should not be appearing before the Commission for rate relief to be effective before January 1, 2013.

The Commission issued a Final Order on March 17, 2010, granting Florida Power & Light Company (FPL) an annual base rate revenue increase of \$75.5 million based in part upon an ROE of 10.00 percent. Both FPL and FIPUG filed Motions for Reconsideration of the Final Order. FPL included in its motion a Motion for Clarification. FPL's Motion for Reconsideration asserts that, due to certain mathematical errors, the revenue requirements approved in the Final Order were understated. In its Motion for Clarification, FPL seeks clarification regarding a perceived inconsistency in the Final Order as it relates to the computation of the test year depreciation expense used in setting FPL's base rates. FIPUG's Motion for Reconsideration challenges the reasonableness of certain decisions related to the rate structure approved for FPL. Going forward, representatives of FPL have made numerous public statements that the Company is considering filing either a new rate case or a limited proceeding for recovery of the investment in West County Unit 3 (WC 3) by late 2010 or early 2011. WC 3 is a new, gas-fired power plant projected to go into commercial service in June 2011.

## **Water & Wastewater Priorities**

The water and wastewater industry, although not subject to competitive pressures, faces unique challenges of its own in the areas of aging infrastructure, rate relief requests, affordability, and reuse.

The major workload for the PSC in this industry is ratemaking to ensure utilities remain financially viable so that customers continue to receive their water at reasonable rates. A key consideration in setting water rates is sending proper price signals to customers to encourage efficient use of this critical resource.

Rapid population growth exerts upward pressure on water rates as demand continually increases for this finite resource. Compared to other utility industries, water and wastewater utilities generally have much smaller customer bases over which to spread the increasing costs. Therefore, the impacts of increased costs may be greater for the individual customer of a water or wastewater utility than for customers of other utility services. Increases in the cost of gasoline, insurance, labor, chemicals, property taxes, and sludge removal are negatively impacting the financial position of water and wastewater utilities. The FPSC processed eight rate cases during the fiscal year 2009/2010, four file and suspend cases and four staff assisted cases. The FPSC expects rate case activity for the water and wastewater industry to remain relatively constant in the coming year.

Compliance with the standards in the federal Safe Drinking Water Act and the Clean Water Act has also increased the cost of providing water and wastewater services to the public, in some instances dramatically. Drinking water standards have become more stringent with respect to the maximum levels allowed for certain contaminants. The tightening of standards often requires utilities to expend monies to make modifications to their plants or processes in order to gain compliance with the more stringent standards.

A significant issue for the water and wastewater industry is the challenge of regulatory compliance for small systems. Encouraging acquisitions of small systems by larger more financially sound water and wastewater companies may be one way to address the problems of small systems. On September 14, 2010 the Commission voted to approve a rule amending its existing acquisition policy. The modified rule is designed to continue the incentive for acquisition of small companies while also providing additional consumer benefits when a larger water utility is able to acquire a small one at a discount. Interested parties have until October 22, 2010 to request a hearing and/or file comments.

## **Telecommunications Priorities**

In 1995, the Florida Legislature recognized the potential benefits of introducing competition for telecommunications services and enacted legislation to open local telecommunications markets to service providers other than the incumbent local exchange companies (ILECS). The following year, Congress enacted the Telecommunications Act of 1996 making local competition a national objective. The emergence of unregulated technologies such as wireless and VoIP have created an increasingly competitive market for telecommunications services.

In 2009, the Florida Legislature made reforms to the existing regulatory framework for telecommunications. The bill redefined basic service to include only single-line, flat-rate residential service. The addition of non-basic or unregulated services, either priced individually or as part of a combination of services (including unregulated services), are reclassified as non-basic. During the 2009/2010 fiscal year the FPSC began rulemaking and implemented processes to reflect the 2009 legislation. One significant process change implemented is that non-basic service quality complaints are now referred to the Department of Agriculture and Consumer Services.

The FPSC will continue to remove obstacles to competitive markets, resolve consumer complaints for basic service customers and billing complaints, facilitate company-to-company interconnection (arbitrations, contract interpretations, complaints, etc.), and monitor evolving telecommunications technology.

In 2010, the Florida Legislature enacted a law that allows wireless carriers that are designated as eligible telecommunications carriers to offer Lifeline services to applicants who qualify under the income eligibility criterion of 135 to 150 percent of the federal poverty guideline. In addition, the new law requires the Commission, the Department of Children and Family Services (DCF), the Department of Education, and the Office of Public Counsel to work together to ensure a secure exchange of necessary customer information in order to facilitate enrollment while protecting customer proprietary information.

The Lifeline program provides a credit of up to \$13.50 per month to subscriber's bills to make telephone service affordable to eligible low-income customers. Lifeline is a program funded by the Federal Universal Service Fund. All customers contribute to the Universal Service Fund through a line item on their monthly bill. To facilitate the access to affordable telecommunications service for all consumers, the FPSC and DCF implemented a Lifeline automatic enrollment process. The FPSC and DCF are continuing to work together to make enrolling in the Lifeline program easier for applicants. In recent years, the FPSC has expanded efforts and resources on outreach and to simplify application procedures for Lifeline services. This effort ensures that all Florida consumers have access to telecommunications services at affordable rates.

Pursuant to the Telecommunications Access Services Act of 1991 (TASA), the FPSC is responsible for establishing, implementing, promoting, and overseeing the administration of a statewide telecommunications access system to provide access to telecommunications relay services by people who are hearing or speech impaired and those who communicate with them. As part of its TASA responsibility, the FPSC oversees Florida Telecommunications Relay, Inc. a not-for-profit corporation that fulfills certain TASA requirements by providing for the distribution of specialized equipment required for telecommunications services to the hearing, speech, and dual sensory impaired and for outreach in the most cost-effective manner.

### **Conclusion**

Safe, reliable and affordable utility services are critical to promoting a positive business and social environment for Florida's residents. Measures of our success focus on customer protection and assistance, conservation, safety oversight, service evaluations, competitive market oversight, and ratemaking.

The FPSC's primary responsibility is to ensure that customers of regulated utility companies receive safe and reliable service at fair and reasonable rates. At the same time, the FPSC is required by law to ensure that rate base regulated companies are afforded an opportunity to earn a fair return on their investment in property dedicated to providing utility service. With Florida's dynamic energy climate, the targets are ever changing, and this task is more complex than ever before.

At this time, the FPSC is proposing a continuation budget. The FPSC does not have any task forces.

# PUBLIC SERVICE COMMISSION

## **Performance Measures And Standards**

### **LRPP Exhibit II**

## LRPP Exhibit II - Performance Measures and Standards

**Department:** Florida Public Service Commission      **Department No:** 61000000  
**Program:** Utilities Regulation/ Consumer Assistant Code: 1205.00.00.00  
**Service/Budget Entity:** Utility Regulation      **Code:** 61030100

	Approved Performance Measure for FY 2009-10	Approved Prior Year Standard FY 2009-10	Prior Year Actual FY 2009-10	Approved Standards for FY 2010-11	Requested FY 2011-12 Standard
1	Percentage of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index (CPI): Composite	CPI +1 (.6%)	6.58%	CPI + 1 (.6%)	CPI + 1 (.6%)
2	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Composite	USA +/- 1 10.7%	10.64%/.23%	USA +/- 1	USA +/- 1
3	Percent of utilities achieving within range and over range of last authorized ROE: Electric	100%/0%	33%/0%	100%/0%	100%/0%
4	Percent of utilities achieving within range and over range of last authorized ROE: Gas	29%/0%	43%/0%	29%/0%	29%/0%
5	Percent of utilities achieving within range and over range of last authorized ROE: Water & Wastewater	10%/5%	0%/4%	10%/5%	10%/5%
6	Percent of communications service variances per inspection points examined	19.0%	14%	19.0%	19.0%
7	Percent of electric and gas safety variances corrected on first reinspection	60.1%	87.3%	60.1%	60.1%
8	Consumer Calls: Percent of calls answered	86%	95%	86%	86%
9	Consumer Calls: Average waiting time (in minutes)	1.4	0.5	1.4	1.4
10	Conservation Programs Reviewed and Conservation Proceedings Undertaken	87	102	87	94
11	Per capita annual kWh energy savings through conservation programs (in kWh)	250	321	250	250
12	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Electric	19	38	19	19

	<b>Approved Performance Measure for FY 2009-10</b>	<b>Approved Prior Year Standard FY 2009-10</b>	<b>Prior Year Actual FY 2009-10</b>	<b>Approved Standards for FY 2010-11</b>	<b>Requested FY 2011-12 Standard</b>
13	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Gas	7	7	7	6
14	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Water & Wastewater	160	160	160	155
15	Proceedings to Evaluate or Resolve Retail and Wholesale Telecommunications Competitive Issues	1,200	762	1,200	600
16	Number of proceedings granting certificates to operate as a telecommunications company and registering intrastate interexchange telecommunications companies	110	72	110	70
17	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Electric	3	7	3	3
18	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Gas	1	1	1	1
19	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Water & Wastewater	60	64	60	55
20	Number of proceedings relating to wholesale competition or electric reliability	33	56	33	33
21	Utility Consumer Complaints and Information Requests Closed	38,000	81,252	38,000	43,000
22	Safety Inspections Performed (Electric and Gas)	3,000	3,220	3,000	3,000
23	Communications Service Evaluations Performed	4,000	5,484	4,000	4,000
24	Number Average Customer Satisfaction Rating of the Complaint Handling Function	4	6	4	4

# PUBLIC SERVICE COMMISSION

## **Assessment of Performance For Approved Measures**

### **LRPP Exhibit III**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Florida Public Service Commission  
**Program:** Utilities Regulation/Consumer Assistance  
**Service/Budget Entity:** Utility Regulation  
**Measure:** # 1 - Percentage of Annual Increases for Average Residential Usage Compared to Inflation as Measured by the Consumer Price Index

**Action:**

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

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
CPI + 1 (.6 %)	6.58%	5.98%	997.0%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

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

**Explanation:**

**External Factors** (check all that apply):

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

**Explanation:**

The significant increase in the average residential bill is driven by increased fuel costs experienced by the electric utilities as well as base rate increases. The average electric bill increased 4.15 percent. Gas bills increased as a result of rate cases by three gas utilities, resulting in an increase of 13.74 percent. Water and wastewater residential customers experienced an average bill increase of 5.65 percent due to approval of rate increases. Electric, gas, and water and wastewater utilities have experienced a reduction in usage due to economic conditions which has drive the need to seek rate relief. The average telephone bill has increased by 2.78 percent. The Commission has no statutory authority to set telephone rates.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Florida Public Service Commission  
**Program:** Utilities Regulation/Consumer Assistance  
**Service/Budget Entity:** Utility Regulation  
**Measure:** # 3 - Percentage of Utilities Achieving Within Range and Over Range of Last Authorized ROE - Electric

**Action:**

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

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
100% / 0%	33%/0%	67%/0%	67%/0%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

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

**Explanation:**

**External Factors** (check all that apply):

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

**Explanation:**

One of the five rate regulated electric utilities earned below the ROE range. Two of the five electric utilities were excluded from the percentage calculation because they were subject to revenue sharing stipulations rather than return on equity regulation. Underearning utilities are responsible for petitions for a rate increase to correct underearnings. The Commission does not initiate rate increases.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Florida Public Service Commission  
**Program:** Utilities Regulation/Consumer Assistance  
**Service/Budget Entity:** Consumer Safety/Protection  
**Measure:** # 5 - Percentage of Utilities Achieving Within Range and Over Range of Last Authorized ROE – Water & Wastewater

**Action:**

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

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
10% / 5%	0% / 4%	-10% / --	-100% / --

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

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

**Explanation:**

**External Factors** (check all that apply):

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

**Explanation:**

No rate regulated water and wastewater utility earned within the ROE range. Underearning utilities are responsible for filing petitions for rate increases to correct underearnings. The Commission does not initiate rate increases.

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

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

**Recommendations:**

None.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Florida Public Service Commission  
**Program:** Utilities Regulation/Consumer Assistance  
**Service/Budget Entity:** Utility Regulation  
**Measure # 15:** Proceedings to Evaluate or Resolve Retail and Wholesale Competitive Issues

**Action:**

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

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
1200	762	(438)	(36.50%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

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

**Explanation:**

**External Factors** (check all that apply):

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

**Explanation:**

As wireline companies merge and the telecommunications market develops, the dockets filed at the PSC should decrease due to fewer wireline companies and competitors not being under the PSC's jurisdiction. As the competitive market grows and matures, many issues have been resolved. New cases involve new market players or are a result of violations of rules and orders or based upon consumer complaints. The number of payphones continue to drop due to cost considerations and the growth in wireless also resulting in fewer cases.

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

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

**Recommendations:**

This measure's results are impacted by many of the competitors in the telecommunications market not being regulated by the PSC and the merger with reduction of the number of wireline companies. Also, the number of dockets should decline as the competitive market grows and the rules are defined. Due to recent statutory changes, the results will in all likelihood drop further.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Florida Public Service Commission  
**Program:** Utilities Regulation/Consumer Assistance  
**Service/Budget Entity:** Utility Regulation  
**Measure # 16:** Number of Proceedings Granting Certificates to Operate as a Telecommunications Company and Registering Intrastate Interexchange Telecommunications Companies (IXCs)

**Action:**

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

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
110	72	(38)	(34.54%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

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

**Explanation:**

**External Factors** (check all that apply):

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

**Explanation:**

Certification or registration is required for telecommunications and IXC companies under the PSC jurisdiction. Many of the competitors are not regulated by the PSC. Many of the companies under the PSC's jurisdiction have merged or have chosen to go out of business due to economy. This results in fewer certifications and registrations being issued.

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

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

**Recommendations:**

This measure's results are reflective of the nature of the telecommunications market. The wireline competitors have been merging and competitive pressures are from not only wireline companies but also cable, wireless, and internet protocol companies not within the PSC's jurisdiction. There is no recommendation.

# PUBLIC SERVICE COMMISSION

## **Performance Measure Validity And Reliability**

### **LRPP Exhibit IV**

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission  
Program: Utility Regulation/Consumer Assistance  
Service/Budget Entity: Utility Regulation  
Measure: 10 – Conservation Programs and Conservation Proceedings  
Undertaken

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

This request is to change the standard for the existing approved measure #10, “Conservation Programs Reviewed and Conservation Proceedings Undertaken,” from 87 to 94. The higher standard is based on anticipation of seven electric utilities filing new Demand-side Management (DSM) program portfolios, each containing multiple programs, in early 2010. The higher standard will not require budgetary adjustment.

Data for this measure is derived from the Case Management System (CMS). CMS provides a listing of dockets the Commission opens each year for electric and gas utilities. The docket listing is manually reviewed to identify those which deal with conservation. The number of those dockets is added to the number of DSM programs monitored and conservation-related reports required by the Florida Legislature. When the resulting total is greater than the established standard, the standard was exceeded.

### Validity:

The number of activities Commission Staff has undertaken in monitoring and reporting energy conservation efforts by the electric utilities is a meaningful measure of the Commission’s workload in regulating utilities.

### Reliability:

Docketed matters, utilities’ conservation programs, and required reports on conservation each are carefully and consistently documented in accordance with Commission’s procedures manual. The measuring procedure yields the same results on repeated trials, and data are complete and sufficiently error free for the intended purpose.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission  
Program: Utilities Regulation/Consumer Assistance  
Service/Budget Entity: Consumer Safety/Protection  
Measure: # 13 – Utility Companies for which Rates or Earnings were Reviewed/Adjusted - Gas

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

Florida Public Utilities Company and Chesapeake Utilities Corporation, two regulated gas companies, have merged into one company. This reduces the number of investor owned gas companies regulated by the Commission to six. Because of this merger, **we are requesting a new Official Standard of 6 instead of 7.**

**Validity:** This measure reports the actual number of companies having rate or earning reviews or adjustments and is a valid indicator of the level of Commission workload in its ratemaking activity. Factors such as economic trends, weather, technological change, political environment, and others directly affect rates and expenditures, and therefore the amount of Commission activity in these areas. As an output measure, however, it is a reliable indicator of the amount of activity being undertaken by the Commission in this area of responsibility and will be most meaningful when viewed as a trend over time.

### **Reliability:**

Standard operating procedures are in place to ensure that data is recorded correctly and consistently. External factors cited above will affect the quantities reported under this measure, but the measure and data provide a reliable basis for assessing the volume of workload involved in this activity.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission  
Program: Utilities Regulation/Consumer Assistance  
Service/Budget Entity: Utility Regulation  
Measure: # 14 - Utility Companies for which Rates or Earnings were Reviewed/Adjusted – Water & Wastewater

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

The number of water and wastewater companies regulated by the PSC has been declining and is expected to continue to decline due to utility sales to governmental authorities and counties taking back regulatory jurisdiction.

**Because of this decline in regulated companies our data source is shrinking, we are requesting a new Official Standard of 155 instead of 160.**

**Validity:** This measure reports the actual number of companies having rate or earning reviews or adjustments and is a valid indicator of the level of Commission workload in its ratemaking activity. Factors such as economic trends, weather, technological change, political environment, and others directly affect rates and expenditures, and therefore the amount of Commission activity in these areas. As an output measure, however, it is a reliable indicator of the amount of activity being undertaken by the Commission in this area of responsibility and will be most meaningful when viewed as a trend over time.

### Reliability:

Standard operating procedures are in place to ensure that data is recorded correctly and consistently. External factors cited above will affect the quantities reported under this measure, but the measure and data provide a reliable basis for assessing the volume of workload involved in this activity.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Florida Public Service Commission  
**Program:** Utilities Regulation/Consumer Assistance  
**Service/Budget Entity:** Utility Regulation  
**Measure # 15:** Proceedings to Evaluate or Resolve Retail and Wholesale Competitive Issues

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

One of the Commission's goals is to "Provide appropriate regulatory oversight to protect consumers and facilitate the development of fair and effective competition in provision of telecommunications services." Changes in the telecommunications industry, beginning with the opening of the long distance telephone market to competition in the 1980s and the local telephone market in 1995, have required the Commission to expand beyond its traditional "ratemaking" regulatory role for this industry. The Commission's primary responsibility with regard to this industry is now to facilitate entry of new firms into the local telecommunications market, while at the same time ensuring that neither the new entrants nor the incumbents are unfairly advantaged or disadvantaged. Entrants into the local exchange telephone market must enter into agreements with the existing local exchange telephone providers for interconnection, pricing, and other operating support. Many of these agreements must be reviewed and approved by the Commission. If the parties cannot agree on terms, they may bring the issues to the Commission.

Expanding technology and the impact on the telecommunications infrastructure has also created new types of market entrants with new and unique issues. This measure captures these and other proceedings relating to competition in the telecommunications industry, including the review of rate schedules of the telecommunications companies. These proceedings are routinely recorded in the Commission's Case Management System (CMS) and in the workload control system in the Commission's Division of Regulatory Compliance. The data for this measure will be extracted from these record systems and reported on a fiscal year basis.

As a result of legislative changes giving telecommunications companies the option of filing schedules (f/n/a tariffs), fewer companies will file schedules with the Commission. In addition, some new entrants to the communications market do not have to be certified or registered with the Commission. Both of these items will drive the number of docketed telephone proceedings at the Commission down.

**We are requesting a new Official Standard of 600 to replace the current standard of 1200.**

### Validity:

This measure reports the actual number of "competitive market" proceedings conducted by the Commission as recorded in CMS and should therefore be a valid indicator of the level of Commission workload in its *Competitive Market Oversight* activity.

### Reliability:

External factors such as economic trends, technological changes, and legislative changes will affect the number of proceedings conducted under this activity. This measure and the data reported under it should provide a reliable basis for assessing the volume of workload involved in this activity.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Florida Public Service Commission  
**Program:** Utilities Regulation/Consumer Assistance  
**Service/Budget Entity:** Utility Regulation  
**Measure # 16:** Number of Proceedings Granting Certificates to Operate as a Telecommunications Company and Registering Intrastate Interexchange Telecommunications Companies (IXCs)

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

One of the Commission's goals is to "Provide appropriate regulatory oversight to protect consumers and facilitate the development of fair and effective competition in provision of telecommunications services." The interexchange (long distance) and pay telephone markets have been open to competition since the 1980s. The Telecommunications Act of 1995 opened the local telephone market to competition. With the exception of intrastate interexchange telecommunications companies (IXCs), new entrants into these markets must submit an application for a certificate to operate as a telecommunications company to the Commission for approval. IXCs must provide contact information to and file tariffs with the PSC. For tracking purposes, the PSC assigns a registration number to each IXC. The applications for certificates and registrations are docketed and recorded in the Commission's Case Management System. The data for this measure is reported on a fiscal year basis.

Due to technological, legislative, and other changes, fewer communications market entrants need to be certified or registered with the Commission. In addition, the number of wireline companies that must be certified/registered with the Commission have declined as a result of financial conditions, competition, and some federal decisions.

**We are requesting a new Official Standard of 70 to replace the current standard of 110.**

### **Validity:**

This measure simply attempts to demonstrate one area of Commission activity relating to the entry of wireline competition into the telecommunications industry. The number of certification and registration proceedings conducted by the Commission is clearly a valid indicator of such activity. Factors such as economic trends and technological change will affect the number of certificate applications submitted by providers of telecommunications services and the number of registrations to operate as IXCs.

### **Reliability:**

Data for this measure is taken from the Commission's Case Management System. Standard operating procedures are in place to ensure that data is recorded in this system correctly and consistently. External factors as cited above will affect the quantities reported under this measure. As an output measure, however, it will be a reliable indicator of the amount of Commission activity under this responsibility.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Public Service Commission  
Program: Utilities Regulation/Consumer Assistance  
Service/Budget Entity: Utility Regulation  
Measure: # 19 - Number of Proceedings Granting Service Authority, Resolving Territorial Disputes, or Approving Territorial Agreements – Water & Wastewater

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

The number of water and wastewater companies regulated by the PSC has been declining and is expected to continue to decline due to utility sales to governmental authorities and counties taking back regulatory jurisdiction.

**Because of this decline in regulated companies our data source is shrinking, we are requesting a new Official Standard of 55 instead of 60.**

### **Validity:**

This measure reports the actual number of electric and gas territorial dockets and Water and wastewater service area certification dockets conducted by the Commission annually and is a valid indicator of the level of Commission workload in assigning territorial service areas.

### **Reliability:**

The data for this measure is recorded in the Commission's CMS. Standard operating procedures are in place to ensure that this data is recorded correctly and consistently. This measure and the data reported under it provide a reliable basis for assessing the volume of workload involved in this activity.

*Office of Policy and Budget – July 2010*

## **LRPP EXHIBIT IV: Performance Measure Validity and Reliability**

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

**Program:** Utilities Regulation/Consumer Assistance

**Service/Budget Entity:** Utilities Regulation

**Measure:** OUTPUT 21 – Utility Consumer Complaints and Information Requests Closed

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

This measure reflects consumer contacts for assistance with the Public Service Commission. As consumer make contact with the Commission, those contacts are recorded in the Commission's Consumer Activity Tracking System. This measure is a count of those contacts as a contact is closed out. The term "complaint" is defined as a substantial unresolved customer contact regarding a regulated company as it relates to charges, facility operations, or the quality of the services rendered, the disposal of which requires an investigation and/or analysis by Commission staff. The term "information request" is defined as a case that involves providing facts, reference material or other data but does not involve a substantial unresolved objection by a consumer involving a regulated company.

**The current standard for this measure is 38,000 cases per year; this request is to increase that to 43,000.**

### **Validity:**

Since this measure logs complaints and information requests, it is a good indicator of consumer contact with the Commission staff.

### **Reliability:**

The actual number of cases can vary widely (39,436 in 2007-08 versus 81,252 in 2009-10). This fluctuation can be substantially affected by large companies deciding to file rate increase requests in a given year or the current economic situation (both of which impacted the 2009-10 count).



# Florida Public Service Commission

## Associated Activities Contributing to Performance Measures – LRPP Exhibit V

<b>LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures</b>		
<b>Measure Number</b>	<b>Approved Performance Measures for FY 2010-11</b>	<b>Associated Activities Title</b>
1	Percentage of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index (CPI): Composite	Ratemaking
2	Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Composite	Ratemaking
3	Percent of utilities achieving within range and over range of last authorized ROE: Electric	Ratemaking
4	Percent of utilities achieving within range and over range of last authorized ROE: Gas	Ratemaking
5	Percent of utilities achieving within range and over range of last authorized ROE: Water & Wastewater	Ratemaking
6	Percent of communications service variances per inspection points examined	Service Evaluations
7	Percent of electric and gas safety variances corrected on first reinspection	Safety Oversight
8	Consumer Calls: Percent of calls answered	Consumer Protection And Assistance
9	Consumer Calls: Average waiting time (in minutes)	Consumer Protection And Assistance
10	Conservation Programs Reviewed and Conservation Proceedings Undertaken	Conservation
11	Per capita annual kWh energy savings through conservation programs (in kWh)	Conservation
12	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Electric	Ratemaking

<b>LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures</b>		
<b>Measure Number</b>	<b>Approved Performance Measures for FY 2010-11</b>	<b>Associated Activities Title</b>
13	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Gas	Ratemaking
14	Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Water & Wastewater	Ratemaking
15	Proceedings to Evaluate or Resolve Retail and Wholesale Telecommunications Competitive Issues	Competitive Market Oversight
16	Number of proceedings granting certificates to operate as a telecommunications company and registering intrastate interexchange telecommunications companies	Certificates And Territorial Disputes
17	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Electric	Certificates And Territorial Disputes
18	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Gas	Certificates And Territorial Disputes
19	Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Water & Wastewater	Certificates And Territorial Disputes
20	Number of proceedings relating to wholesale competition or electric reliability	Electric Reliability
21	Utility Consumer Complaints and Information Requests Closed	Consumer Protection And Assistance
22	Safety Inspections Performed (Electric and Gas)	Safety Oversight
23	Communications Service Evaluations Performed	Service Evaluations
24	Number Average Customer Satisfaction Rating of the Complaint Handling Function	Consumer Protection And Assistance



-----  
ACTIVITY ISSUE CODES SELECTED:

TRANSFER-STATE AGENCIES ACTIVITY ISSUE CODES SELECTED:

1-8:

AID TO LOCAL GOVERNMENTS ACTIVITY ISSUE CODES SELECTED:

1-8:

-----  
THE FOLLOWING STATEWIDE ACTIVITIES (ACT0010 THROUGH ACT0490) HAVE AN OUTPUT STANDARD (RECORD TYPE 5)  
AND SHOULD NOT:

\*\*\* NO ACTIVITIES FOUND \*\*\*

-----  
THE FCO ACTIVITY (ACT0210) CONTAINS EXPENDITURES IN AN OPERATING CATEGORY AND SHOULD NOT:  
(NOTE: THIS ACTIVITY IS ROLLED INTO EXECUTIVE DIRECTION, ADMINISTRATIVE SUPPORT AND INFORMATION  
TECHNOLOGY)

\*\*\* NO OPERATING CATEGORIES FOUND \*\*\*

-----  
THE FOLLOWING ACTIVITIES DO NOT HAVE AN OUTPUT STANDARD (RECORD TYPE 5) AND ARE REPORTED AS 'OTHER' IN  
SECTION III: (NOTE: 'OTHER' ACTIVITIES ARE NOT 'TRANSFER-STATE AGENCY' ACTIVITIES OR 'AID TO LOCAL  
GOVERNMENTS' ACTIVITIES. ALL ACTIVITIES WITH AN OUTPUT STANDARD (RECORD TYPE 5) SHOULD BE REPORTED  
IN SECTION II.)

\*\*\* NO ACTIVITIES FOUND \*\*\*

-----  
TOTALS FROM SECTION I AND SECTIONS II + III:

DEPARTMENT: 61	EXPENDITURES	FCO
FINAL BUDGET FOR AGENCY (SECTION I):	28,112,875	
TOTAL BUDGET FOR AGENCY (SECTION III):	28,112,872	
DIFFERENCE:	3	
(MAY NOT EQUAL DUE TO ROUNDING)	=====	=====

# *Glossary of Terms and Acronyms*

**NOTE:** This Glossary includes terms and acronyms required in the *Long Range Program Plan Instructions* dated July 2010, as well as terms and acronyms unique to and used by the FPSC.

## **TERMS/DEFINITIONS**

**Activity:** A unit of work which has identifiable starting and ending points, consumes resources, and produces outputs. Unit cost information is determined using the outputs of activities.

**Actual Expenditures:** Includes prior year actual disbursements, payables and encumbrances. The payables and encumbrances are certified forward at the end of the fiscal year. They may be disbursed between July 1 and September 30 of the subsequent fiscal year. Certified forward amounts are included in the year in which the funds are committed and not shown in the year the funds are disbursed.

**Appropriation Category:** The lowest level line item of funding in the General Appropriations Act which represents a major expenditure classification of the budget entity. Within budget entities, these categories may include: salaries and benefits, other personal services (OPS), expenses, operating capital outlay (OCO), data processing services, fixed capital outlay, etc. These categories are defined within this glossary under individual listings. For a complete listing of all appropriation categories, please refer to the ACTR section in the LAS/PBS User's Manual for instructions on ordering a report.

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

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

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

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

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

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

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

## ***Glossary of Terms and Acronyms***

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

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

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

**Indexing:** Permits utilities to recognize inflationary increases in major categories of operating expenses, such as chemicals, fuel, materials and supplies, rent and insurance.

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

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

**Input:** See Performance Measure

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

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

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

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

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

## ***Glossary of Terms and Acronyms***

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

**Outcome:** See Performance Measure.

**Output:** See Performance Measure.

**Outsourcing:** Means the process of contracting with a vendor(s) to provide a service or an activity and there is a transfer of management responsibility for the delivery of resources and the performance of those resources. Outsourcing includes everything from contracting for minor administration tasks to contracting for major portions of activities or services which support the agency mission.

**Pass Through:** (1) Funds the state distributes directly to other entities, e.g., local governments, without being managed by the agency distributing the funds. These funds flow through the agency's budget; however, the agency has no discretion regarding how the funds are spent, and the activities (outputs) associated with the expenditure of funds are not measured at the state level. ***NOTE: This definition of "pass through" applies ONLY for the purposes of long-range program planning;*** (2) A mechanism that allows increases in expenses beyond the control of the utility such as purchased water and/or wastewater, purchased electric, ad valorem taxes, required testing, and regulatory fees to be passed through to the customer.

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

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

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

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

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

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

## ***Glossary of Terms and Acronyms***

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

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

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

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

**Reuse:** Using effluent water for a beneficial purpose, such as irrigation.

**Service:** See Budget Entity.

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

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

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

## **ACRONYMS**

**CIO** - Chief Information Officer

**CIP** - Capital Improvements Program Plan

**CLEC** - Competitive Local Exchange Carrier

**DEP** - Department of Environmental Protection

**EOG** - Executive Office of the Governor

**FAC** - Florida Administrative Code

**FCC** - Federal Communications Commission

**FCO** - Fixed Capital Outlay

**FEECA** – Florida Energy Efficiency and Conservation Act

## ***Glossary of Terms and Acronyms***

**FIPUG** – Florida Industrial Power User Group

**FMIS** - Florida Financial Management Information System

**FLAIR** - Florida Accounting Information Resource Subsystem

**FPL** - Florida Power and Light

**FPSC** - Florida Public Service Commission

**FRF** – Florida Retail Federation

**F.S.** - Florida Statutes

**GAA** - General Appropriations Act

**GEO** – Governor’s Energy Office

**GR** - General Revenue Fund

**IGCC** - Integrated Gasification Combined Cycle

**ILEC** - Incumbent Local Exchange Carrier

**IOE** - Itemization of Expenditure

**IOU** - Investor-Owned Utility

**IT** - Information Technology

**kWh** - Kilowatt-Hour

**LAN** - Local Area Network

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

**LBC** - Legislative Budget Commission

**LBR** - Legislative Budget Request

**L.O.F.** - Laws of Florida

**LRPP** - Long-Range Program Plan

**MAN** - Metropolitan Area Network (Information Technology)

**MSW** – Municipal Solid Waste

**NASBO** - National Association of State Budget Officers

## ***Glossary of Terms and Acronyms***

**OAG** – Office of Attorney General

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

**OPC** – Office of Public Counsel

**PBPB/PB2** - Performance-Based Program Budgeting

**PEF** - Progress Energy Florida

**PSC** - Public Service Commission

**PV** – Photovoltaic

**ROE** – Return on Equity

**RPS** - Renewable Portfolio Standard

**STO** - State Technology Office

**SWOT** - Strengths, Weaknesses, Opportunities and Threats

**TASA** – Telecommunications Access Services Act

**TCS** - Trends and Conditions Statement

**TECO** – Tampa Electric Company

**TF** - Trust Fund

**TRW** - Technology Review Workgroup

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

**WAN** - Wide Area Network (Information Technology)