



SPECIAL REPORT

NOVEMBER / DECEMBER 2006

Petition to Recover 2005 Tropical System Related Costs and Expenses by

Embarq Florida, Inc.

DOCKET NO. 060644-TL

In September 2006, Embarq Florida, Inc. (Embarq or company) filed a petition with the Florida Public Service Commission (PSC or Commission) for approval to recover 2005 tropical system related costs and incurred expenses over a twelve month period. Embarq petitioned the Commission for the establishment of a line item charge on customer bills of \$0.50 per customer line for 12 months, beginning no later than April 2007.

Embarq provides telecommunication services to approximately two million access lines in Florida. Embarq's service area includes the major Florida cities of Naples, Ft. Myers, Ocala, Tallahassee, Ft. Walton Beach, and the suburban Orlando area. According to Embarq, after June 1, 2005, the three major hurricanes of Dennis, Katrina, and Wilma impacted and damaged areas served by the company.

Embarq asserts the total hurricane related costs are approximately \$59.9 million. The maximum amount Embarq is permitted to recover by statute is approximately \$10 million. The company states it neither has a storm reserve fund nor had any insurance coverage which would have provided reimbursement for any of Embarq's intrastate costs and expenses incurred in repairing, restoring, or replacing its lines, plants, and facilities damaged by the three named tropical systems.

The PSC has scheduled two customer service hearings to receive customer feedback regarding the utility's petition. Customer comments on the petition, written and oral, are taken into consideration to assist the Commission in reaching its decision.

The technical portion of the administrative hearing is scheduled for January 4, 2007 in Tallahassee. A technical hearing is a legal proceeding, similar to a court proceeding or trial, that is held to gather technical evidence and testimony related to the utility's petition. In making its final determination, the Commission will consider the evidence and testimony presented by both customers and other parties.

The PSC staff is scheduled to file a recommendation on this matter with the Commission on January 10, 2007. The Commissioners are expected to vote on this matter at the Agenda Conference on January 23, 2007.

Customer Service Hearings

Thursday, November 16, 2006

10:00 a.m. – 1:00 p.m.

Eastern Standard Time

School Board of Lee County –
Board Room

Dr. James A. Adams
Public Education Center
2055 Central Avenue
Ft. Myers, Florida

Wednesday, December 13, 2006

10:00 a.m. – 1:00 p.m.

Central Standard Time

City Commission Chambers
Ft. Walton Beach City Hall
107 Miracle Strip Parkway SW
Fort Walton Beach, Florida

For more information:

For technical questions, contact:

Rick Wright (850) 413-6435

For procedural questions, contact:

Jason Fudge (850) 413-6199

For general questions, contact:

Dick Durbin (850) 413-6199

Or call toll-free 1-800-342-3552

(1-800-511-0809 to fax)

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

Internet Home Page:

www.floridapsc.com

P S C C O M M I S S I O N E R S



COMMISSIONER
Matthew M. Carter II



COMMISSIONER
J. Terry Deason



CHAIRMAN
Lisa Polak Edgar



COMMISSIONER
Isilio Arriaga



COMMISSIONER
Katrina J. Tew

Lisa Polak Edgar was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four-year term beginning January 2005; she assumed the chairmanship at the PSC in January 2006. Chairman Edgar is a member of the National Association of Regulatory Utility Commissioners telecommunications committee and was appointed by the Federal Communications Commission to the Universal Service Joint Board for a three-year term beginning November 2005. Prior to her appointment, Chairman Edgar served as Deputy Secretary for Planning and Management for the Florida Department of Environmental Protection (DEP) from August 1999 through January 2005. Her responsibilities at DEP included oversight of the agency's \$2.1 billion budget, fiscal and strategic planning, accountability measures, information technology, administrative services, and coordination between the state and federal government on environmental issues, including oil and gas drilling on the Outer Continental Shelf. Prior to serving at DEP, Chairman Edgar was chief analyst on Environmental Policy for the Office of Policy and Budget, Executive Office of the Governor. Chairman Edgar was appointed by the Secretary of the U.S. Department of Interior to represent the State of Florida on the Minerals Management Service Outer Continental Shelf (OCS) Policy Committee from 1993-2004. She served on the Subcommittees on Environmental Studies in OCS Areas under Moratoria and OCS Hard Minerals. During her career in public service, Chairman Edgar has also served as senior cabinet aide in the Department of Agriculture and Consumer Services, as staff counsel and legislative analyst for the Florida Senate Committees on Reapportionment and Regulated Industries, completed the Harvard Kennedy School of Government program for Senior Executives in State and Local Government, and co-taught a special topics graduate course on the Everglades at Florida A&M University. She is a member of Leadership Florida, Class XXIV. Chairman Edgar graduated cum laude from Florida State University in 1985 with a Bachelor's degree in political science and minor in English. She studied in London during her undergraduate education and in Yugoslavia during law school. She received a juris doctorate from the Florida State University College of Law in 1988 and is a member of the Florida Bar.

J. Terry 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 a term ending in January 2003, and to his current term which ends in January 2007. 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, Committee on Electricity, the Federal/State Joint Conference on Accounting, and the Federal/State Joint Board on Economic Dispatch for the Southern Region. Commissioner Deason also serves on the executive committee for the Nuclear Waste Strategy Coalition. 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.

Isilio Arriaga was appointed to the Florida Public Service Commission by Governor Jeb Bush on October 6, 2005, to complete a term ending January 2007, then subsequently reappointed to a four-year term beginning January 2007. Prior to his appointment, Commissioner Arriaga was an independent management consultant for Ferrell Schultz Consulting, Inc. in Miami, Florida. Previously, he served as President and CEO of the Greater Miami Chamber of Commerce, where he continues as a Volunteer Trustee, and was active on the Board of Directors of the Venezuelan-American Chamber and the Council of Bi-National Chambers. Before his tenure with the Chamber, he was President and CEO of Hispanic Unity of Florida, a growing social services agency assisting over 30,000 clients in South Florida and whose mission is improving the quality of life and fostering leadership in the community. Arriaga served as a Congressman in the Republic of Venezuela from 1988 until 1993, where he co-sponsored the first Privatization Law in the nation and helped enact the Low Income Housing Appropriations legislation. During that time, he was a founding member of the World Economic Forum in Switzerland and was appointed to the committee created upon recommendation by the IMF for the purpose of reforming the financial system of Venezuela. His career in Venezuela began in the oil fields as a Junior Engineer for Shell Oil Co. He went on to create the Planning Office and Long Term Industrial Loans Department for Banco Union, where he served as General Manager for Investments. Following his public service and while residing in Texas, he formed an international consulting firm and worked with U.S. entities, promoting new business development as a strong advocate for U.S. enterprises in Latin America. He served as a consultant in Miami responsible for the reengineering process of a corporation which pioneered digital functions for ATM networks. Arriaga received a Master's degree in Industrial Engineering from New York University and holds a Bachelor's degree from Pratt Institute (NY). He has published numerous articles and essays on economics and was a syndicated columnist in Venezuela. He currently serves on the NARUC's Committee on International Relations and the Department of Energy/National Association of Regulatory Utility Commissioners Utilities Market Access Partnership (UMAP) Board of Directors.

Commissioner Matthew Mark Carter II was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four-year term beginning January 2006. Currently, he serves on the National Association of Regulatory Utility Commissioners Committee on Water, the Committee on International Relations, and the Ad Hoc Committee on Critical Infrastructure. Commissioner Carter is the son of the late Rev. Matthew and Pearl Carter. He was born in Douglas, Georgia and educated in the public schools there. He graduated from Atkinson County High School (in Pearson). After graduation from high school, he volunteered for the United States Army. In the Army, he served in the Presidential Honor Guard in Washington, D.C. and the First Armored Division in Germany. After being honorably discharged from the Army, Commissioner Carter attended Tallahassee Community College where he graduated with honors. He then attended Florida State University and graduated with a Bachelor's of Science in Mass Communications and was commissioned a Second Lieutenant in the United States Army Reserve and later the Florida National Guard. After a tour of duty with the 124th Infantry in the Panama Canal Zone, Commissioner Carter returned to Tallahassee where he set up a public relations firm concentrating on political campaigns for over ten years. Afterward, he entered into the financial investment industry and worked as a financial consultant for Waddell & Reed, Florida Professional Services Group, and Merrill Lynch. Commissioner Carter left Merrill Lynch to complete law school at the Florida State University College of Law. After graduation, he became a member of the Florida Bar and a Minister of the Gospel of Jesus Christ. As an attorney, he specialized in business law. He also served as a communications consultant and senior manager for private industry and governmental agencies. Commissioner Carter obtained a Master's degree in Theological Science from Smith Chapel Bible College and was awarded an honorary Doctor of Divinity degree from the St. Thomas Christian College. Commissioner Carter is currently pastor of the Beulah Hill Missionary Baptist Church in Gretna, Florida, where he also serves as President of the Congress of Christian Education (Union Baptist Association) and Vice Moderator for the Gadsden County Baptist Association. He has also written the book *The 90% Rule – How to Get Out of Debt and Prosper and Why It's Important*. Commissioner Carter is married to the former Rita Taylor (of Enigma, Georgia) and they have two beautiful daughters: Pearl and Markesha.

Katrina Joanne Tew was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four-year term beginning January 2006. Commissioner Tew serves on the NARUC Committee on Consumer Affairs, the Subcommittee on Nuclear Issues, and the Net Neutrality Task Force. Participation in these committees affords her the opportunity to engage in national policy issues that impact each of the industries regulated by the Commission, the state economy, and millions of Florida consumers. In the eleven years prior to appointment, Commissioner Tew developed extensive experience in regulatory policy issues involving energy, water, and telecommunications. From 2001 to 2005, Commissioner Tew served consecutive terms as Chief Advisor to Commissioners Palecki and Davidson, advising them on all Commission proceedings and policy matters. Prior to becoming a Chief Advisor, Commissioner Tew managed the State Liaison Section of the Commission's Division of Policy Analysis & Intergovernmental Liaison. Here, she consulted with state and local government agencies on issues such as "black water," reuse, universal service, and electric reliability. Before leading the State Liaison Section, Commissioner Tew served as the Commission's primary liaison on all nuclear energy matters for over three years. Additionally, she was instrumental in drafting the Commission's positions on electric industry restructuring. In recognition of her work on federal energy policy, Commissioner Tew was a recipient of the PSC Extraordinary Accomplishment Award in 1999 and the PSC Outstanding Achievement Award in 1997. A Northwest Florida native, Commissioner Tew received a Bachelor's degree in finance from Florida State University in 1994 and an MBA from FSU in 1998.

Consumer Statements at Service Hearings

The Commission is interested in what consumers have to say about the petition to recover 2005 tropical system related costs and expenses by Embarq Florida, Inc. The main purpose of these hearings is to receive comments from the public.

Anyone may make a statement, and speaking is an effective way to let the Commission know how you feel about the case under review. At the beginning of the hearings, procedures will be set up to establish an order for comments. PSC staff will have sign-up sheets that will be used to call consumers to speak. PSC staff will also be available to coordinate consumer comments and assist members of the public.

Any person who wishes to comment or provide information to the PSC staff regarding this matter may do so at the hearing, orally or in writing. Written comments also may be mailed to: Florida Public Service Commission, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, or faxed to 1-800-511-0809. Correspondence will be placed in the file of this docket (Docket No. 060644-TL). For your convenience, a comment form is attached to this Special Report.

Any person who wishes to obtain a copy of the recommendation or the order may do so by writing to: Florida Public Service Commission, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, or by going on-line at www.floridapsc.com.

Florida Public Service Commission

2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

The Public Service Commission provides a staff of information specialists who are available to answer questions from Florida consumers.

To reach a consumer representative, please call the Public Service Commission during business hours at **1-800-342-3552**, or send a fax to 1-800-511-0809. See the PSC's Internet home page at www.floridapsc.com.

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Florida Public Service Commission
Division of the Commission Clerk and Administrative Services
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Tallahassee, Florida 32399-0850

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