



TELECOMMUNICATIONS



ELECTRIC



WATER & WASTEWATER



NATURAL GAS

FLORIDA PUBLIC SERVICE COMMISSION

Long Range Program Plan

Fiscal Year
2006 - 07 through 2010 -11

OCTOBER 2005

**FLORIDA
PUBLIC SERVICE COMMISSION**

**LONG-RANGE PROGRAM PLAN
FY 2006-2007 THROUGH FY 2010-2011**

September 2005

COMMISSIONERS:
BRAULIO L. BAEZ, CHAIRMAN
J. TERRY DEASON
RUDOLPH "RUDY" BRADLEY
LISA POLAK EDGAR

STATE OF FLORIDA



EXECUTIVE DIRECTOR
MARY ANDREWS BANE
(850) 413-6068

Public Service Commission

September 30, 2005

The Honorable Tom Lee, President
The Florida Senate
Suite 409 The Capitol
404 South Monroe Street
Tallahassee, Florida 32399-1100

The Honorable Allen G. Bense, Speaker
Florida House of Representatives
Suite 420 The Capitol
402 South Monroe Street
Tallahassee, Florida 32399-1100

Dear President Lee and Speaker Bense:

In accordance with instructions, the ***Long Range Program Plan*** for the Public Service Commission (PSC) has been posted to the PSC website. The website address is <http://www.psc.state.fl.us/general/publications/reports.cfm>. If you have questions or need any additional information, please contact Mr. Jim Dean, Strategic Analysis and Governmental Affairs Director, at 413-6058.

Sincerely,

A handwritten signature in cursive script that reads "Mary Andrews Bane".

Mary Andrews Bane
Executive Director

**FLORIDA PUBLIC SERVICE COMMISSION
LONG RANGE PROGRAM PLAN
FISCAL YEARS 2006-07 – 2010-11**

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AGENCY MISSION

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

PUBLIC SERVICE COMMISSION
Long Range Program Plan FY 2006-07 - 2010-11
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 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
<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 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
<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 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
<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 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
6.1%	17.5%	18.0%	18.5%	19.0%	19.5%

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 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
18.77%	15%	19%	19%	19%	19%

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

FY 2000-01 Baseline (Actual)	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
65.6%	60.1%	60%	60%	60%	60%

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 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
93%	86%	86%	86%	86%	86%

OUTCOME 4B: Consumer Calls: Average waiting time.

FY 2000-01 Baseline (Actual)	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
.83 min.	1.4 min.	1.4 min.	1.4 min.	1.4 min.	1.4 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 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
193 kWh	250 kWh	250 kWh	250 kWh	250 kWh	250 kWh

TRENDS AND CONDITIONS STATEMENT

The Florida Public Service Commission (FPSC) is charged by statute with the regulation of all investor-owned electric utilities, gas utilities, and telecommunications companies in the State, and the investor-owned water and wastewater utilities in those counties that have opted to transfer jurisdiction to the FPSC. The work of the FPSC is a balancing act. The FPSC must balance the needs of a utility and its shareholders with the needs of consumers.

RESPONSIBILITY AND JURISDICTION

- The Florida Public Service Commission is a regulatory agency created by the State Legislature under its constitutional power to pass laws for the correction of abuses and to prevent unjust discrimination and excessive charges by persons and corporations engaged in performing services of a public nature.
- Specifically, the Commission's jurisdiction extends to electric and natural gas utilities, and telecommunications companies. Water and wastewater utilities are also regulated in counties in which the Boards of County Commissioners by resolution have turned over jurisdiction to the Florida Public Service Commission. The rates and services of city-owned electric utility systems and rural electric cooperatives are not generally under Commission jurisdiction, but the Commission does have certain jurisdiction over rate structure, accounting procedures, territorial disputes, safety, Ten Year Site Plans, power plant siting, and transmission line siting.
- The Commission's authority for its activity is contained in the following Florida Statutes: Chapter 120, Rulemaking; Chapter 350, Organization, Powers and Duties; Chapter 364, Telecommunications; Chapter 366, Public Utilities (generally), Ratemaking; Chapter 367, Water and Wastewater Systems; Chapter 368, Gas Transmission and Distribution Facilities; Chapter 403, Power Plant and Transmission Line Siting; and Chapter 427, Special Transportation and Communications Services.
- Rules adopted by the Commission to implement the above laws are contained in Chapter 25, F.A.C.
- The Commission is also governed by other statutes and rules which apply to agencies of state government generally, in matters such as personnel, finance, and accounting.

To meet its statutory responsibilities, the FPSC has established five primary goals. These are as follows:

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.
2. Provide appropriate regulatory oversight to protect consumers and facilitate the development of fair and effective competition in 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.

Traditionally, the FPSC's responsibilities related to ensuring fair and equitable rates and safe and reliable service for consumers through rate of return regulation of the utilities providing those services. Goals 1 and 3 address these responsibilities. The FPSC achieves these goals by regulating the rates and profits of utilities and placing an affirmative obligation on utilities to provide service to all who request it. The electric and natural gas industries, as well as the water and wastewater industry, remain subject to rate of return regulation.

The FPSC establishes and monitors earnings levels for regulated electric, natural gas, water, and wastewater companies. In the electric and gas industries the FPSC must ensure the availability of adequate energy reserves at reasonable prices, which is especially critical in this state where energy needs are of such paramount importance. The FPSC also regulates the quality of service of the investor-owned electric companies and of the investor-owned water and wastewater companies in counties which have turned over jurisdiction to the FPSC.

The FPSC's primary responsibility in the telecommunications industry is to promote competition through flexible regulatory treatment and encouragement of innovation and investment in telecommunications markets, while ensuring that consumers have the information they need to make informed decisions. Increased competition in the telecommunications industry has led to increasing complexity of that industry and a multitude of new (and often confusing) choices being offered to consumers, dramatically expanding the FPSC's role in ensuring that customers are aware of their rights in this new market. Goals 2 and 4 address the FPSC's responsibility with respect to regulatory oversight during the transition to competition and its expanded and increasingly important role of consumer protection in the telecommunications industry. Goal 4 also addresses the FPSC's efforts to assist customers with complaints and concerns about the other regulated industries.

The oil crises of the 1970s led to the enactment of the Florida Energy Efficiency and Conservation Act of 1980 (Sections 366.80-366.85 and 403.519, F.S.) giving the FPSC responsibility for developing conservation goals and approving conservation programs of public utilities. This responsibility, which is addressed by Goal 5, fits very well into the FPSC's traditional regulatory framework.

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

During Fiscal Year 2004-2005, the FPSC regulated five investor-owned electric companies, seven investor-owned gas utilities, and more than 180 investor-owned water/wastewater utilities. Additionally, the FPSC had regulatory authority and competitive market oversight for 10 incumbent local exchange telephone companies (ILECs), more than 425 competitive local exchange telephone companies (CLECs), 720 long distance (interexchange) telephone companies, over 490 competitive pay telephone service providers, 32 shared tenant service providers, and 44 alternative access vendors. Further, while the FPSC does not regulate the rates and services of publicly-owned municipal or rural electric cooperative utilities, it does have limited jurisdiction over 33 municipally-owned electric systems, 18 rural electric cooperatives, 27 municipally-owned natural gas utilities, and four special gas districts. The Commission has jurisdiction over seven local distribution gas companies and 51 gas safety entities. Finally, the FPSC has power supply planning and power plant and transmission line need determination authority over all electric utilities.

Telecommunications Issues

The FPSC has numerous responsibilities related to the telecommunications industry, including facilitating the development of competition in the local telephone market by arbitrating agreements between ILECs and CLECs when negotiations fail. The FPSC also is active in monitoring and assessing the status of local competition, processing negotiated agreements, interpreting agreements and tariffs, providing input on legislative and Federal Communications Commission (FCC) initiatives, and conducting generic proceedings to implement approved initiatives and to address recurring issues. Reviews of industry practices are conducted to determine whether entities are engaging in anti-competitive practices that could dampen the development of competition. The FPSC also provides oversight of numbering resources and processes area code relief cases as necessary.

Competitive Market Issues – Access Charges

In August 2003 Verizon Florida Inc. (Verizon), Sprint-Florida, Incorporated (Sprint), and BellSouth Telecommunications, Inc. (BellSouth), each filed petitions pursuant to Section 364.164, Florida Statutes, to reduce access charges in a revenue-neutral manner to the companies by increasing basic local rates.

Section 364.164 sets forth the criteria the FPSC must consider in determining whether to grant the ILECs' petitions. Those criteria are as follows:

Whether granting the petition will:

- Remove current support for basic local telecommunications services that prevents the creation of a more attractive competitive local exchange market for the benefit of residential consumers.
- Induce enhanced market entry.
- Require intrastate switched network access rate reductions to parity over a period of not less than two years or more than four years.
- Be revenue neutral.

The FPSC received the testimony of 26 witnesses on behalf of the ILECs, interveners, the consumer advocates, and FPSC staff. The FPSC also received testimony from customers at 14 customer service hearings conducted throughout the state, as well as written comments from customers submitted to the docket files associated with this case. In addition, the PSC received into evidence 86 exhibits.

Based on the record developed through an evidentiary hearing, the PSC determined that intrastate access rates currently provide support for basic local telecommunications services that would be reduced by bringing such rates to parity with interstate access rates. The existence of such support prevents the creation of a more attractive competitive local exchange market by keeping local rates at artificially low levels, thereby raising an artificial barrier to entry into the market by efficient competitors. The elimination of such support will induce enhanced entry into the local exchange market.

Enhanced market entry will result in the creation of a more competitive local exchange market that will benefit residential consumers through:

- increased choice of service providers;
- new and innovative service offerings, including bundles of local and long distance service, and bundles that may include cable TV service and high speed internet access service; technological advances;
- increased quality of service; and
- over the long run, reductions in prices for local service.

The proposals will reduce intrastate switched network access rates paid by long distance carriers to parity over a period of not less than two years or more than four years. The proposals will be revenue neutral within the meaning of the statute, which permits access charge reductions to be offset, dollar for dollar, by increases in basic local service rates for flat-rate residential and single-line business customers.

After reconsideration, the decisions were appealed to the Florida Supreme Court and upheld in July of 2005. The actual rate changes will be made by filing tariffs with the FPSC, and these tariffs will be reviewed for statutory compliance and may be approved within 45 days after the three companies

make their filings. Due to lower intrastate switched network access rates, major long distance carriers will be required to reduce per minute rates and/or eliminate in-state connection fees. The reduction in long distance rates and fees may offset the increase in local rates for customers who use both local and long distance services.

Competitive Market Issues – Triennial Review

On August 21, 2003, the FCC released its Triennial Review Order (TRO), which contained revised unbundling rules. These unbundling rules generally indicated which network components (such as loops or switching – referred to as unbundled network elements, or UNEs) must be unbundled and provided to competitive local exchange carriers (CLECs) by incumbent local exchange carriers (ILECs) at incremental-cost based prices. However, these rules also provided for further reviews, to be conducted by the various state commissions, to see if local conditions were such that there were geographic areas where unbundling was not necessary, and if so, where.

On March 2, 2004, the D.C. Circuit Court of Appeals released its decision (USTA II) which vacated and remanded certain key provisions of the TRO. In particular, the D.C. Circuit held that the FCC's delegation of authority to state commissions to make impairment findings was unlawful, and further found that the FCC's national findings of impairment for mass market switching and high capacity transport were improper and could not stand on their own. The Court vacated the TRO's subdelegation to the states for determining the existence of impairment with regards to mass market switching and high-capacity transport. The D.C. Circuit also vacated and remanded back to the FCC the TRO's national impairment findings with respect to these elements.

The FCC released its Triennial Review Remand Order (TRRO) on February 4, 2005, which included new unbundling obligations in response to the USTA II decision. The effective date of the new rules was March 11, 2005. The TRRO addressed the general impairment framework established in the TRO, as well as unbundling requirements for local circuit switching, dedicated interoffice transport, and high-capacity loops. Additionally, the TRRO retained the TRO conversions requirement and allowed CLECs to convert tariffed services to UNEs and UNE combinations, where unbundling is required.

The TRRO eliminated mass market local circuit switching, entrance facilities, and dark fiber loops as UNEs, and established criteria for determining the existence of impairment for DS1 and DS3 loops and transport as well as dark fiber transport. To provide sufficient time for a CLEC to migrate its embedded base of customers away from UNEs where a particular element is no longer available on an unbundled basis, the TRRO established transition plans to begin March 11, 2005. Specifically, a 12-month transition period was established for local circuit switching and DS1 and DS3 capacity loops and transport; 18 months was established for dark fiber loops and transport. The transition periods apply only to the CLECs' embedded customer base existing as of March 11, 2005, and do not permit CLECs to add new UNEs where no unbundling requirement exists. During the transition periods, CLECs retain access to affected UNEs at transitional rates. CLECs are required to transition the affected UNEs to alternative arrangements by the end of the transition periods; rates

will likely increase. Consequently, ILECs and CLECs have the transition period to modify existing interconnection agreements, including completing any change-of-law processes, and to implement the TRRO unbundling requirements. Accordingly, the FPSC has various proceedings on-going to implement the provisions of the TRO and the TRRO.

Technology/Infrastructure Issues

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

The deployment and provision of advanced telecommunications services continues to be an important issue in the telecommunications arena. Under Section 706 of the Telecommunications Act of 1996, the FCC and the States were given authority to encourage widespread deployment of broadband technologies. In furtherance of this obligation, the 2005 Florida Legislature specifically identified broadband service and Voice-over-Internet-Protocol (VoIP) as exempt from FPSC jurisdiction.

In a related action, on June 27, 2005, the U.S. Supreme Court overturned a lower court decision and ruled that the FCC was within its authority when it determined that cable modem service was not telecommunications or a telecommunications service and therefore not subject to Title II regulation under federal telecommunications law (*Brand X v. FCC*). This means that cable modem service is not subject to more restrictive Title II regulation currently applied to telecommunications common carriers.

Furthermore, on August 5, 2005, the FCC determined that it would not classify wireline broadband transmission separately from Internet service as a stand-alone service. In so doing, the FCC eliminated the requirement that these services be shared with competitors on an unbundled basis. The FCC found that this previous requirement caused vendors to delay development and deployment of innovations to consumers.

These federal actions serve to place wireline-based broadband service (digital subscriber line or DSL) on the same regulatory plane as cable modem service. It is the belief of the FCC that this regulatory parity will result in greater economic incentive to invest in and deploy vital broadband services to the public.

Lifeline and Link-Up Programs

The FPSC continues to support the original intent of the Lifeline and Link-Up programs, which is to increase subscribership for low-income households that want, but cannot afford, telephone service.

During 2004 and 2005, the FPSC continued to work with the project participants to develop and implement procedures to increase awareness of Lifeline and Link-Up. The project participants include, but are not limited to, the AARP, Agency for Health Care Administration, Agency for Workforce Innovation, Department of Children and Families, Florida Department of Community Affairs, Florida Department of Elder Affairs, Florida Office of the Public Counsel, Federal Social Security Administration –Tallahassee District, Workforce Florida, Inc., and a number of Florida ILECs.

The promotional activities of 2004 and 2005 focused on “grass roots” efforts. Efforts for 2004 and the first half of 2005 have largely been to put Lifeline educational materials in the hands of local organizations that are involved in the community and have regular one-on-one contact with eligible individuals. These organizations include entities such as area agencies on aging, area community action agencies, housing authorities, legal aid centers, senior centers, churches, and Urban Leagues. Promotional highlights of 2004 and 2005 include the Connect Florida Campaign, educational presentations at community events and local organizations, development of a Braille Lifeline brochure, and development of Lifeline applications that can be provided to eligible individuals by the local organizations.

A complete list of project participants and additional information about the project is available in the FPSC’s report entitled *Number of Customers Subscribing to Lifeline Service and the Effectiveness of Any Procedures to Promote Participation*. A copy of the report may be accessed on the FPSC’s Web site at:

http://www.floridapsc.com/general/publications/report/2004_Lifeline_Report.pdf.

During 2005, Senate Bill 1322 was signed into law providing that each state agency that provides benefits to persons eligible for Lifeline service shall undertake, in cooperation with the Department of Children and Families, the Department of Education, the FPSC, the Office of Public Counsel, and telecommunications companies providing Lifeline services, the development of procedures to promote Lifeline participation.

The Commission recently implemented two significant changes to Florida’s Lifeline and Link-Up programs. By Order No. PSC-05-0153-AS-TL, issued February 8, 2005, in Docket No. 040604-TL, the FPSC approved settlement agreement proposals filed by BellSouth telecommunications, Inc., Sprint-Florida, Inc., and Verizon Florida, Inc., implementing a simplified Lifeline and Link-Up certification process. The new process allows eligible Lifeline and Link-Up customers to enroll in the programs by simply signing a document certifying, under penalty of perjury, that the customer participates in one of the Florida Lifeline and Link-Up qualifying programs and identifying the qualifying program.

In addition, by Order No. PSC-05-0440-PAA-TL, issued April 25, 2005, in Docket No. 050095-TL, the FPSC approved a BellSouth proposal to add the National School Lunch free lunch program to its Lifeline and Link-Up eligibility criteria. A petition filed by Sprint July 15, 2005, addressing its service guarantee program (Docket No. 050490-TL), includes the addition of the National School Lunch free lunch program to its Lifeline and Link-Up eligibility criteria.

The FPSC is actively engaged with the FCC, Universal Service Administrative Company (USAC), and the Universal Service Joint Board regarding the Lifeline and Link-Up programs. The FPSC continues to monitor and implement, in coordination with various public, private, and telecommunications industry participants, changes in the Lifeline and Link-Up programs to increase subscribership for low-income households.

E911

On June 3, 2005, the FCC released its First Report and Order (FCC 05-116) addressing E911 requirements for IP-enabled service providers. By the Order, the FCC adopts rules requiring providers of interconnected voice over Internet protocol (VoIP) service to supply enhanced 911(E911) capability to their customers within 120 days.¹ The Order also requires interconnected VoIP service providers to provide E911 as a standard feature of the service, rather than as an optional enhancement and further requires them to provide E911 from wherever the customer is using the service, whether at home or away from home. The FCC also initiated a Further Notice of Proposed Rulemaking to address remaining E911 issues. The FPSC had filed comments in a broader FCC proceeding in which it advocated a national policy on E911 requirements for IP-enabled services. In addition, the FPSC recommended that those using the E911/911 system should contribute to the maintenance of the system and that providers of IP-enabled services had a responsibility to inform consumers of the possibility of differing functionality of between IP-enabled services and traditional telephony.

Electric Issues

GridFlorida

The Commission continues to review the need for and cost effectiveness of a Regional Transmission Organization (RTO) for peninsular Florida. Known as GridFlorida, the proposed RTO would be responsible for the operation and maintenance of the bulk power transmission system in peninsular Florida. In addition, the RTO would be responsible for the planning, siting, and construction of all new transmission facilities in peninsular Florida. The proposed RTO would, in effect, be the sole provider of transmission service within peninsular Florida. GridFlorida would transmit electric power from competitive utility and non-utility generators to load serving utilities at rates set by the Federal Energy Regulatory Commission (FERC) which has sole jurisdiction over wholesale generation and transmission rates. The potential effect of this proposal could be significant to Florida's retail consumers.

Throughout the evolution of the GridFlorida proposal, the Commission has been attentive to the need for continued review of the costs and benefits of an RTO to Florida's ratepayers. To the extent that the basic structure of the original GridFlorida proposal has changed over time, it is important that the costs and benefits associated with such changes be evaluated. In response to these concerns, the

¹ The term "interconnected" refers to the ability of the user to receive calls from and terminate calls to the public switched telecommunications network (PSTN), including commercial mobile radio networks.

Commission initiated a series of public workshops to assess the cost-effectiveness of the GridFlorida proposal. In March 2004, ICF Consulting, who was selected by the GridFlorida Companies (Florida Power & Light, Progress Energy Florida, and Tampa Electric Company), presented an overview of a cost-benefit analysis to assess the costs and benefits to peninsular Florida consumers of restructuring the power market from the existing primarily bilateral contract market to a centrally organized market. Both the quantifiable and qualitative costs and benefits associated with the formation of an RTO in peninsular Florida were to be evaluated. On June 30, 2004, the Commission conducted a follow-up workshop to begin gathering information to be used in the cost-benefit study and to discuss the underlying assumptions to be used in the study. Throughout the study process, various stakeholders provided their input and comments to the data collection and analysis process.

On May 23, 2005, ICF presented its initial findings on the estimated cost-effectiveness of the GridFlorida RTO. For all cases studied, projected costs significantly outweigh projected benefits. These results have led to additional sensitivity cases being studied to determine under what circumstances, if any, an RTO for peninsular Florida would make economic sense. Additional Commission workshops will be held to assess these additional study results.

The Commission continues to seek to ensure that Florida's citizens receive safe, adequate, and reliable electric power at the most cost-effective rates achievable.

Electric Utility Distribution Reliability

The Commission continues to seek to ensure that Florida's citizens receive safe, adequate, and reliable electric power at the most cost-effective rates achievable. Each investor-owned electric utility (IOU) in Florida is required to file an Annual Distribution Service Reliability Report. The purpose of this document is to review trends in key reliability indices established by the Commission for ongoing review. Areas under review include the number, frequency, and duration of interruptions to electric service provided to end-use customers. Outage causation is analyzed to identify areas where electric utilities can implement improvements to their operation and maintenance practices.

In 1997, as a result of a staff management audit, the Commission observed an increasing trend in customer outages over the previous five-year period. Increased regulatory scrutiny was brought to bear on utility distribution reliability practices, particularly in the area of vegetation management. As a result, a general improvement in the reliability indices reported by the IOU's utilities was achieved over the period from 1997 to 2002. In order to ensure continued improvement, in September 2004 staff initiated a quality of service management audit of all five IOUs in Florida that addresses both distribution and transmission reliability. This audit will build upon the 1997 staff audit and is anticipated to be completed by November 2005.

Fuel Diversity

Section 186.801, Florida Statutes, requires all major generating electric utilities in Florida to submit a Ten-Year Site Plan for review by the Florida Public Service Commission. Each Ten-Year Site Plan contains the utility's projections of customer load and energy growth for the next ten years and the proposed power plant and transmission line facilities needed to meet system power requirements. Over the past several years, utilities across the nation and within Florida have selected natural gas-

fired generation as the predominant source of new capacity. The use of natural gas for electricity production in Florida has increased significantly over the past ten years from 12.7% in 1993 to 32% in 2004. Current utility Ten-Year Site Plans indicate that 51.4% of total statewide generation in 2013 is expected to come from natural gas, with a decline in the overall contribution of other fuel types, such as coal and nuclear. If this trend continues, natural gas usage will approach the levels of oil usage that Florida was experiencing just prior to the oil embargoes of the 1970s.

Recent experience has shown that natural gas prices have become volatile. Further, Florida's utilities project a wide range of prices and availability of natural gas. These facts, coupled with the Florida utilities' historic under-forecasting of natural gas price and consumption, could strain Florida's economy. In the 1970s, the Commission took action to encourage Florida's electric utilities to diversify their fuel mix in an effort to mitigate volatile fuel prices. Based on current generation fuel mix and fuel price projections, it may be prudent for Florida utilities to explore the feasibility of adding solid fuel generation as part of future capacity additions.

One investor-owned utility, FPL, is currently seeking to address these fuel diversity issues by comparing natural gas-fired and coal-fired generation alternatives. The differences between natural gas-fired and solid fuel-fired technologies not only include forecasted fuel price differences, but also future emissions control technologies and requirements, as well as the capital costs and feasibility of developing and constructing a coal-fired generating unit in Florida. Based on its initial review, FPL has included a coal-fired generating unit in its plans for the 2012 time frame. Three other electric utilities, JEA, Gainesville Regional Utilities, and Seminole Electric Cooperative, have also included solid fuel-fired generating units in their planned generation resource additions.

Electric Rate Activity

In 2004, Florida was hit by Hurricanes Charley, Frances, Ivan and Jeanne causing extensive damage to the infrastructure of Florida's Electric IOUs. As a result of the damage, Florida Power and Light and Progress Energy Florida filed for recover of the costs that exceeded the companies' storm reserves. Two other electric utilities, Gulf Power and Tampa Electric Company filed offers of settlement with the Commission to deal with the costs that exceeded each companies' storm reserve balance.

On November 2, 2004, Progress Energy Florida filed a petition to recover approximately \$251.9 million in storm damages that exceeded the utility's storm reserve through a storm cost recovery clause. The commission held service hearings March 15 through 17, 2005 and a technical hearing on March 30 through April 1, 2005. On June 21, 2005, the Commission voted to deny Progress' request for a storm cost recovery clause but instead allowed the company to collect \$231.8 million through a surcharge from its customers over a two-year period.

On November 4, 2005, Florida Power and Light filed a petition to recover approximately \$354 million in storm damages that exceeded the utility's storm reserve through a surcharge over a two-year period. The company amended its filing on February 4, 2005, updating its estimated recovery to approximately \$533 million and requested to recovery the amount over a three-year period instead. The commission held service hearings April 6 and April 11 through 13, 2005 and technical hearings on April 20 through 21, 2005. On July 19, 2005, the Commission voted to allow the company to

collect \$ 441.9 million through a surcharge from its customers over a three-year period.

On February 2, 2005, Gulf Power Company, the Office of Public Counsel and the Florida Industrial Power Users Group filed a joint settlement to provide resolution to Gulf Power's storm damages in excess of the storm reserve balance. The settlement was approved by the Commission on March 1, 2005. The settlement allowed Gulf Power Company to collect \$53.3 million in damages from its customers over a two-year period.

On April 1, 2005, Tampa Electric Company, the Office of Public Counsel and the Florida Industrial Power Users Group filed a joint settlement to provide resolution to Tampa Electric Company's storm damages in excess of the storm reserve balance. The settlement was approved by the Commission on March 1, 2005. The settlement allowed Tampa Electric to record \$38.9 million of storm restoration costs to Utility Plant Accounts. As a result, the utility ended up with a positive balance in its storm reserve of \$7.8 million.

In 2005, two major electric companies, Florida Power and Light and Progress Energy Florida, filed for base rate increases. Florida Power and Light filed its MFRs on March 22, 2005. The Commission held service hearings from June 28 through 30, 2005. The Commission is scheduled to hold eight days of technical hearings beginning on August 22, 2005. Progress Energy Florida filed its MFRs on April 29, 2005. The Commission held service hearings from July 20 through 21, 2005. The Commission is scheduled to hold eight days of technical hearings beginning on September 7, 2005.

Gas Issues

The competitiveness of the gas industry continues to evolve. In the Spring of 2004, the Commission approved a gas unbundling pilot program for Sebring Gas System, Inc. Under the pilot program, Sebring would establish two transportation service programs through its tariff. The first program would revise Sebring's existing "pro-forms" transportation tariff to establish an Individual Transportation Service (ITS) Program as an option for customer using over 100,000 therms per year. Under the proposed ITS program, larger customers would be able to select a gas marketer, negotiate the terms of service, and individually schedule gas deliveries to the company's distribution system.

The second program, an Aggregated Transportation Service (ATS) tariff, would be established to facilitate the conversion of the small volume sales service customers using less than 100,000 therms per year, to a single aggregated customer pool. Customers who previously purchased gas from the utility would receive gas supply through a single qualified pool manager. A qualified gas marketer would be retained to administer the pool. This pool manager would have the capability of combining the gas supply requirements of customer in the ATS pool with other customers served by the pool manager, both on and off the company's distribution system.

The ATS tariff includes a phased-in transition period to be completed over two years on an experimental basis and is similar to the proposals by the Florida Divisions of Chesapeake Utilities Corporation and Indiantown Gas Company.

Florida Public Utilities Company and Sebring Gas System filed for an increase in base revenue in

2003. Both companies rate caps were completed this fiscal year. All were handled through the Proposed Agency Action process. AGL Resources completed its merger with NUI Corporation. AGL purchased all of the outstanding common stock of NUI and the assumption of NUI's outstanding debt at closing.

Water and Wastewater Issues

The water and wastewater industry, although not subject to competitive pressures, faces unique challenges of its own. Water and wastewater is an increasing cost industry. Rapid population growth exerts upward pressure on water rates as demand continually increases for this finite resource. In addition, compliance with the standards in the federal Safe Drinking Water Act and the Clean Water Act has increased the costs of providing water and wastewater services to the public, in some instances dramatically. Compared to other utility industries, the 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.

Given the rising cost and scarcity of this resource, it is important that customers be aware of water and wastewater proceedings before the FPSC and have access to and participate in these proceedings. In the water and wastewater industries, the FPSC continues to oversee quality-of-service issues such as water pressure and capacity. Service quality issues often arise when a utility files an application for a rate change because the FPSC conducts customer hearings as a part of the rate case process. Consumers' comments at rate case hearings typically include service quality issues. The FPSC continues to review and respond to consumer concerns and work with the utility to resolve service issues.

The issue of reuse (using effluent water for a beneficial purpose, such as irrigation) is a growing one for the FPSC and has significant implications in the area of rate base/economic regulation. The Legislature has recognized the benefits of reuse to Florida and has enacted provisions in the governing statutes for the Florida Department of Environmental Protection (DEP), the five Water Management Districts and wastewater utilities to employ reuse as the chosen means for effluent disposal and as a method of water conservation. The FPSC has clearly been given direction from the Legislature that reuse should be considered a public good and should be implemented by utilities wherever feasible. The FPSC's charge is to identify reuse issues related to its jurisdiction and to establish policies that are consistent with the statewide goals, while mitigating the effect on water and wastewater rates.

Water conservation is another area with major economic implications. As an economic regulator, the FPSC is actively involved in demand-side water conservation through rate level and rate structure. Rates and rate structure have a direct bearing on water usage and, therefore, on water resource allocation.

In May 2001, a statewide Water Conservation Initiative (WCI) was launched by the DEP and the Water Management Districts in response to the Governor's Drought Action Plan.

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

The Work Plan adopted in early 2005 to implement the JSOC and the new legislation called for a three pronged approach: (1) Develop standardized definitions and performance measures for water conservation data collection and analysis; (2) Establish a Clearinghouse for water conservation programs and practices; and (3) Develop and maintain a Florida-specific water conservation guidance document to assist public water suppliers in the design and implementation of a utility-specific water conservation program. The standardized metrics document has been completed. A detailed business plan for the operation of the Clearinghouse has been developed and will be sent to Florida universities to gauge the interest of state universities in partnering with *Conserve Florida* to establish and run the conservation Clearinghouse. Work has also begun on developing the Guidance document which will be a manual to assist utilities in developing and implementing cost effective conservation programs. The DEP is required to present a report to the Legislature on the current status of *Conserve Florida* in December 2005. The report will not only discuss the progress made so far, but also suggest various funding options to continue the work underway.

In addition to working with other state agencies and interested parties on long range water conservation solutions, the Commission is also focusing on matters of more immediate regulatory concern. A Commission workshop has been scheduled for February 22, 2006, to present a comprehensive overview of issues in water rate design. Included in the workshop will be presentations from the DEP and the Water Management Districts on their roles and concerns with water rate design. PSC staff will also discuss how the need for conservation rates is evaluated and the mechanics of how the rates are calculated. By providing the background for water rate design, this workshop should allow more efficient consideration of rate issues in a rate case.

Conclusion

In conclusion, the work of the FPSC is a balancing act. 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 Commission is required by law to ensure that the rate-base-regulated companies are allowed an opportunity to earn a fair return on their investments in property dedicated to providing utility service.

The FPSC's role in ensuring Florida's utility customers have safe and reliable service at fair and reasonable rates and its obligation to foster a stable economic environment are critical to the State of Florida. These responsibilities are incorporated into the FPSC's outcome measures which focus on customer protection and assistance, conservation, safety oversight, service evaluations, competitive market oversight, and ratemaking. The FPSC's regulatory efforts in conjunction with other economic forces facilitate a positive business and social environment for Florida's residents and businesses.

The FPSC does not anticipate policy changes that will affect its Legislative Budget Request or the Governor's Recommended Budget, nor do we anticipate changes that require legislative action. The FPSC does not have any task forces or legislative studies at this time. The FPSC does not anticipate proposing any new programs or services.

LRPP Exhibit I: Agency Workforce Plan				
Fiscal Years	Total FTE Reductions	Description of Reduction Issue	Positions per Issue	Impact of Reduction
FY 2006 -2007	13	Streamline the Telecommunications Tariff/Agreement Processes	1	Implementing more efficient processes for tariffs and agreements, and the associated decreased review of tariffs, may lead to possible increases in misbillings of customers.
		Streamline Water/Wastewater Certification Process	5	Eliminating rate base audits may result in company records being more difficult to audit in subsequent rate cases.
		Eliminate Water/Wastewater Annual Report Reviews	1	This may result in rates being higher than necessary for some WAW utilities. However, the earnings surveillance program for WAW utilities has not led to significant savings in the past due to the cost increasing nature of the industry.
		Streamline Regulatory Oversight of Telecommunications Companies	5	Streamlining regulatory assessment fee (RAF) fine processes and less review of RAF forms may possibly lead to more errors in filing of RAFs.
		Eliminate Electric Dismantlement Studies	1	May lead to less accurate depreciation accounting and consequently, some intergenerational inequity.
FY 2007-2008		Streamline Regulatory Oversight of Telecommunications Companies	4	Reduced PSC review of companies' provision of service to their competitors may result in less competition and fewer choices for customers.

	Reduce Telephone Service Evaluations	3	For companies making elections under FS 364.051(6), the quality of service standards are lessened. This may result in lower quality of customer service. There will be less review of tariff compliance, answer times for 911, and other LEC services due to reduction of service evaluations. In addition, payphone quality of service may decline due to inability to perform as many audits.
	Fewer Intercarrier Disputes Requiring FPSC Resolution and Fewer Area Code Dockets	6	ILEC and CLEC use of Commercial Agreements in place of or in addition to many of the negotiated agreements which are currently in effect may result in a decline in the number of issues arbitrated before the PSC. In addition, we expect there to be fewer intercarrier disputes about the remaining agreements. No adverse impacts expected. Numbering conservation efforts and slower growth of number usage will reduce the number of area code dockets.
	Streamline Water/Wastewater (WAW) Ratemaking Process in File and Suspend Rate Cases by Eliminating Insignificant Adjustments and by Revising the WAW Used and Useful Statute	4	Rates may not precisely reflect cost of service since some accounting adjustments may not be made. The elimination of "used and useful" adjustments may result in some intergenerational inequity.
	Simplify Water/Wastewater SARC Process by Ceasing Field Audits of Small Company Books and Records	3	This may result in rates not precisely reflecting cost of service since some accounting adjustments may not be made.
	Eliminate review of electric tariffs filed outside of a rate case	1	May result in temporary inappropriate charges to customers until such time as a complaint or petition is filed.
	Close District Office	8	Fewer audits will be done and those will be done by the remaining two offices. This may impact the ability to verify regulated utility compliance with PSC orders, rules and statutes as well as verification of utility filings with company records. There may be fewer inspections of gas systems and new electric construction.

		Privatize Consumer Call Center	8	Privatization of the Call Center may create a disconnect between the call center staff and the expertise of technical staff in the other PSC divisions, resulting in consumers calling but not getting resolution of their complaint. It is unclear as to what cost savings would be experienced.
Total	50			

LRPP Exhibit II - Performance Measures and Standards

Department: Florida Public Service Commission Department No.: 61000000
 Program: Utilities Regulation/Consumer Assistance Code: 1205.00.00.00
 Service/ Budget Entity: Consumer Safety/Protection Code: 61010000

Approved Performance Measures (Words)	Approved Prior Year Standards FY 2004-05 (Numbers)	Prior Year Actual FY 2004-05 (Numbers)	Approved Standards for FY 2005-06 (Numbers)	Requested FY 2006-07 Standard (Numbers)
Percentage of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index (CPI): Composite	3.3 CPI+1	6.38	CPI+1	CPI+1
*Percentage of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index (CPI): Electric	3.3 CPI+1	1.89	N/A	N/A
*Percentage of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index (CPI): Gas	3.3 CPI+1	19.14	N/A	N/A
*Percentage of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index (CPI): Water & Wastewater	3.3 CPI+1	2.73	N/A	N/A
*Percentage of annual utility increases for average residential usage compared to inflation as measured by the Consumer Price Index (CPI): Communications	3.3 CPI+1	1.76	N/A	N/A
Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Composite	N/A	N/A	USA + / - 1	USA + / - 1
*Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Electric	11.22 USA + / - 1	11.4	N/A	USA+1
*Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Gas	10.82 USA + / - 1	11.28	N/A	USA+1

*Average allowed return on equity (ROE) in Florida compared to average ROE in the USA: Water & Wastewater	10.09 USA + / - 2.5	10.25	N/A	USA+1
Approved Performance Measures (Words)	Approved Prior Year Standards FY 2004-05 (Numbers)	Prior Year Actual FY 2004-05 (Numbers)	Approved Standards for FY 2005-06 (Numbers)	Requested FY 2006-07 Standard (Numbers)
Percent of utilities achieving within range and over range of last authorized ROE: Electric	100% / 0%	80% / 0%	100% / 0%	100% / 0%
Percent of utilities achieving within range and over range of last authorized ROE: Gas	29% / 0%	14% / 14%	29% / 0%	29% / 0%
Percent of utilities achieving within range and over range of last authorized ROE: Water & Wastewater	10% / 5%	9% / 5%	10% / 5%	10% / 5%
Percent of communications service variances per inspection point examined			15%	19%
Percent of communications service variances per inspection point examined: Local Exchange & Competitive Local Exchange Telephone Companies	20%	26.10%	N/A	N/A
Percent of communications service variances per inspection point examined: Interexchange	25%	25.90%	N/A	N/A
Percent of communications service variances per inspection point examined: Pay Telephone Companies	4%	5.70%	N/A	N/A
Percent of electric and gas safety variances corrected on first reinspection			60.1%	60%
Consumer Calls: Percent of calls answered	86%	88.40%	86%	86%
Consumer Calls: Average waiting time (in minutes)	140.00%	1.34	1.4	1.4
*Consumer Calls: Complaints Handled Within 30 Days	51.00%	71.60%	N/A	N/A
*Consumer Calls: Complaints Handled Within 60 Days	71.00%	95.30%	N/A	N/A
Conservation programs reviewed and conservation proceedings undertaken	87	87	87	87
Per capita annual kWh energy savings through conservation programs (in kWh)	224.8	246.4	238	250
Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Electric	28	25	19	19

Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Gas	7	7	7	7
Utility Companies for which Rates or Earnings were Reviewed/Adjusted: Water & Wastewater	170	181	170	170
Approved Performance Measures (Words)	Approved Prior Year Standards FY 2004-05 (Numbers)	Prior Year Actual FY 2004-05 (Numbers)	Approved Standards for FY 2005-06 (Numbers)	Requested FY 2006-07 Standard (Numbers)
Proceedings to evaluate or resolve retail and wholesale telecommunications competitive issues	1750	1771	1,600	1600
Number of proceedings granting certificates to operate as a telecommunications company and registering intrastate interexchange telecommunications companies	200	212	200	175
Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Electric	3	10	3	3
Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Gas	1	2	1	1
Number of proceedings granting service authority, resolving territorial disputes, or approving territorial agreements: Water & Wastewater	75	97	75	75
Number of proceedings relating to wholesale competition or electric reliability	33	32	33	33
Utility consumer inquiries, complaints, and information requests handled	59,060	57,374	56,000	50,000
Safety inspections performed (electric and gas)	2,870	3,548	3,000	3,000
Communications service evaluations performed	7,000	7,721	8,000	7,000
Average customer satisfaction rating of the complaint handling function			TBD	

* Denotes that there has been a change in the prior approved standard. This standard is being last reported for fiscal year 04/05.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Percentage of Annual Utility Increases For Average Residential Usage Compared to Inflation as Measured by the Consumer Price Index – ALL INDUSTRIES COMPOSITE

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
3.3	6.38	3.08	93%

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:

N/A

External Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input checked="" 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:

Composite price exceeded goal because of the unexpected dramatic increase in the price of natural gas. This increase was due, to a great extent, on the effects of the hurricanes on gas supply from Gulf of Mexico and resulted in more than doubling of natural gas prices. About 30% of of electric utility generation uses natural gas and all the LDCs were directly affected by this profound increase.

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:

The Commission has encouraged electric utilities to evaluate the fuel mix and reliance on natural gas for future electric generation.

Office of Policy and Budget – July 2005

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utilities Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection
Measure: Percentage of Annual Increases For Average Residential Usage Compared to Inflation as Measured by the Consumer Price Index – Gas

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
3.3	19.14	15.84	480%

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: N/A

External Factors (check all that apply):

- | | |
|--|--|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change | <input checked="" 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:

Composite price exceeded goal because of the unexpected dramatic increase in the price of natural gas. This increase was due, to a great extent, on the effects of the hurricanes on gas supply from Gulf of Mexico and resulted in more then doubling of natural gas prices. The LDCs were directly affected by this profound increase.

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:

None

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Percent 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%	80%/0%	(20)/ -	(20%)/ -

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:

N/A

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:

Only one of five of the electric utilities earned below the ROE range. Because of the small number of companies, this variance percent is not significant.

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:

None

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utilities Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection
Measure: Percent of Utilities Achieving Within Range and Over Range of Last Authorized ROE – Gas

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
29%/0%	14%/14%	(15)/14	52%

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:

N/A

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:

There are only seven gas utilities. The variance from the standard for “within range” involved only one utility and the variance for the standard “over range” also involved only one utility (Indiantown Gas). Therefore, because of the small number of companies, this variance percent is not significant.

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

Recommendations:

The Commission will closely monitor Indiantown Gas and take action, if necessary, to ensure over earnings is mitigated.

Office of Policy and Budget – July 2005

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Percent of Communications Service Variances per Inspection Points Examined –
Local Exchange & Competitive Local Exchange Telephone Companies

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
20%	26.1%	6.1%	30.5%

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 checked="" type="checkbox"/> Natural Disaster |
| <input type="checkbox"/> Target Population Change | <input 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:

Florida experienced an active hurricane season in 2004 which impacts the level of service that local companies can provide resulting in more variances per inspection point.

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:

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Percent of Communications Service Variances per Inspection Points Examined – Interexchange Telephone Companies

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
25%	25.9%	0.9%	4%

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 checked="" type="checkbox"/> Previous Estimate Incorrect | |
| <input type="checkbox"/> Other (Identify) | |

Explanation:

The IXC industry is dynamic with a high turnover rate in providers. New market entrants with multiple offerings result in more variances per inspection point. Depending upon the mix of experienced versus non-experienced providers and the complexity of the offerings, this variance can fall below or above the approved standard. A range of acceptability rather than a point estimate may be more appropriate.

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 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:

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:

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Percent of Communications Service Variances per Inspection Points Examined – Pay Telephone Companies

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
4%	5.7%	1.7%	42.5%

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 checked="" type="checkbox"/> Previous Estimate Incorrect | |
| <input type="checkbox"/> Other (Identify) | |

Explanation:

The number of the pay phones is declining with some of the larger pay phone providers exiting the market. This leaves a higher percentage of pay phones being operated by small pay phone providers with fewer resources and expertise in providing pay phone service which results in a higher number of service variances. Variances can be above or below the standard depending upon the level of expertise. This difference from the standard is not significant. It is more appropriate to use a range rather than a point estimate for the standard.

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 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:

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:

Office of Policy and Budget – July 2005

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Percent of Combined Conservation Goals Achieved
by 7 FEECA Utilities

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
141%	139%	(2)	-1%

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:

This standard is based on historical averages. The actual figures result in a 1% variance which falls within a reasonable range.

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:

None

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Utility Companies for which Rates on Earnings were Reviewed/Adjusted – Electric

Action:

- ☐ Performance Assessment of Outcome Measure
☒ Performance Assessment of Output Measure
☐ Adjustment of GAA Performance Standards

- ☐ Revision of Measure
☐ Deletion of Measure

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
28	25	(3)	-11%

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- ☐ Personnel Factors
☐ Competing Priorities
☐ Previous Estimate Incorrect
☐ Other (Identify)
☐ Staff Capacity
☐ Level of Training

Explanation:

N/A

External Factors (check all that apply):

- ☐ Resources Unavailable
☐ Legal/Legislative Change
☐ Target Population Change
☐ This Program/Service Cannot Fix The Problem
☐ Current Laws Are Working Against The Agency Mission
☐ Technological Problems
☐ Natural Disaster
☒ Other (Identify)

Explanation:

This standard is a function of the number of petitions filed by the industry. Our point estimate is based upon historic information. However, there will be variances from the point estimate since the number of petitions is dependent on many factors such as the economy, cost escalations and weather conditions.

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

- ☐ Training
☐ Personnel
☐ Technology
☒ Other (Identify)

Recommendations:

None

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Proceedings, Reviews, and Audits Examining Rates,
Rate Structure, Earnings, and Expenditures

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
744	611	(133)	-18%

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:

N/A

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:

This standard is a function of petitions filed by the industry and the PSC's proactive surveillance program. Our point estimate is based upon historic information. However, there will be variances from the point estimate since the number of petitions received will vary based upon many factors such as the economy, cost escalations and weather conditions.

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:

None-This standard is being eliminated.

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission
Program: Utilities Regulation/Consumer Assistance
Service/Budget Entity: Consumer Safety/Protection
Measure: Number of Proceedings Relating to Wholesale Competition or Electric Reliability

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
33	32	(1)	-3%

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:

This standard is based on historical averages and is dependent upon filings by utilities. The actual figures result in a 3% variance which falls within a reasonable range.

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:

None

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Florida Public Service Commission

Program: Utilities Regulation/Consumer Assistance

Service/Budget Entity: Consumer Safety/Protection

Measure: Utility Consumer Inquiries, Complaints, and Information requests handled

Action:

- ☐ Performance Assessment of Outcome Measure ☐ Revision of Measure
☒ Performance Assessment of Output Measure ☐ Deletion of Measure
☐ Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
59,060	57,374	(1,686)	-2.85%

Factors Accounting for the Difference:

Internal Factors (check all that apply):

- ☐ Personnel Factors ☐ Staff Capacity
☐ Competing Priorities ☐ Level of Training
☒ Previous Estimate Incorrect
☐ Other (Identify)

Explanation:

This was a new standard for 2003-2004. The lack of experience in knowing this standard produced an inaccurate estimate of the standard to be applied for 2004-2005. The 2005-2006 standard was adjusted accordingly last year.

External Factors (check all that apply):

- ☐ Resources Unavailable ☐ Technological Problems
☐ Legal/Legislative Change ☐ Natural Disaster
☐ Target Population Change ☐ Other (Identify)
☐ This Program/Service Cannot Fix The Problem
☐ Current Laws Are Working Against The Agency Mission

Explanation:

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

- ☐ Training ☐ Technology
☐ Personnel ☒ Other (Identify)

Recommendations:

Adjust the standard based on 1 year's experience.

Glossary of Terms and Acronyms

NOTE: This Glossary includes terms and acronyms required in the *Long Range Program Plan Instructions* dated July 2005, as well as terms and acronyms unique to and used by the FPSC.

AHCA - Agency for Health Care Administration

Activity: A set of transactions within a budget entity that translates inputs into outputs using resources in response to a business requirement. Sequences of activities in logical combinations form services. 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 December 31 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.

ATS - Aggregated Transportation Service

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.

CIO - Chief Information Officer

CIP - Capital Improvements Program Plan

CLEC - Competitive Local Exchange Carrier

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.

CPI - Consumer Price Index

Consumer Price Index (CPI): A measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

D3-A: A legislative budget request (LBR) exhibit which presents a narrative explanation and justification

for each issue for the requested years.

DCF - Department of Children and Families

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

DEP - Department of Environmental Protection

DSL - Digital Subscriber Line

EOG - Executive Office of the Governor

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.

FCC - Federal Communications Commission

FCO - Fixed Capital Outlay

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.

Federal Energy Regulatory Commission (FERC): An agency of the government of the United States created by an Act of Congress, the Department of Energy Organization Act, in 1977.

FEECA - Florida Energy Efficiency and Conservation Act

FERC - Federal Energy Regulatory Commission

FFMIS - Florida Financial Management Information System

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.

FLAIR - Florida Accounting Information Resource Subsystem

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.

FPL - Florida Power and Light

FPSC - Florida Public Service Commission

F.S. - Florida Statutes

GAA - General Appropriations Act

GR - General Revenue Fund

ILEC - Incumbent Local Exchange Carrier

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.

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.

IOE - Itemization of Expenditure

ISO - Independent System Operator

Interexchange Telecommunications Company (IXC): Any certificated company providing telecommunications service between local calling areas as those areas are described in the approved tariffs of individual local exchange companies. IXC providers include: operator service providers, resellers, switchless rebillers, multi-location discount aggregators, prepaid debit card providers, and facilities based interexchange carriers.

IT - Information Technology

ITS - Individual Transportation Service

IXC - Interexchange Telecommunications Company

JSOC - Joint Statement of Commitment

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

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

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.

LEC - Local Exchange Carrier (Telecommunications Company)

Local Exchange Carrier (LEC): Any telecommunications company certificated by the Public Service Commission to provide local exchange telecommunications service in Florida on or before June 30, 1995.

L.O.F. - Laws of Florida

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.

LRPP - Long-Range Program Plan

MAN - Metropolitan Area Network (Information Technology)

MW - Megawatt

NASBO - National Association of State Budget Officers

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.

NARUC - National Association of Regulatory Utility Commissioners

NECA - National Exchange Carrier Association

NID - Network Interface Devices

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

NRRI - National Regulatory Research Institute

NTIA - National Telecommunications and Information Administration

NXXs: The office code consisting of the first three digits of the seven digit local telephone number.

OCn - Optical Carrier Number

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

OPC - Office of Public Counsel

Outcome: See Performance Measure.

Output: See Performance Measure.

Outsourcing: Describes situations where the state retains responsibility for the service, but contracts outside of state government for its delivery. 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: 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.***

PBPB/PB2 - Performance-Based Program Budgeting

PEF - Progress Energy Florida, Inc.

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.

Program: A set of activities undertaken in accordance with a plan of action organized to realize identifiable goals 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.

PSC - Public Service Commission

RAF - Regulatory Assessment Fee

Regulatory Assessment Fee (RAF): Money collected from regulated utility companies under the jurisdiction of the PSC which is used in the operations of the PSC as authorized by the Legislature. Fees are based upon gross operating revenues.

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.

Return on Equity (ROE): A company’s profit level as a percentage of investment.

RFP - Request for Proposals

ROE - Return on Equity

RTO - Regional Transmission Organization

Service: See Budget Entity.

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

STO - State Technology Office

SWOT - Strengths, Weaknesses, Opportunities and Threats

TCS - Trends and Conditions Statement

TECO - Tampa Electric Company

TF - Trust Fund

TRO - Triennial Review Order

TRW - Technology Review Workgroup

Unbundled Network Elements (UNE): The Telecommunications Act of 1996 requires that Incumbent Local Exchange Carriers unbundle their network elements and make them available to Competitive Local Exchange Carriers on the basis of incremental cost. UNEs are defined as physical and functional elements of the network, e.g., circuit-switching and switch parts, interoffice transmission facilities, signaling and call-related databases, operator services and directory assistance, and packet or data switching. UNEs is a term used in negotiations to describe the various network components that will be used or leased.

UNE - Unbundled Network Elements

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.

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

WAN - Wide Area Network (Information Technology)

WAW- Water and Wastewater

WCI - Water Conservation Initiative

WFI - Workforce Florida, Inc.