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ORIGINAL

FLORIDA PUBLIC SERVICE COMMISSION

UNDOCKETED

RULE TITLE:

RULE NO.:

Establishment of Price Index Adjustment  
of Rates; Requirement of Bond; Filings  
After Adjustment; Notice to Customers

25-30.420

Pass Through Rate Adjustment

25-40.425

JAN 13 1998  
STATE  
SECRETARIAT

PURPOSE AND EFFECT: The purpose and effect of the rule development is to update and clarify the requirements for filing for a price index or pass-through rate adjustment and to codify requirements and information now contained in Commission order.

SUBJECT AREA TO BE ADDRESSED: Changes to the rules regarding price index and pass-through rate adjustments.

SPECIFIC AUTHORITY: 350.127(2), 367.121(1)(f), F.S.

LAW IMPLEMENTED: 367.081(4), F.S.

IF REQUESTED AND NOT DEEMED UNNECESSARY BY THE AGENCY HEAD, A RULE DEVELOPMENT WORKSHOP WILL BE HELD AT THE TIME, DATE, AND PLACE SHOWN BELOW:

- ACK \_\_\_\_\_
  - AFA \_\_\_\_\_
  - APP \_\_\_\_\_
  - CAF \_\_\_\_\_
  - CMU \_\_\_\_\_
  - CTR \_\_\_\_\_
  - EAG \_\_\_\_\_
  - LEG \_\_\_\_\_
  - LIN \_\_\_\_\_
  - OPC \_\_\_\_\_
  - RLP \_\_\_\_\_
  - SEC \_\_\_\_\_
  - WAS \_\_\_\_\_
  - YTH \_\_\_\_\_
- TIME AND DATE: 1:30 P.M., March 2, 1998
- PLACE: Florida Public Service Commission, Betty Easley Conference Center, Room 171, 4075 Esplanade Way, Tallahassee, FL 32399-0850
- THE WORKSHOP REQUEST MUST BE SUBMITTED IN WRITING WITHIN 21 DAYS OF THE DATE OF THIS NOTICE TO CHRISTIANA T. MOORE, DIVISION OF APPEALS, 2540 SHUMARD OAK BOULEVARD, TALLAHASSEE, FL 32399-0850.
- THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE DEVELOPMENT IS: Bob Casey, Division of Water and Wastewater, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

0862.

Any person requiring some accommodation at this workshop because of a physical impairment should call the Division of Records and Reporting at (850) 413-6770 at least five calendar days prior to the hearing. If you are hearing or speech impaired, please contact the Florida Public Service Commission using the Florida Relay Service, which can be reached at: 1-800-955-8771 (TDD).

THE PRELIMINARY TEXT OF THE PROPOSED RULE DEVELOPMENT IS:

25-30.420 Establishment of Price Index, Adjustment of Rates; Requirement of Bond; Filings After Adjustment; Notice to Customers.

(1) The Commission shall, on or before March 31 of each year, establish a price increase or decrease index as required by section 367.081(4)(a), F.S. The Division of Records and Reporting shall mail each regulated water and wastewater utility a copy of the proposed agency action order establishing the index for the year and a copy of the application. Applications for the newly established price index will be accepted from April 1 of the year the index is established through March 31 of the following year.

(a) The index shall be applied to all operation and maintenance expenses, except for amortization of rate case expense, costs subject to pass-through adjustments pursuant to section 367.081(4)(a), F.S., and adjustments or disallowances made in a utility's most recent rate proceeding. ~~In determining major categories of operating costs to which the index will apply, the Commission may consider whether the cost category is material to the operation of water and wastewater utilities, whether the cost category is applicable to all utilities regardless of size and~~

~~geographic location, and whether sufficient data is available regarding price increases or decreases.~~

(b) In establishing the price index indices ~~for major categories of operating costs~~, the Commission shall ~~may~~ consider cost statistics compiled by government agencies or bodies, and may consider cost data supplied by utility companies or other interested parties, applicable wage and price guidelines, or other relevant available data.

(2) Any utility seeking to increase or decrease its rates based upon the application of the index indices established pursuant to subsection (1) and as authorized by section 367.081(4)(a), F.S., shall file an original and five copies of a notice of intention and the materials listed in (a) through (g) below with the Commission's Division of Water and Wastewater at least 60 days prior to the effective date of the increase or decrease. The adjustment in rates shall take effect on the date specified in the notice of intention unless the Commission finds that the notice of intention or accompanying materials do not comply with the law, or the rules or orders of the Commission. The notice shall be accompanied by:

- (a) Revised tariff sheets;
- (b) A computation schedule showing the increase or decrease in annual revenue that will result when the index is applied;
- (c) The affirmation required by section 367.081(4)(c), F.S.;
- (d) A copy of the notice to customers required by subsection (6);
- (e) The rate of return on equity that the utility is affirming

it will not exceed pursuant to section 367.081(4)(c), F.S.;

(f) An annualized revenue figure for the test year used in the index calculation reflecting the rate change, along with an explanation of the calculation, if there has been any change in the utility's rates during or subsequent to the test year;

(g) The utility's Department of Environmental Protection Public Water System identification number and Wastewater Treatment Plant Operating Permit number.

(3) The Commission, upon its own motion, may implement an increase or decrease in the rates of a utility based upon the application of the ~~index indices~~ established pursuant to subsection (1) and as authorized by section 367.081(4)(a), F.S. The Commission may require a utility to file any of the information required in subsection (2).

(4) Upon a finding of good cause, the Commission may require that a rate increase pursuant to section 367.081(4)(a), F.S., be implemented under a bond ~~or of~~ corporate undertaking in the same manner as interim rates. For purposes of this subsection, "good cause" shall include:

(a) Inadequate service by the utility;

(b) Inadequate record-keeping by the utility such that the Commission is unable to determine whether the utility is entitled to implement the rate increase or decrease under this rule.

(5) After a rate adjustment pursuant to this rule, the Commission may require a utility to file with it such information required in Rule 25-30.436, F.A.C., that is necessary to determine whether the utility has exceeded its last authorized rate of

return.

(6) Prior to the time a customer begins consumption at the rates established by application of the index, the utility shall notify each customer of the increase ~~(or decrease)~~ authorized and explain the reasons therefor.

(7) No utility shall file a notice of intention ~~implement a rate increase~~ pursuant to this rule unless the utility has on file with the Commission an a-current annual report as required by Rule 25-30.110(3), F.A.C., for the test year specified in the order establishing the index for the year.

(8) No utility shall implement a rate increase pursuant to this rule within one year of the official date that it filed a rate proceeding, unless the rate proceeding has been completed or terminated.

Specific Authority 350.127(2), 367.081(4)(a), 367.121(1)(f), F.S.  
Law Implemented 367.081(4), F.S.

History--New 4-5-81, Amended 9-16-82, Formerly 25-10.185, Amended 11-10-86, 6-5-91,\_\_\_\_\_.

25-30.425 Pass Through Rate Adjustment. The verified notice to the Commission of an adjustment of rates under the provisions of section 367.081(4)(b), F.S., shall be made in the following manner:

(1) Prior to an adjustment in rates because of an increase or decrease in purchased utility service, the utility shall file:

(a) A certified copy of the order, ordinance or other evidence whereby the rates for utility service are increased or decreased by the governmental agency or by a water or wastewater utility regulated by the Commission, along with evidence of the utility

service rates of that governmental agency or water or wastewater utility in effect on January 1 of each of the three preceding years.

(b) A statement setting out by month the charges for utility services purchased from the governmental agency or regulated utility for the most recent 12-month period.

(c)1. A statement setting out by month the gallons of water or wastewater treatment purchased from the governmental agency or regulated utility for the most recent 12-month period. If wastewater treatment service is not based on a metered flow, the number of units by which the service is measured shall be stated.

2. A statement setting out by month gallons of water and units of wastewater service sold by the utility for the most recent 12-month period.

(d) A statement setting out by month the gallons of water or wastewater treatment purchased from any other government entity or utility company.

(e) A statement setting out by month the gallons of water pumped or wastewater treated by the utility filing the verified notice.

(f) If the total water available for sale is in excess of 110% of the water sold, a statement explaining the unaccounted for water.

(2) Prior to an adjustment in rates because of an increase or decrease in the charge for electric power the utility shall file with the Commission:

(a) A certified copy of the order, ordinance or other evidence

which establishes that the rates for electric power have been increased or decreased by the supplier, along with evidence of the electric power rates of the supplier in effect on January 1 of each of the three preceding years.

(b) A schedule showing, by month, the charges for electric power and consumption for the most recent 12 month period, the charges that would have resulted had the new electric rates been applied, and the difference between the charges under the old rates and the charges under the new rates.

(c) A statement outlining the measures taken by the utility to conserve electricity.

(3) Prior to an adjustment in rates because of an increase or decrease in ad valorem taxes the utility shall file with the Commission:

(a) A copy of the ad valorem tax bills which increased or decreased and copies of the previous three years' bills; if copies have been submitted previously, a schedule showing the tax total only is acceptable; and

(b) A calculation of the amount of the ad valorem taxes related to that portion of the water or wastewater plant not used and useful in providing utility service.

(4) Prior to an adjustment in rates because of an increase or decrease in the costs of water quality or wastewater quality testing required by the Department of Environmental Protection (DEP) Regulation, or because of an increase or decrease in the fees charged by DEP in connection with the National Pollutant Discharge Elimination System Program, the utility company shall file with the

Commission:

(a) A copy of the invoice for testing;

(b) Calculation of the amortized amount.

(5) In addition to (1), (2), and (3), and (4) above, the utility shall also file:

(a) A schedule of proposed rates which will pass the increased or decreased costs on to the customers in a fair and nondiscriminatory manner and on the basis of current customers, and a calculation showing how the rates were determined;

(b) A statement, by class of customer and meter size, setting out by month the gallons of water and units of wastewater service sold by the utility for the most recent 12 month period. This statement shall not be required in filings for the pass through of increased regulatory assessment fees or ad valorem taxes;

(c) The affirmation reflecting the authorized rate of return on equity required by section 367.081(4)(c), F. S.; and

(d) A copy of the notice to customers required by subsection (7) of this rule;

(e) Revised tariff sheets reflecting the increased rates; and

(f) The rate of return that the utility is affirming it will not exceed pursuant to section 367.081(4)(c), F.S.; and

(g) The utility's DEP Public Water System identification number and Wastewater Treatment Plant Operating Permit number;

(6) In order for the Commission to determine whether a utility which had adjusted its rates pursuant to section 367.081(4)(b), F.S., has thereby exceeded the range of its last authorized rate of return, the Commission may require a utility to file the



information required in Rule 25-30.437, F.A.C., for the test year specified.

(7) Prior to the time a customer begins consumption at the adjusted rates, the utility shall notify each customer of the increase authorized and explain the reasons for the increase.

(8) The utility shall file an original and five copies of the verified notice and supporting documents with the Division of Water and Wastewater. The rates shall become effective 45 days after the official date of filing. The official date of filing is the date the utility files a verified notice of adjustment of rates and supporting documents that satisfy the minimum filing requirements of this rule. The Director of the Division of Water and Wastewater determines whether the filing satisfies the minimum requirements.  
~~The official date of filing for the verified notice to the Commission of adjustment in rates shall be at least 45 days before the new rates are implemented.~~

Specific Authority 350.127(2), 367.121(1)(f), F.S.

Law Implemented 367.081(4), F.S.

History--New 6-10-75, Amended 4-5-79, 4-5-81, 10-21-82, Formerly 25-10.179, Amended 11-10-86, 6-5-91,\_\_\_\_\_.

1 25-30.420 Establishment of Price Index, Adjustment of Rates;  
2 Requirement of Bond; Filings After Adjustment; Notice to Customers.

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4 establish a price increase or decrease index as required by section  
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6 mail each regulated water and wastewater utility a copy of the  
7 proposed agency action order establishing the index for the year  
8 and a copy of the application. Applications for the newly  
9 established price index will be accepted from April 1 of the year  
10 the index is established through March 31 of the following year.

11 (a) The index shall be applied to all operation and  
12 maintenance expenses, except for amortization of rate case expense,  
13 costs subject to pass-through adjustments pursuant to section  
14 367.081(4) (a), F.S., and adjustments or disallowances made in a  
15 utility's most recent rate proceeding. ~~in determining major~~  
16 ~~categories of operating costs to which the index will apply, the~~  
17 ~~Commission may consider whether the cost category is material to~~  
18 ~~the operation of water and wastewater utilities, whether the cost~~  
19 ~~category is applicable to all utilities regardless of size and~~  
20 ~~geographic location, and whether sufficient data is available~~  
21 ~~regarding price increases or decreases.~~

22 (b) In establishing the price index ~~indices for major~~  
23 ~~categories of operating costs~~, the Commission shall ~~may~~ consider  
24 cost statistics compiled by government agencies or bodies, and may  
25 consider cost data supplied by utility companies or other

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1 interested parties, applicable wage and price guidelines, or other  
2 relevant available data.

3 (2) Any utility seeking to increase or decrease its rates  
4 based upon the application of the index indices established  
5 pursuant to subsection (1) and as authorized by section  
6 367.081(4) (a), F. S., shall file an original and five copies of a  
7 notice of intention and the materials listed in (a) through (g)  
8 below with the Commission's Division of Water and Wastewater at  
9 least 60 days prior to the effective date of the increase or  
10 decrease. The adjustment in rates shall take effect on the date  
11 specified in the notice of intention unless the Commission finds  
12 that the notice of intention or accompanying materials do not  
13 comply with the law, or the rules or orders of the Commission. The  
14 notice shall be accompanied by:

15 (a) Revised tariff sheets;

16 (b) A computation schedule showing the increase or decrease in  
17 annual revenue that will result when the index is applied;

18 (c) The affirmation required by section 367.081(4) (c), F. S.;

19 (d) A copy of the notice to customers required by subsection  
20 (6);

21 (e) The rate of return on equity that the utility is affirming  
22 it will not exceed pursuant to section 367.081(4) (c), F. S.;

23 (f) An annualized revenue figure for the test year used in the  
24 index calculation reflecting the rate change, along with an  
25 explanation of the calculation, if there has been any change in the

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1 utility's rates during or subsequent to the test year;

2 (g) The utility's Department of Environmental Protection  
3 Public Water System identification number and Wastewater Treatment  
4 Plant Operating Permit number.

5 (3) The Commission, upon its own motion, may implement an  
6 increase or decrease in the rates of a utility based upon the  
7 application of the index indices established pursuant to subsection  
8 (1) and as authorized by section 367.081(4)(a), F. S. The  
9 Commission may require a utility to file any of the information  
10 required in subsection (2).

11 (4) Upon a finding of good cause, the Commission may require  
12 that a rate increase pursuant to section 367.081(4)(a), F. S., be  
13 implemented under a bond or of corporate undertaking in the same  
14 manner as interim rates. For purposes of this subsection, "good  
15 cause" shall include:

16 (a) Inadequate service by the utility;

17 (b) Inadequate record-keeping by the utility such that the  
18 Commission is unable to determine whether the utility is entitled  
19 to implement the rate increase or decrease under this rule.

20 (5) After a rate adjustment pursuant to this rule, the  
21 Commission may require a utility to file with it such information  
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25 (6) Prior to the time a customer begins consumption at the

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1 rates established by application of the index, the utility shall  
2 notify each customer of the increase ~~(or decrease)~~ authorized and  
3 explain the reasons therefor.

4 (7) No utility shall file a notice of intention ~~implement a~~  
5 ~~rate increase~~ pursuant to this rule unless the utility has on file  
6 with the Commission an a-current annual report as required by Rule  
7 25-30.110(3), F. A. C., for the test year specified in the order  
8 establishing the index for the year.

9 (8) No utility shall implement a rate increase pursuant to  
10 this rule within one year of the official date that it filed a rate  
11 proceeding, unless the rate proceeding has been completed or  
12 terminated.

13 Specific Authority 350.127(2), 367.081(4)(a), 367.121 (1)(f) F.S.

14 Law Implemented 367.081(4), F.S.

15 History--New 4-5-81, Amended 9-16-82, Formerly 25-10.185, Amended  
16 11-10-86, 6-5-91, \_\_\_\_\_.

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4 manner:

5 (1) Prior to an adjustment in rates because of an increase or  
6 decrease in purchased utility service, the utility shall file:

7 (a) A certified copy of the order, ordinance or other  
8 evidence whereby the rates for utility service are increased or  
9 decreased by the governmental agency or by a water or wastewater  
10 utility regulated by the Commission, along with evidence of the  
11 utility service rates of that governmental agency or water or  
12 wastewater utility in effect on January 1 of each of the three  
13 preceding years.

14 (b) A statement setting out by month the charges for utility  
15 services purchased from the governmental agency or regulated  
16 utility for the most recent 12-month period.

17 (c)1. A statement setting out by month the gallons of water or  
18 wastewater treatment purchased from the governmental agency or  
19 regulated utility for the most recent 12-month period. If  
20 wastewater treatment service is not based on a metered flow, the  
21 number of units by which the service is measured shall be stated.

22 2. A statement setting out by month gallons of water and  
23 units of wastewater service sold by the utility for the most recent  
24 12-month period.

25 (d) A statement setting out by month the gallons of water or

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1 wastewater treatment purchased from any other government entity or  
2 utility company.

3 (e) A statement setting out by month the gallons of water  
4 pumped or wastewater treated by the utility filing the verified  
5 notice.

6 (f) If the total water available for sale is in excess of  
7 110% of the water sold, a statement explaining the unaccounted for  
8 water.

9 (2) Prior to an adjustment in rates because of an increase or  
10 decrease in the charge for electric power the utility shall file  
11 with the Commission:

12 (a) A certified copy of the order, ordinance or other  
13 evidence which establishes that the rates for electric power have  
14 been increased or decreased by the supplier, along with evidence of  
15 the electric power rates of the supplier in effect on January 1 of  
16 each of the three preceding years.

17 (b) A schedule showing, by month, the charges for electric  
18 power and consumption for the most recent 12 month period, the  
19 charges that would have resulted had the new electric rates been  
20 applied, and the difference between the charges under the old rates  
21 and the charges under the new rates.

22 (c) A statement outlining the measures taken by the utility  
23 to conserve electricity.

24 (3) Prior to an adjustment in rates because of an increase or  
25 decrease in ad valorem taxes the utility shall file with the

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1 Commission:

2 (a) A copy of the ad valorem tax bills which increased or  
3 decreased and copies of the previous three years' bills; if copies  
4 have been submitted previously, a schedule showing the tax total  
5 only is acceptable; and

6 (b) A calculation of the amount of the ad valorem taxes  
7 related to that portion of the water or wastewater plant not used  
8 and useful in providing utility service.

9 (4) Prior to an adjustment in rates because of an increase or  
10 decrease in the costs of water quality or wastewater quality  
11 testing required by the Department of Environmental Protection  
12 (DEP) Regulation, or because of an increase or decrease in the fees  
13 charged by DEP in connection with the National Pollutant Discharge  
14 Elimination System Program, the utility company shall file with the

15 Commission:

16 (a) A copy of the invoice for testing;

17 (b) Calculation of the amortized amount.

18 (5) In addition to (1), (2), ~~and~~ (3), and (4) above, the  
19 utility shall also file:

20 (a) A schedule of proposed rates which will pass the  
21 increased or decreased costs on to the customers in a fair and  
22 nondiscriminatory manner and on the basis of current customers, and  
23 a calculation showing how the rates were determined;

24 (b) A statement, by class of customer and meter size, setting  
25 out by month the gallons of water and units of wastewater service

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1 | sold by the utility for the most recent 12 month period. This  
2 | statement shall not be required in filings for the pass through of  
3 | increased regulatory assessment fees or ad valorem taxes; ~~-~~

4 | (c) The affirmation reflecting the authorized rate of return  
5 | on equity required by section 367.081(4)(c), F. S.; ~~and~~

6 | (d) A copy of the notice to customers required by subsection  
7 | (7) of this rule;

8 | (e) Revised tariff sheets reflecting the increased rates; ~~and~~

9 | (f) The rate of return that the utility is affirming it will  
10 | not exceed pursuant to section 367.081(4)(c), F. S.; and

11 | (g) The utility's DEP Public Water System identification  
12 | number and Wastewater Treatment Plant Operating Permit number;

13 | (6) In order for the Commission to determine whether a  
14 | utility which had adjusted its rates pursuant to section  
15 | 367.081(4)(b), F. S., has thereby exceeded the range of its last  
16 | authorized rate of return, the Commission may require a utility to  
17 | file the information required in Rule 25-30.437, F. A. C., for the  
18 | test year specified.

19 | (7) Prior to the time a customer begins consumption at the  
20 | adjusted rates, the utility shall notify each customer of the  
21 | increase authorized and explain the reasons for the increase.

22 | (8) The utility shall file an original and five copies of the  
23 | verified notice and supporting documents with the Division of Water  
24 | and Wastewater. The rates shall become effective 45 days after the  
25 | official date of filing. The official date of filing is the date

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1 the utility files a verified notice of adjustment of rates and  
2 supporting documents that satisfy the minimum filing requirements  
3 of this rule. The Director of the Division of Water and Wastewater  
4 determines whether the filing satisfies the minimum requirements.  
5 ~~The official date of filing for the verified notice to the~~  
6 ~~Commission of adjustment in rates shall be at least 45 days before~~  
7 ~~the new rates are implemented.~~

8 Specific Authority 350.127(2), 367.121(1)(f), F.S.

9 Law Implemented 367.081(4), F.S.

10 History--New 6-10-75, Amended 4-5-79, 4-5-81, 10-21-82, Formerly  
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