



Public Service Commission
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TALLAHASSEE, FLORIDA 32399-0850

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RECORDS AND REPORTING

DATE: JUNE 29, 2000

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

FROM: DIVISION OF APPEALS (HELTON) *MAH*
 DIVISION OF COMPETITIVE SERVICES (BROWN) *JAB*
 DIVISION OF ECONOMIC REGULATION (DRAPER, *CRS* HEWITT, *CSH* REVELL) *DR*
 DIVISION OF LEGAL SERVICES (ELIAS) *WCR for RVE DPW*

RE: DOCKET NO. 000418-PU - PROPOSED AMENDMENTS TO RULES 25-6.0426 AND 25-7.042, F.A.C., RECOVERY OF ECONOMIC DEVELOPMENT EXPENSES.

AGENDA: 7/11/00 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

RULE STATUS: PROPOSAL MAY BE DEFERRED

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\APP\WP\000418PR.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission propose amendments to Rules 25-6.0426, F.A.C., and 25-7.042, F.A.C., both entitled "Recovery of Economic Development Expenses"?

RECOMMENDATION: Yes, the Commission should propose the attached amendments to these rules.

STAFF ANALYSIS: During the 1994 legislative session, the Florida Legislature enacted Section 288.035, Florida Statutes, which required the Commission to adopt "rules for the recovery of economic development expenses by public utilities" Section 288.035(3), Florida Statutes. The Legislature also required the Department of Commerce (DOC) to adopt criteria for determining what is a recoverable economic development expense. Section 288.035(1), Florida Statutes. The Commission and DOC adopted the required

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rules in 1995. DOC was abolished in 1996, and control of the criteria rules was passed to the Office of Tourism, Trade, and Economic Development (OTTED). However, since OTTED does not have rulemaking authority, Rules 8E-15.001, 8E-15.002, and 8E-15.003, Florida Administrative Code, which established the recovery criteria, were repealed.

The purpose of the attached rule amendments is to incorporate the DOC criteria into the Commission's Economic Development rules. Staff recommends proposing essentially the same criteria that had been adopted by the DOC. These criteria limit recovery to expenditures for operational assistance related to economic development by local and state governments and for assisting state and local governments in the design of strategic plans for economic development activities.

Statement of Estimated Regulatory Costs: There should not be any significant additional costs nor negative impacts on utilities, small businesses, small cities, or small counties. Therefore, no Statement of Estimated Regulatory Costs was prepared.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, if no requests for hearing or comments are filed, the rule amendments as proposed should be filed for adoption with the Secretary of State and the docket be closed.

STAFF ANALYSIS: Unless comments or requests for hearing are filed, the rules as proposed may be filed with the Secretary of State without further Commission action. The docket may then be closed.

Attachments:

Proposed Amendments to Rules 25-6.0426 and 25-7.042
Memorandum Concerning Statement of Estimated Regulatory Costs

1 25-6.0426 Recovery of Economic Development Expenses.

2 (1) Pursuant to Section 288.035, Florida Statutes, the
3 Commission shall allow a public utility to recover reasonable
4 economic development expenses subject to the limitations contained
5 in subsections (3)-(2) and (4)-(3), provided that such expenses are
6 prudently incurred and are consistent with the criteria established
7 in subsection (7) by Rules 8E 15.001, 8E 15.002, and 8E 15.003,
8 ~~Florida Administrative Code.~~

9 (2) Definitions

10 (a) "Economic Development" means those activities designed to
11 improve the quality of life for all Floridians by building an
12 economy characterized by higher personal income, better employment
13 opportunities, and improved business access to domestic and
14 international markets.

15 (b) "Economic development organization" means a state, local,
16 or regional public or private entity within Florida that engages in
17 economic development activities, such as city and county economic
18 development organizations, chambers of commerce, Enterprise
19 Florida, the Florida Economic Development Council, and World Trade
20 Councils.

21 (c) "Trade show" means an exhibition at which companies,
22 organizations, communities, or states advertise or display their
23 products or services, in which economic development organizations
24 attend or participate to identify potential industrial prospects,
25 to provide information about the locational advantages of Florida

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1 and its communities, or to promote the goods and services of
2 Florida companies.

3 (d) "Prospecting mission" means a series of meetings with
4 potential industrial prospects at their business locations with the
5 objectives of convincing the prospect that Florida is a good place
6 to do business and offers unique opportunities for that particular
7 business, and encouraging the prospect to commit to a visit to
8 Florida if a locational search is pending or in progress.

9 (e) "Strategic plan" means a long-range guide for the
10 economic development of a community or state that focuses on broad
11 priority issues, is growth-oriented, is concerned with fundamental
12 change, and is designed to develop and capitalize on new
13 opportunities.

14 (f) "Recruitment" means active efforts to encourage specific
15 companies to expand or begin operations within Florida.

16 ~~(3)-(2)~~ Prior to each utility's next rate change enumerated
17 in subsection ~~(6)-(5)~~, the amounts reported for surveillance reports
18 and earnings review calculations shall be limited to the greater of
19 (a) the amount approved in each utility's last rate case escalated
20 for customer growth since that time, or (b) 95 percent of the
21 expenses incurred for the reporting period so long as such does not
22 exceed the lesser of 0.15 percent of gross annual revenues or \$3
23 million.

24 ~~(4)-(3)~~ At the time of each utility's next rate case and for
25 subsequent rate proceedings enumerated in subsection ~~(6)-(5)~~ the

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1 Commission will determine the level of sharing of prudent economic
2 development costs and the future treatment of these expenses for
3 surveillance purposes.

4 ~~(5)-(4)~~ Each utility shall report its total economic
5 development expenses as a separate line item on its income
6 statement schedules filed with the earnings surveillance report
7 required by Rule 25-6.1352, Florida Administrative Code. Each
8 utility shall make a line item adjustment on its income statement
9 schedule to remove the appropriate percentage of economic
10 development expenses incurred for the reported period consistent
11 with subsections ~~(3)-(2)~~ and ~~(4)-(3)~~.

12 ~~(6)-(5)~~ Requests for changes relating to recovery of
13 economic development expenses shall be considered only in the
14 context of a full revenue requirements rate case or in a limited
15 scope proceeding for the individual utility.

16 (7) All financial support for economic development activities
17 given by public utilities to state and local governments and
18 organizations shall be pursuant to a prior written agreement.
19 Recoverable economic development expenses shall be limited to the
20 following:

21 (a) Expenditures for operational assistance, including:

22 1. Planning, attending, and participating in trade shows;

23 2. Planning, conducting, and participating in prospecting

24 missions designed to encourage the location in Florida of

25 domestic and foreign companies;

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- 1 3. Providing financial support to economic development
2 organizations to assist with their economic development
3 operations;
- 4 4. Providing financial support to economic development
5 programs or initiatives identified or developed by
6 Enterprise Florida, Inc.;
- 7 5. Participating in joint economic development efforts,
8 including public-private partnerships, consortia, and
9 multi-county regional initiatives;
- 10 6. Participating in downtown revitalization and rural
11 community developmental programs;
- 12 7. Supporting state and local efforts to promote small and
13 minority-owned business development efforts; and
- 14 8. Supporting state and local efforts to promote business
15 retention and expansion activities.

16 (b) Expenditures for assisting state and local governments in
17 the design of strategic plans for economic development activities,
18 including:

- 19 1. Making financial contributions to state and local
20 governments to assist strategic planning efforts; and
- 21 2. Providing technical assistance, data, computer
22 programming, and financial support to state and local
23 governments in the design and maintenance of information
24 systems used in strategic planning activities.

25 (c) Expenditures of marketing and research services,

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1 including:

- 2 1. Assisting state and local governments and economic
3 development organizations in marketing specific sites for
4 business and industry development or recruitment;
- 5 2. Assisting state and local governments and economic
6 development organizations in responding to inquiries from
7 business and industry concerning the development of
8 specific sites within the utility's service area;
- 9 3. Providing technical assistance, data, computer
10 programming, and financial support to state and local
11 governments in the design and maintenance of geographic
12 information systems, computer networks, and other systems
13 used in marketing and research activities;
- 14 4. Providing financial support to economic development
15 organizations to assist with their research and marketing
16 activities;
- 17 5. Sponsoring publications, conducting direct mail
18 campaigns, and providing advertising support for state
19 and local economic development efforts;
- 20 6. Participating in cooperative marketing efforts with
21 economic development organizations;
- 22 7. Helping state and local businesses identify suppliers,
23 markets, and sources of financial assistance;
- 24 8. Helping economic development organizations identify
25 specific industries and companies for targeting and

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recruitment;

9. Working with economic development organizations to identify businesses in need of help for expansion, going out of business, or at risk of leaving the area;

10. Providing site and facility selection assistance, including lists of commercial or industrial sites, computer databases, toll-free telephone numbers, maps, photographs, videos, and other activities in cooperation with economic development organizations; and

11. Supporting state and local efforts to promote exports of goods and services, and other international business activities.

Specific Authority 288.035(3), 350.127(2) FS.

Law Implemented 288.035 FS.

History--New 7-17-95, Amended 6-2-98, _____.

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1 25-7.042 Recovery of Economic Development Expenses.

2 (1) Pursuant to Section 288.035, Florida Statutes, the
3 Commission shall allow a public utility to recover reasonable
4 economic development expenses subject to the limitations contained
5 in subsections (3)~~(2)~~ and (4)~~(3)~~, provided that such expenses are
6 prudently incurred and are consistent with the criteria established
7 in subsection (7) by Rules 8E 15.001, 8E 15.002, and 8E 15.003,
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24 (4)-(3) At the time of each utility's next rate case and for
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8 utility shall make a line item adjustment on its income statement
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10 development expenses incurred for the reported period consistent
11 with subsections ~~(3)(2)~~ and ~~(4)(3)~~.

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Law Implemented 288.035 FS.

History--New 7-17-95, Amended 6-2-98, _____.

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MEMORANDUM

June 6, 2000

TO: DIVISION OF APPEALS (HELTON)

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (HEWITT) *CBH 15*

SUBJECT: STATEMENT OF ESTIMATED REGULATORY COSTS FOR DOCKET NO. 000418-PU, PROPOSED REVISION OF RULE 25-6.0426, AND RULE 25-7.042, F.A.C., RECOVERY OF ECONOMIC DEVELOPMENT EXPENSES *TPD*

Currently, Rules 25-6.0426 and 25-7.042, F.A.C., Recovery of Economic Development Expenses, provide for certain qualified expenses to be shared between ratepayers and shareholders at 95% and 5% respectively. The rules reference the economic development criteria public utilities must follow for an expense allowance. The criteria were promulgated as rules of the defunct Department of Commerce, and have now been repealed.

The proposed rule changes would incorporate the same criteria with some clarification and minor modification.

The Administrative Procedures Act encourages an agency to prepare a Statement of Estimated Regulatory Costs (SERC). However, there should not be any significant additional costs nor negative impacts on utilities, small businesses, small cities, or small counties. Therefore, a SERC will not be prepared for the proposed rule at this time.

cc: Mary Andrews Bane
Hurd Reeves
Elizabeth Draper
ecodevmo.cbh

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