



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

## -M-E-M-O-R-A-N-D-U-M-

RECORDS AND REPORTING  
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**DATE:** AUGUST 17, 2000

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

**FROM:** DIVISION OF APPEALS (HELTON) *Walt PS*  
DIVISION OF LEGAL SERVICES (VAN LEUVEN) *DTV PS*  
DIVISION OF POLICY ANALYSIS & INTERGOVERNMENTAL LIAISON (WILLIAMS) *grew PS*  
DIVISION OF ECONOMIC REGULATION (HEWITT, MERCHANT, RENDELL) *RMT CBH*

**RE:** DOCKET NO. 001062-WS - PROPOSED REPEAL OF RULE 25-30.470, F.A.C., CALCULATION OF RATE REDUCTION AFTER RATE CASE EXPENSE IS AMORTIZED

**AGENDA:** *9/5/00* - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

**RULE STATUS:** PROPOSAL MAY BE DEFERRED

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\APP\WP\001062PR.RCM

### CASE BACKGROUND

Rule 25-30.470, Florida Administrative Code, sets out the methodology for reducing rates for water and wastewater utilities after the expiration of the four-year amortization period for rate case expense. The purpose of this docket is to repeal this rule since the statute that required the rate reduction was repealed by the Legislature in 1999.

DOCUMENT NUMBER-DATE

10421 AUG 24 8

PSC-RECORDS/REPORTING

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission repeal Rule 25-30.470, Florida Administrative Code, entitled Calculation of Rate Reduction After Rate Case Expense is Amortized?

**RECOMMENDATION:** Yes, the Commission should repeal Rule 25-30.470.

**STAFF ANALYSIS:** Section 367.0816, Florida Statutes, requires rate case expense to be amortized over a four-year period. Prior to 1999, it also required "[a]t the conclusion of the recovery period, the rate of the public utility shall be reduced immediately by the amount of the rate case expense previously included in rates." Rule 25-30.470, which sets out the methodology for reducing rates at the end of the amortization period, implements this repealed language. Since the Legislature repealed this requirement in 1999, staff recommends that Rule 25-30.470, Florida Administrative Code, should also be repealed. Chapter 99-319, Florida Laws.

Prior to 1989, when the Legislature imposed the requirement, the Commission did not reduce rates at the end of the amortization period for rate case expense for water and wastewater utilities. Chapter 89-353, Florida Laws. Since the requirement to reduce rates was repealed by the Legislature in 1999, the Commission has gone back to its procedure prior to 1989. In the last 5-6 water and wastewater rate cases that were filed since the Legislature repealed the rate reduction requirement, the Commission has not required rates to be decreased at the end of the amortization period for rate case expense. Since the statute does not require it and the Commission has decided in recent rate cases to not reduce rates at the end of the amortization period for rate case expense, the rule should be repealed.

**Statement of Estimated Regulatory Costs.** No Statement of Estimated Regulatory Costs was prepared because there should be no additional costs and no significant negative impacts on utilities, small businesses, small cities, or small counties resulting from the repeal of Rule 25-30.470.

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**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes, if no requests for hearing or comments are filed, the rule repeal 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 rule as proposed may be filed with the Secretary of State without further Commission action. The docket may then be closed.

1           25-30.470    Calculation of Rate Reduction After Rate Case  
2 Expense is Amortized.

3           ~~To calculate the rate reduction to be made 4 years after a~~  
4 ~~rate case as required by section 367.0816, F.S., the following~~  
5 ~~methodology shall be used. The annual amount of rate case expense,~~  
6 ~~which is equal to one fourth of the total allowed rate case~~  
7 ~~expense, shall be divided by the regulatory assessment fee gross up~~  
8 ~~factor. The resulting number shall then be divided by the revenue~~  
9 ~~requirement to determine the percentage of the rate reduction. The~~  
10 ~~percentage is then multiplied against the new rates to determine~~  
11 ~~the amount of the future rate reduction. Revised tariff sheets~~  
12 ~~implementing the reduction shall be filed no later than 1 month~~  
13 ~~before the end of the fourth year.~~

14 Specific Authority: 350.127(2), 367.121, F.S.

15 Law Implemented: 367.0816, 367.121, F.S.

16 History: New 11/30/93, Repealed \_\_\_\_\_.

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CODING: Words underlined are additions; words in ~~struck~~  
~~through~~ type are deletions from existing law.

MEMORANDUM

July 28, 2000

TO: DIVISION OF APPEALS (HELTON)

FROM: DIVISION OF ECONOMIC REGULATION (HEWITT) <sup>15</sup> ~~BA~~ ~~PRR~~

SUBJECT: STATEMENT OF ESTIMATED REGULATORY COSTS FOR PROPOSED  
REPEAL OF RULE 25-30.470, F.A.C., CALCULATION OF RATE  
REDUCTION AFTER RATE CASE EXPENSE IS AMORTIZED

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Rule 25-30.470, F.A.C. contains the methodology for making a rate reduction after rate case expenses for a water or wastewater utility rate case are amortized. The proposed repeal of Rule 25-30.470, F.A.C., Calculation of Rate Reduction after Rate Case Expense Is Amortized, is necessary because the part of the statute requiring the reduction, in section 367.0816, F.S., has been repealed.

Although utilities amortizing rate case expenses would nominally benefit, the water and wastewater industry is an increasing cost industry, and other expenses may negate the benefit. If a utility does benefit to the extent that it exceeds its allowed rate of return, a surveillance report would reflect that situation and rates would be decreased. In any case, ratepayers would not pay revenues greater than the utility's allowed rate of return.

The Administrative Procedures Act encourages an agency to prepare a Statement of Estimated Regulatory Costs (SERC). However, there should be no additional costs and no significant negative impacts on utilities, small businesses, small cities, or small counties. Therefore, a SERC will not be prepared for the proposed rule repeal at this time.

cc: Mary Andrews Bane

wawmem.cbh