

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition to Adopt Rules) DOCKET NO. 960258-WS
on Margin Reserve and Imputation) ORDER NO. PSC-96-0966-NOR-WS
of Contributions-In-Aid-Of) ISSUED: July 26, 1996
Construction on Margin Reserve)
Calculation, by Florida)
Waterworks Association)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF RULEMAKING

NOTICE is hereby given that the Florida Public Service Commission, pursuant to Section 120.54, Florida Statutes, has initiated rulemaking to adopt new Rule 25-30.431, Florida Administrative Code, relating to margin reserve.

The attached Notice of Rulemaking will appear in the August 2, 1996 edition of the Florida Administrative Weekly.

A hearing will be held at the following time and place:

Florida Public Service Commission
9:30 a.m., December 10, 1996, continuing
on December 11, 1996, if necessary
Betty Easley Conference Center
Room 148, 4075 Esplanade Way
Tallahassee, Florida

Persons who intend to participate in this rulemaking proceeding should file a notice of intent to participate with the Director, Division of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0870, no later than August 23, 1996. An order will be issued establishing the prehearing and hearing procedures to be followed. Written comments and testimony on the proposed rule may be filed no later than October 18, 1996. Responsive comments and testimony may be filed no later than November 15, 1996.

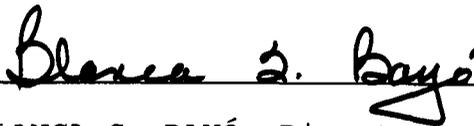
DOCUMENT NUMBER-DATE

07842 JUL 26 96

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By ORDER of the Florida Public Service Commission, this 26th
day of July, 1996.



A handwritten signature in black ink, reading "Blanca S. Bayó", is written over a horizontal line.

BLANCA S. BAYÓ, Director
Division of Records & Reporting

(S E A L)

CTM

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FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 960258-WS

RULE TITLE: RULE NO.:

Margin Reserve 25-30.431

PURPOSE AND EFFECT: The purpose of this rule is to codify the current policy on margin reserve and imputation of contributions-in-aid-of-construction (CIAC) on margin reserve calculations for water and wastewater utilities.

SUMMARY: Rule 25-30.431 defines "margin reserve"; provides that upon request and justification, margin reserve will be included in the used and useful determination in certain rate cases; that unless otherwise justified, the margin reserve period will be 18 months for water source and treatment facilities and wastewater treatment and effluent disposal facilities, and 12 months for water transmission and distribution lines and the wastewater collection system; and describes the mechanical aspects and data submission requirements. If margin reserve is authorized, a corresponding provision for the imputation of CIAC is prescribed; however, it is limited to the rate base component associated with margin reserve.

RULEMAKING AUTHORITY: 367.121 FS.

LAW IMPLEMENTED: 367.081 FS.

HEARING: A HEARING WILL BE HELD AT THE DATE AND PLACE SHOWN BELOW:

TIME AND DATE: 9:30 A.M., December 10, 1996, continuing on December 11, 1996, if necessary.

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PLACE: Room 148, Betty Easley Conference Center, 4075 Esplanade Way, Tallahassee, Florida.

PERSONS WHO INTEND TO PARTICIPATE IN THIS RULEMAKING PROCEEDING SHOULD FILE A NOTICE OF INTENT TO PARTICIPATE WITH THE FPSC, DIVISION OF RECORDS AND REPORTING, WITHIN 21 DAYS OF THE DATE OF THIS NOTICE. AN ORDER WILL BE ISSUED ESTABLISHING PREHEARING AND HEARING PROCEDURES TO BE FOLLOWED. WRITTEN COMMENTS AND TESTIMONY ON THE PROPOSED RULE MAY BE FILED NO LATER THAN OCTOBER 18, 1996. RESPONSIVE COMMENTS AND TESTIMONY MAY BE FILED NO LATER THAN NOVEMBER 15, 1996.

THE PERSON TO BE CONTACTED REGARDING THIS RULE AND THE ECONOMIC IMPACT STATEMENT IS: Director of Appeals, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, Florida 32399.

THE FULL TEXT OF THE RULE IS:

25-30.431 Margin Reserve

(1) "Margin reserve" is defined as the amount of plant capacity needed to meet the expected demand due to customer growth.

(2) "Margin reserve period" is defined as the time period needed to install the next economically feasible increment of plant capacity that will preclude a deterioration in the quality of service.

(3) Margin reserve is an acknowledged component of the used and useful rate base determination that when requested and

justified shall be included in rate cases filed pursuant to section 367.081, Florida Statutes.

(4) Unless otherwise justified, the margin reserve period for water source and treatment facilities and wastewater treatment and effluent disposal facilities will be 18 months. Unless otherwise justified, the margin reserve period for water transmission and distribution lines and the wastewater collection system will be 12 months. In determining whether another margin reserve period is justified, the Commission shall consider the rate of growth in the number of equivalent residential connections (ERCs); the time needed to meet the guidelines of the Department of Environmental Protection (DEP) for planning, designing, and constructing of plant expansion; and the technical and economic options available for sizing increments of plant expansion.

(5)(a) Margin reserve for water source and treatment facilities and wastewater treatment and effluent disposal facilities shall be calculated as follows:

$$\underline{EG \times MP \times D = MR}$$

where:

EG = Equivalent Annual Growth in ERCs determined pursuant to (c) or (d) below

MP = Margin Reserve Period determined pursuant to subsection (4)

D = Demand per ERC (customer demand applied in the used and useful calculations for water and wastewater facilities)

MR = Margin reserve expressed in gallons per day (GPD)

(b) Margin reserve for water transmission and distribution lines and the wastewater collection system shall be calculated as follows:

$$\underline{EG \times MP = MR}$$

where:

EG = Equivalent Annual Growth in ERCs determined pursuant to (c) or (d) below

MP = Margin Reserve Period determined pursuant to subsection (4)

MR = Margin reserve expressed in ERCs

(c) The equivalent annual growth in ERCs (EG) is measured in terms of the projected annual growth and shall be calculated in Schedules F-9 and F-10 of Form PSC/WAW 19 for Class A utilities and Form PSC/WAW 20 for Class B utilities, incorporated by reference in Rule 25-30.437.

(d) The utility shall also submit a linear regression analysis using average ERCs for the last 5 years. The utility may submit other information that will affect growth in ERCs.

(6) As part of its application filed pursuant to Rule 25-30.437, the utility shall submit its most recent wastewater capacity analysis report, if any, filed with DEP.

(7) Contributions-in-aid-of-construction (CIAC) shall be imputed when a margin reserve is authorized. The amount of imputed CIAC shall be determined based on the number of ERCs included in the margin reserve period and the projected CIAC that will be collected from those ERCs. However, the imputed CIAC shall not exceed the rate base component associated with margin reserve.

Specific Authority 367.121, FS.

Law Implemented 367.081, FS.

History-New_____.

NAME OF PERSON ORIGINATING PROPOSED RULE: Charles H. Hill

NAME OF SUPERVISOR OR PERSON(S) WHO APPROVED THE PROPOSED RULE:
Florida Public Service Commission.

DATE PROPOSED RULE APPROVED: July 16, 1996.

If any person decides to appeal any decision of the Commission with respect to any matter considered at the rulemaking hearing, if held, a record of the hearing is necessary. The appellant must ensure that a verbatim record, including testimony and evidence forming the basis of the appeal is made. The Commission usually makes a verbatim record of rulemaking hearings.

Any person requiring some accommodation at this hearing because of a physical impairment should call the Division of Records and

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Reporting at (904) 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).

MEMORANDUM

July 25, 1996

RECEIVED
JUL 25 1996
3:40 pm

TO : DIVISION OF RECORDS & REPORTING
FROM : CHRISTIANA T. MOORE, ASSOCIATE GENERAL COUNSEL *CTM*
RE : DOCKET NO. 960258-WS - PETITION TO ADOPT RULES ON MARGIN RESERVE AND IMPUTATION OF CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION ON MARGIN RESERVE CALCULATION, BY FLORIDA WATERWORKS ASSOCIATION

FPSC-RECORDS/REPORTING

PSC-96-0966-NDR-WS

Attached please find a Notice of Rulemaking for distribution by your office.

Industry distribution is:

- Electric (EI)
- Electric (EM)
- Electric (EC)
- Gas (GU)
- Gas (GS)
- Gas Pipeline (GP)
- Telephone (TL)
- Telephone (TI)
- Telephone (TC)
- Telephone (TS)
- Telephone (TX)
- Telephone Alternate Access Vendors (TA)
- Water and Wastewater (WAW)

*OK
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This document has the following priority:

- Must be issued today.
- Must be issued within 48 hours.
- Must be issued within 5 working days.

NOR30431.MRD
Attachment
cc: File
W. Terrell

*25-distribution
75
self
18 self mailers
faxed
mailed*