

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
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DIVISION OF APPEALS
DAVID E. SMITH
DIRECTOR
(850) 413-6245

Public Service Commission

June 8, 1998

Mr. Carroll Webb
Joint Administrative Procedures
Committee
120 Holland Building
Tallahassee, Florida 32399

Re: Docket No. 980561-WS - Proposed Amendment of Rules 25-30.420, Establishment of Price Index, Adjustment of Rates; Requirement of Bond; Filings After Adjustment; Notice to Customers; and 25-30.425, Pass Through Rate Adjustment

Dear Mr. Webb:

Enclosed are an original and two copies of the following materials concerning the above referenced proposed rule:

1. A copy of the rules.
2. A copy of the F.A.W. notice.
3. A statement of facts and circumstances justifying the proposed rules.
4. A federal standards statement.
5. A memorandum regarding a statement of estimated regulatory costs.

If there are any questions with respect to these rules, please do not hesitate to call on me.

Sincerely,

Christiana T. Moore

Christiana T. Moore
Associate General Counsel

ADM30420.MRD
Enclosures
cc: ~~Division of Records & Reporting~~

ACK _____
 AFA _____
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DOCUMENT NUMBER-DATE
06025 JUN-98
 FFSC-RECORDS/REPORTING

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

3 (1) The Commission shall, on or before March 31 of each year,
4 establish a price increase or decrease index as required by section
5 367.081(4)(a), F. S. The Division of Records and Reporting shall
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)(b), 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 will ~~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
22 required in Rule 25-30.436, F. A. C., that is necessary to
23 determine whether the utility has exceeded its last authorized rate
24 of return.

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 ~~for 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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1 25-30.425 Pass Through Rate Adjustment. The verified notice
2 to the Commission of an adjustment of rates under the provisions of
3 section 367.081(4)(b), F. S., shall be made in the following
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
11 25-10.179, Amended 11-10-86, 6-5-91, _____.

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FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 980561-WS

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 25-30.425

PURPOSE AND EFFECT: The purpose and effect of the rule 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 orders.

SUMMARY: The amendments to Rule 25-30.420 codify requirements for the agency to mail copies of the order establishing the annual price index to each utility; specifies what the index will be applied to and what the agency will consider in establishing the index; requires a utility to furnish identification and permit numbers; and requires the utility to have a certain annual report on file before notifying the agency of a price index increase. The amendments to Rule 25-30.425 require additional information from a utility; reflect changes to the law implemented; and clarify existing language.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COST: There should be no significant additional costs or impacts as a result of the change to the rules.

Any person who wishes to provide information regarding the statement of estimated regulatory costs, or to provide a proposal

for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

SPECIFIC AUTHORITY: 350.127(2), 367.081(4)(a), 367.121(1)(f), FS.

LAW IMPLEMENTED: 367.081(4), FS.

WRITTEN COMMENTS OR SUGGESTIONS ON THE PROPOSED RULE MAY BE SUBMITTED TO THE FPSC, DIVISION OF RECORDS AND REPORTING, WITHIN 21 DAYS OF THE DATE OF THIS NOTICE FOR INCLUSION IN THE RECORD OF THE PROCEEDING.

HEARING: IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE TIME, DATE, AND PLACE SHOWN BELOW:

TIME AND DATE: 9:30 A.M., August 5, 1998

PLACE: Room 152, Betty Easley Conference Center, 4075 Esplanade Way, Tallahassee, Florida.

THE PERSON TO BE CONTACTED REGARDING THESE PROPOSED RULES ARE:

Director of Appeals, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, Florida 32399-0862.

THE FULL TEXT OF THESE PROPOSED RULES ARE:

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)(b), 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 will ~~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) - (d) No Change.

(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) - (5) No Change.

(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 e-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 Change.

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) - (2) No Change.

(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) - (3) (b) No Change.

(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) - (b) No Change.

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

(a) No Change.

(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) No Change.

(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) No Change.

(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,_____.

NAME OF PERSON ORIGINATING PROPOSED RULES: Robert Casey, Division of Water and Wastewater.

NAME OF SUPERVISOR OR PERSONS WHO APPROVED THE PROPOSED RULES: Florida Public Service Commission.

DATE PROPOSED RULES APPROVED: May 19, 1998

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAW:

Volume 24, Number 4, January 23, 1998

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 Reporting at (850) 413-6770 at least five calendar days prior to the hearing. Any person who is hearing or speech impaired should contact the Florida Public Service Commission by using the

Florida Relay Service, which can be reached at: 1-800-955-8771
(TDD).

**STATEMENT OF FACTS AND CIRCUMSTANCES
JUSTIFYING RULE**

Rules 25-30.420 and 25-30.425 require changes to recognize amendments to the law implemented; to codify certain administrative practices of the Commission; to clarify unclear provisions; and to require additional information from the utilities that is readily available to them and which will assist the Commission in performing its regulatory responsibilities.

STATEMENT ON FEDERAL STANDARDS

There is no federal standard on the same subject.

MEMORANDUM

March 30, 1999 MAR 31 11:10:31

TO: DIVISION OF APPEALS (MOORE)

FROM: DIVISION OF RESEARCH AND REGULATORY REVIEW (HEWITT) *CBH PJP MM*

SUBJECT: STATEMENT OF ESTIMATED REGULATORY COSTS FOR PROPOSED REVISIONS TO RULES 25-30.420, F.A.C., ESTABLISHMENT OF PRICE INDEX, ETC., AND 25-30.425, F.A.C., PASS THROUGH RATE ADJUSTMENT

Currently, Rules 25-30.420, F.A.C., Establishment of Price Index, Etc., and 25-30.425, F.A.C., Pass Through Rate Adjustment, contain requirements and information for price index increases and other utility cost changes that are passed through in rates. The amendments would add information, clarify requirements, and require additional readily available information to be included in the applications for the latest established price index pass through. Also, the Florida Department of Environmental Protection fees imposed from the National Pollutant Discharge Elimination System (NPDES) would be an eligible pass through item. This additional item is authorized by Section 367.081(4)(b), F.S., and allows a utility to pass the fee through "automatically." Therefore, any additional regulatory costs would be the result of the statutory change, and not as a result of codifying the pass through in PSC rules.

The Administrative Procedures Act encourages an agency to prepare a Statement of Estimated Regulatory Costs (SERC). However, because there should be no significant additional costs or impacts, a SERC is not necessary for the proposed rule changes.

Please keep my name on the CASR.

CBH:tf/e-wwndx