DOCKET NO. 911082-WS

CERTIFICATION OF

PUBLIC SERVICE COMMISSION ADMINISTRATIVE RULES

FILED WITH THE

DEPARTMENT OF STATE

I do hereby certify:

/X/ (1) The time limitations prescribed by paragraph 120.54(11)(a), F.S., have been complied with; and

/X/ (2) There is no administrative determination under section 120.54(4), F.S., pending on any rule covered by this certification; and

/X/ (3) All rules covered by this certification are filed within the prescribed time limitations of paragraph 120.54(11)(b), F.S. They are filed not less than 28 days after the notice required by subsection 120.54(1), F.S., and;

/_/ (a) And are filed not more than 90 days after the notice; or

/_/ (b) Are filed not more than 90 days after the notice not including days an administrative determination was pending; or

/_/ (c) Are filed within 21 days after the adjournment of the final public hearing on the rule; or

/_/ (d) Are filed within 21 days after the date of receipt of all material authorized to be submitted at the hearing; or

/X/ (e) Are filed within 21 days after the date the transcript was received by this agency.

Attached are the original and two copies of each rule covered by this certification. The rules are hereby adopted by the undersigned agency by and upon their filing with the Department of State.

ACK ____
AFA ____
APP ____
CAF ____
CMU ____
CTR ____
EAG ____
LEG ____
LIN ____
OPC ____
RCH ____
SEC /
WAS ____
OTH ____

DOCUMENT NUMBER-DATE
12247 NOV 12 89
FPSC-RECORDS/REPORTING

Rule Nos.	Rulemaking Authority	Specific Law Being Implemented, Interpreted or Made Specific
25-30.020	350.127(2), 367.121(1), F.S.	367.045(1)(d),(2)(e), 367.071(3), 367.081(5), 367.0822(2), 367.101(2), 367.145, 367.171(2)(b)
25-30.025	367.121(1), F.S.	367.083, F.S.
25-30.030	367.121(1), F.S.	367.031, 367.045, 367.071, F.S.
25-30-032	367.121, F.S.	367.031, 367.045, 367.071, F.S.
25-30.033	367.121, F.S.	367.031, 367.045(1), F.S.
25-30.034	367.121, F.S.	367.045, F.S.
25-30.035	367.121, F.S.	367.171, F.S.
25-30.036	367.121. F.S.	367.045, F.S.
25-30.037	367.121, F.S.	367.071, F.S.
25-30.039	367.121, F.S.	367.121, F.S.
25-30.060	367.121(1), F.S.	367.021(12), 367.022, 367.031, F.S.
25-30.090	367.121, F.S.	367.165, F.S.
25-30.111	367.121(1), F.S.	367.022(8), F.S.
25-30.117	367.121, F.S.	367.121, F.S.
25-30.135	367.121, F.S.	367.081, F.S.
25-30.320	367.121, F.S.	367.081, 367.121,F.S.
25-30.335	367.121, F.S.	367.121, F.S.
25-30.360	350.127(2), F.S.	367.081(6), 367.082(2), F.S.
25-30.430	367.121, F.S.	367.081, F.S.
25-30.433	367.121, F.S.	367.081, F.S.
25-30.434	367.121, F.S.	367.121, F.S.
25-30.436	367.121, F.S.	367.081, 367.121, F.S.
25-30.437	367.121, F.S.	367.081, F.S.
25-30.4385	367.121, F.S.	367.081, F.S.
25-30.441	367.121, F.S.	367.081, F.S.
25-30.4415	367.121, F.S.	367.081, F.S.
25-30.443	367.121, F.S.	367.081, F.S.
25-30.455	367.0814, 367.121, F.S.	367.0814, F.S.
25-30.456	367.0814, 367.121, F.S.	367.0814, F.S.
25-30.460	367.121, F.S.	367.121, F.S.
25-30.465	367.121, F.S.	367.121, F.S.
25-30.470	367.121, F.S.	367.121, F.S.
25-30.475	367.121, F.S.	367.121, F.S.
25-30.515	367.121(1), F.S. 367.101, F.S.	367.101, F.S.
25-30.565	367.121(1), F.S. 367.101, F.S.	367.101, F.S.

Under the provisions of paragraph 120.54(13)(a), F.S., the rules take effect 20 days from the date filed with the Department of State or a later date as set out below:

Effective: ____________________
(month) (day) (year)

STEVE TRIBBLE, Director
Division of Records & Reporting

____
Number of Pages Certified

(S E A L)

Rule Nos. 25-30.020, 25-30.025,
25-30.030, 25-30.032, 25-30.033,
25-30.034, 25-30.035, 25-30.036,
25-30.037, 25-30.039, 25-30.060,
25-30.090, 25-30.111, 25-30.117,
25-30.135, 25-30.320, 25-30.335,
25-30.360, 25-30.430, 25-30.433,
25-30.434, 25-30.436, 25-30.437,
25-30.4385, 25-30.441, 25-
30.4415, 25-30.443, 25-30.455,
25-30.456, 25-30.460, 25-30.465,
25-30.470, 25-30.475, 25-30.515,
25-30.565, F.A.C.
Docket No. 911082-WS

SUMMARY OF RULE

Rule 25-30.020 is revised to increase the maximum filing fee to $4,500 for any application and to base the fees on the capacity of the system as well as the complexity of the type of application. The rule also codifies agency practice by providing that separate fees are to be paid for water and wastewater service, and capacity is determined by combining the capacities of all systems included in the applications.

Rule 25-30.025 provides that the official date of filing is when the utility files completed sets of the minimum filing requirements, including testimony, and has paid the filing fee.

Rule 25-30.030 replaces the requirement of providing notice to utilities within a 4-mile radius with notice to privately-owned water and wastewater utilities located within the same county and of certain other governmental bodies and agencies. Notice also must be sent by regular mail instead of certified, and the required number of newspaper notices is reduced from three to one.

Amendments to Rule 25-30.032 reduce the number of copies of applications to be filed from 15 to 12 and add a requirement for an application to be submitted for a name change.

Revisions to Rule 25-30.033 require a utility to provide additional explanation of its funding, require the use of the uniform system of accounts (USOA) when providing cost projections, and establish three new criteria for certificate applications. These are the use of the base facility charge rate structure for metered service, a return on common equity established using the current leverage formula unless another method is adequately supported by the applicant, and requiring an allowance for funds used during construction (AFUDC) rate to be established at the time of initial certification.

Rule 25-30.034 adds two new criteria regarding information on existing customers and, in cases where the applicant is requesting territory not yet being served, statements showing the need for service and whether this service is consistent with the local comprehensive plan.

Rule 25-30.035 requires the applicant to provide the number of customers by class and the projected number when full capacity is reached.

Rule 25-30.036 is revised to provide for the automatic extension or deletion of territory so long as no protests are timely filed, the additional territory includes a maximum of 25 equivalent residential connections (ERCs), the utility provides a statement that no other utility in the area could provide service and that service is necessary because either a private well has been contaminated, a septic tank has failed, or service is otherwise not available. Other changes include clarifying when an amendment application is required, removal of the requirement that the applicant attempt to identify potential servers in the area, and the addition of certain statutory requirements.

The revisions to Rule 25-30.037 clarify the applicability of the rule and require the buyer to detail the steps taken to obtain the selling utility's books and records; report the physical condition of the system and its status with the Department of Environmental Protection; and verify that it has obtained the federal income tax records of the seller or provide an explanation if they are not available.

Rule 25-30.039 defines a name change and sets forth the information that must be submitted.

Rule 25-30.060 requires an applicant for a reseller exemption to state it is aware of the rules and statutes governing examination and testing of meters and removes the requirement that to obtain a landlord/tenant exemption the lease must state that there is no separate charge for water or wastewater service.

Rule 25-30.090 specifies information that must be included in a notice of abandonment. The rule also contains requirements for the appointed receiver and provides for an exemption, upon request, for a governmental authority acting as a receiver.

Rule 25-30.111 requires exempt resellers to file annual reports. The amendment clarifies that it applies to resellers of either water or wastewater service and that the exemption must be approved by the PSC.

New Rule 25-30.117 requires utilities that have defined benefit pension plans to account for those costs pursuant to Statement of Financial Accounting Standards No. 87.

Rule 25-30.135 requires utilities to maintain, at their main in-state business office, current copies of pertinent rule chapters; Chapter 367, F.S., and current copies of the utility's tariffs and developer agreements.

Revised Rule 25-30.320 prevents discontinuance of service if a customer has completely remedied the unauthorized or fraudulent service prior to the utility's arrival to disconnect service.

Rule 25-30.335 removes language that is obsolete and clarifies the standard language that is required on customer bills to make it consistent with the other regulated industries. The rule codifies the requirement that customers be billed the base facility charge, regardless of usage, unless the utility has an approved vacation rate.

Rule 25-30.360 specifies that a motion for reconsideration temporarily stays a refund and that any unclaimed refunds are to be treated as contributions-in-aid-of-construction to the utility.

The revisions to Rule 25-30.430 move the requirement for direct testimony to another rule and authorize the Director of Water and Wastewater to grant extensions to file the MFRs if the extension does not cause the approved test year to be non-representative.

New Rule 25-30.433 codifies how the PSC will address a number of issues involved in most water and wastewater rate cases. The rule specifies how quality of service will be determined and provides the method for determining working capital. Section (3) is reserved, pending the outcome of an administrative challenge, for used and useful debit deferred taxes. The rule prescribes the averaging method to be used in rate cases, requires use of the simple beginning and end-of-year average for Class B and C utilities and the 13-month average for Class A utilities, and requires used and useful percentages to be applied to the appropriate depreciation expense accounts. Rule 25-30.433 also provides that income taxes are not allowed for companies that do not pay them, establishes an amortization period for non-recurring expenses of five years and an amortization period for forced abandonments, requires a utility to own the land upon which the treatment plant is located or possess the right of continued use, and adopts use of the leverage formula for determining a utility's return on equity.

New Rule 25-30.434 defines Allowance for Funds Prudently Invested charge and requires the minimum information needed for staff to analyze the utility's requested rates.

Rule 25-30.436 requires prefiling of direct testimony with the MFRs in some cases; setting of a return on equity even if there is no equity in the capital structure; information on all allocations of costs; information on land ownership; information on final rate case costs, and information about relationships and contracts with parent and affiliated companies.

Rule 25-30.437 requires the use of the base facility and usage rate structure when preparing MFRs.

New Rule 25-30.4385 requires utilities to file revised tariff sheets for all proposed changes with applications for rate increases.

Rule 25-30.441 is repealed and new Rule 25-30.4415 is adopted in its place. Rule 25-30.4415 lists the information and documents that must be provided to support the cost of a utility's projected investment in plant-in-service.

The changes to Rule 25-30.443 require utilities to use the base facility and usage rate structure in designing rates; provide information on final rate case costs; separate calculations for interim rates; and supply information needed to analyze requests for uniform rates.

Rule 25-30.455 clarifies that large multi-system companies are not eligible for staff-assisted rate cases (SARCs). Implements s. 367.0814(4), F.S., which conditions a SARC on the company not protesting the proposed order when a revenue increase is approved, and codifies current PSC practice regarding allowance of prudent rate case expense for SARCs and delineation of responsibilities of both the utility and the PSC staff in the event of a protested SARC.

Rule 25-30.456 provides a rate setting alternative for Class C utilities that is something between an index application and a full SARC. The rule tracks the existing and proposed rules for SARCs regarding qualifications and eligibility to use this alternative, and the procedures in the event of a protest of the initial proposed agency action (PAA) in the case. It differs in that operating revenues will be compared to expenses for the purposes of establishing rates rather than using the current rate base method. A maximum level of increase of 50 percent of the test year operating revenue is imposed. In the event of a protest, the cap is removed and the utility is given the option of having rates set on rate base. The rule requires the PSC to vote on a PAA recommendation within 90 days of the official filing date.

Rule 25-30.460 prescribes the use and availability of charges for miscellaneous services.

New Rule 25-30.465 requires utilities to charge one-twelfth the base facility charge for private fire protection.

Rule 25-30.470 prescribes the method of calculating the rate reduction to be made after rate case expense is amortized.

Rule 25-30.475 prescribes the effective dates of tariffs filed for recurring and nonrecurring rates and charges.

The changes to Rule 25-30.515 supplement the existing definition of Guaranteed Revenue Charge and add a definition of Plant Capacity Charge.

Rule 25-30.565 has been revised to reduce the number of application copies required to be filed from 15 to 12; to substitute, by reference, the notice provisions of Rule 25-22.0408 for the existing section prescribing notice requirements; and to delete unnecessary language about the legal burden required to justify the request.

SUMMARY OF THE HEARING

Hearings were held on May 24, 25, and 26, August 12, and October 7, 1993 at Commission headquarters in Tallahassee, Florida. The hearings were conducted by Commission members. Participants were Commission staff, the Office of Public Counsel (OPC), Florida Waterworks Association (FWWA), Florida Cities Water Company (FCWC), Southern States Utilities, Inc., (SSU), the Florida Fire Sprinkler Association and the Florida State Firemen's Association. Staff presentations were given by Charles Hill, Bill Lowe, Marshall Willis, JoAnn Chase, Patricia Merchant, Billie Messer, Patty Daniel, Patrick Mahoney, Greg Shafer, and Ann Causseaux.

25-30.020 Fees Required to be Paid by Water and Wastewater Utilities

Staff recommended a change to (2)(h) so that the fees for service availability are based on existing and proposed capacity which is the Commission's practice. The FWWA was opposed to (2)(i) requiring payment of an application fee based on the combined capacities of all owned systems when a rate increase is sought for just one system. Staff recommended deleting it.

The Commission voted to change (2)(h) to add the words "and proposed" and to delete (2)(i) because it specified the fees for companyies applying under proposed rules that were not adopted.

25-30.025 Official Date of Filing

OPC recommended adding a requirement that direct testimony be filed with the MFRs which is what is required by 25-30.436(2) when a case is not processed as proposed agency action. FWWA suggested that if OPC's change was adopted, it should except cases where testimony is not required to be filed. That modification was acceptable to OPC. OPC opposed a 30-day delay in filing testimony because that would reduce its time for discovery. SSU supported revising the rule to allow 30 days for filing the testimony so that if changes are required to the MFRs, the testimony won't require revision. SSU asserted that this change would reduce costs and the 30-day delay would not harm intervenors. FWWA agreed with SSU. SSU also said a 21-day delay would be acceptable.

The Commission voted to add language to clarify that the "official date of filing" is not established until testimony that may be required by Rule 25-30.436(2) is filed.

25-30.030 Notice of Application

Staff recommended a change to (2) of the proposed rule to require applicants to include the legal description of the territory in their applications. Legal staff disagreed with the change to (7), and recommended keeping the requirement of publishing legal notice for 3 consecutive weeks. SSU supported reducing the newspaper notice to one time because it believes the direct notice reaches a greater number of people. FWWA stated it was uncertain what the term "proper format" meant in staff's recommended requirement to submit the legal description for pre-notice approval. OPC did not take a position on the number of newspaper notices.

The Commission decided to adopt the rule requirement for one newspaper notice and directed staff to recommend language to clarify what is meant by "appropriate" territory description format. This clarification was presented at the August hearing and is contained in section (2) of the proposed rule. The Commission added several governmental agencies to the list of those the utility must notify of its filing an application and added a requirement that the utility provide a legal description of the area encompassed by its application.

25-30.032 Applications

At the May 25 hearing, all parties agreed that the rule as proposed was not controversial and should be adopted. The reference to new Rule 25-30.038 was deleted because the Commission decided to withdraw that rule.

25-30.033 Application for Original Certificate of Authorization and Initial Rates and Charges

At the May hearing, Staff presented comments to support changing the phrase "record of the proceeding" to "supported by the applicant." FWWA stated its concern with section (1)(j) and the provision that a utility must demonstrate its ownership or long term access to land such as a 99-year lease. FWWA is concerned that the 99-year lease will be a rigid requirement which it thinks may be commercially unreasonable. Legal staff supported keeping the "such as a 99-year lease" language, stating that it does not preclude other arrangements.

OPC proposed several changes: (1)(c) requiring the utility to identify its affiliates; (1)(r) changes to financial statements including income statement, balance sheet and a sources and uses of funds statement--if applicable or if available; delete (1)(s) because it's included in (1)(r); and (1)(u) substitute cost of <u>service</u> study for "cost study."

FWWA opposed OPC's change to .033(1)(c), stating it would be a burdensome and costly process to identify and describe all affiliates and related parties. The Chairman commented that the primary issue in granting an original certificate is the financial viability of the applicant.

Based on comments by Public Counsel, the words "or entities" were added to subsection (1)(c) and the words "including affiliates" were added to (1)(s) to ensure that the Commission will have information about parent companies or affiliates and be able to determine ownership and financial viability. In subsection (1)(e), the requirement for an applicant to identify other utilities within a 4-mile radius was changed to utilities within the area proposed to be served to make it consistent with the requirements in the rules governing notice.

In (1)(j), the Commission voted to add the statement that, in addition to long-term leases as evidence of a company's right to use the land where its facilities are located, it may also consider a written easement or other cost effective alternative to a 99-year lease. This change was based on the Florida Waterworks Association's comments. This change was made to each rule where the 99-year lease was given as an example of a long-term lease.

Changes were also made to (1)(r) by adding the requirement to submit an income statement and a statement of the source and application of funds. The change was based on Public Counsel's comments that additional detail would assist the Commission in evaluating the finances of a utility. Minor additional changes were made for clarification.

25-30.034 Application for Certificate of Authorization for Existing Utility Currently Charging for Service

This rule was not controversial and was adopted essentially as proposed. Department of Environmental Regulation was changed to Department of Environmental Protection.

25-30.035 Application for Grandfather Certificate

OPC, regarding section (2), recommended requiring additional information about the applicant's parent companies, affiliated companies, and related parties [as in 25-30.033(3)]. FCWC stated it would be a burdensome and costly requirement. Staff opposed including that requirement because the rule prescribes the filing requirements for grandfather certificates. Grandfather certificates are granted as a matter of right pursuant to section 367.171(2)(b), F.S., and applicants do not need to demonstrate adequate funding.

Staff recommended adding a phrase in (9) to reference the territory description format suggested to be included in Rule 25-30.030(2). The Commission agreed and also changed Department of Environmental Regulation to Department of Environmental Protection in (12).

25-30.036 Application for Amendment to Certificate of Authorization to Extend or Delete Service

FWWA objected to the 99-year lease provision and the Commission changed it. Staff commented that the rule should be changed to make it applicable to a utility applying to delete part of its service area in addition to those asking to extend the service area. Section (1) of this rule was divided into two parts. Subsection (2)(a) was made more specific and states the method for meeting its requirements. In (2)(b)1, 4-mile radius was changed to "in the area." A (2)(c) was added to impose a time limit for filing the application. A cross reference was added to (3)(e) and the name Department of Environmental Regulation was changed to Department of Environmental Protection in (3)(k). In (3)(d), a statement was added to authorize the Commission to consider a written easement or other cost-effective alternative to a long-term lease.

25-30.037 Application for Authority to Transfer

Staff recommended requiring the company to state why a negative acquisition adjustment should not be made to find out if there are extraordinary circumstances. FWWA didn't have comments on the rule as proposed but did have comments in response to other participants. As to OPC's suggested changes, FWWA stated it is alright to clarify that a contract for sale means the total contract, including the auxiliary and supplemental agreements. FWWA disagreed with the list of items that the agreements shall include, stating it was superfluous. As to OPC's recommended clarification to (2)(k), FWWA said it should include all auxiliary or supplemental agreements related to the funding of the utility.

SSU stated that staff's recommended addition was legally deficient because the agency shouldn't require a party to come in and prove a negative. OPC disagreed with SSU.

The Commission decided not to change the rule to incorporate staff's language regarding negative acquisition adjustments. Based on comments of Public Counsel, subsection (2)(g) and its subparagraphs were changed to include the requirement that transfer applicants submit copies of agreements that are supplemental or auxiliary to the sales contract, and to require submittal of dollar amounts, detail of non-regulated operations and a description of all consideration between the parties. The words "including affiliates" was added to (2)(k) and (3)(g) and its applicability was limited to those that the applicant is relying upon for funding.

The name Department of Environmental Regulation or DER was changed to Department of Environmental Protection or DEP in several places. In (2)(q) and (3)(i), the Commission voted at the October 7 hearing added the statement that, in addition to long-term leases as evidence of a company's right to use the land where its facilities are located, it may also consider a written easement or other cost effective alternative to a 99-year lease.

25-30.0371 Rate Base Established at Time of Transfer

SSU presented extensive comments opposing the provision that "the Commission shall consider the condition of the utility assets purchased in deciding if a purchased asset should be removed from the rate base calculation." SSU believes it will be costly to determine what a deteriorated asset is and staff itself is unsure. SSU supports codifying the existing policy of granting no acquisition adjustment unless extraordinary circumstances exist--that rate base is net book value absent extraordinary circumstances.

FWWA supported the comments of SSU and referred the Commission to its written comments. OPC stated the utilities want the ability to earn a return and depreciation on more than their actual investment. To be fair, if the Commission adopts a rule, the Commission should allow the purchase price plus 20% of the difference. FWWA stated it did not object to the rule as proposed.

Commissioner Clark asked for 5-year history of the price paid and net book value allowed, what rate base was allowed and the difference between the two, including the Deltona purchase. SSU agreed to provide information to support the statement that SSU paid more for its Florida acquisitions than allowed to earn on rate base after used and useful applications and to provide survey of other states' practice re acquisition adjustments. This information was submitted at the August 12 hearing.

FWWA supported the proposed rule section on "construction work in progress" (CWIP) but did not agree with OPC's objection to including CWIP in establishing rate base. OPC's wording would contravene 367.081(2)(a). FWWA opposed OPC's proposal that if buyer is unable to obtain original cost documents that the Commission should establish rate base at zero.

Staff recommended that the Commission adopt the rule because it codifies the longstanding Commission policy that the purchase of a utility system at a premium or discount shall not affect the rate base calculation in the absence of extraordinary circumstances. Commissioner Clark suggested clarifying that the value of plant in service in an original cost study should also reflect appropriate adjustments such as depreciation.

OPC opposed adoption of the rule. The Commission decided to withdraw the rule.

25-30.038 Expedited Application for Acquisition of Existing Small System

At the August 12 hearing, staff recommended withdrawal of this proposed new rule because of the objections to it. The participants in the hearing concurred with staff's recommendation and the Commission agreed that the rule should be withdrawn.

25-30.039 Application for Name Change

Staff initially recommended changing this rule to require the applicant for a name change to show that the land where the treatment facilities are located is in the new name but later recommended against it. Legal staff commented that the issue of what is acceptable proof of ownership or right to continued use of land and the cost that would be incurred required further research and would be addressed in a later rule proceeding. The rule was not controversial otherwise and it was adopted without changes.

25-30.060 Application for Exemption from Regulation or Nonjurisdictional Finding

At the May 26 hearing, all participants agreed that the rule as proposed was not controversial and should be adopted except that FWWA objected to the 99-year lease provision in (3)(g). The Commission voted to add the statement that, in addition to long-term leases as evidence of a company's right to use the land where its facilities are located, it may also consider a written easement or other cost effective alternative to a 99-year lease.

25-30.090 Abandonments

At the May 26 hearing, all participants agreed that the rule as proposed is not controversial and should be adopted. The Commission adopted it as proposed changing only the name Department of Environmental Regulation to Department of Environmental Protection in (2)(h).

25-30.111 Exemption for Resale of Utility Service

At the May 26 hearing, all participants agreed that the rule as proposed was not controversial and should be adopted. The rule was adopted without changes.

25-30.117 Accounting for Pension Costs.

OPC recommended that the Commission require utilities to fund their pension costs. Staff recommended against making OPC's changes because the rule prescribes the <u>accounting treatment</u> of pension costs, whereas OPC's recommended addition--to require pension costs to be funded and placed in escrow--prescribes the regulatory treatment. Staff stated it did not believe the Commission has developed a policy on this and, until the issue is addressed on a case-by-case basis and a policy developed, no rule should be adopted. The rule was adopted without changes.

25-30.135 Tariffs, Rules and Miscellaneous Requirements.

All participants in the May hearings agreed that the rule as proposed was not controversial and should be adopted. The Commission adopted the rule without changes.

25-30.320 Refusal or Discontinuance of Service.

All participants agreed at the hearing that the rule as proposed was not controversial and should be adopted. The Commission adopted the rule without changes.

25-30.335 Customer Billing.

All participants agreed at the May hearing that the rule as proposed was not controversial and should be adopted. The Commission directed staff to present it for adoption at the October hearing as proposed. The rule was adopted at the October hearing without changes.

25-30.360 Refunds.

All participants agreed at the hearing that the rule as proposed was not controversial and should be adopted. The Commission adopted the rule without changes.

25-30.430 Test Year Approval.

There were no comments on this rule at the hearing and the Commission directed staff to present it for adoption as originally proposed. At the October hearing, staff recommended and the Commission agreed to change the word "may" to "shall" when extensions for good cause are authorized by the rules, such as in 25-30.430(3).

25-30.432 Used and Useful in Rate Case Proceedings.

Extensive comments were filed on this rule. At the May hearing, SSU, joined by OPC, asked the Commission to delay consideration of the rule and the Commission agreed to schedule it for hearing in July. Subsequent rescheduling resulted in the hearing for this rule being set for September 8 and 9, 1993. At the August 12, 1993 hearing, staff recommended that further workshops be held on the rule and that it not be considered by the Commission at a September hearing. OPC, FWWA and SSU agreed with staff's recommendation. The Commission voted to further delay consideration of the rule until workshops could be completed. At the final hearing on October 7, 1993, the Commission decided to withdraw this rule and consider proposing it at a later date after additional meetings are held between staff and interested persons.

25-30.433 Rate Case Proceedings.

Introductory Paragraph

Commissioner Clark suggested deleting the phrase "for good cause shown" because it is redundant and the Commission agreed.

(1) Quality of Service

OPC commented that language should be added to the rule requiring the Commission to impose a penalty if service standards are not met. FWWA stated that they were not opposed to the rule as proposed rule but disagreed with OPC's suggestion to require a penalty if standards aren't met. Staff commented that the Commission has the authority under the statute to impose penalties for violation of its rules and that it did not advise including such a provision in specific rules. SSU agreed with staff. The Commission decided not to make such a change but did change the name of the Department of Environmental Regulation to the Department of Environmental Protection.

(2) Working Capital

FWWA witness Debbie Swain stated they were not opposed to the proposed rule but commented to oppose OPC's suggestion that the balance sheet method be used rather than the formula method. She stated that the balance sheet approach is very time-consuming, not exact, and not objective.

OPC Witness Dismukes stated that OPC proposes that the Commission use the balance sheet approach for determining working capital because it is more accurate and with computer use, not as costly as it once was. The formula (1/8 O&M) approach won't be simpler if you continue to take into account deferred debits and deferred credits. Staff commented that its time required would be greater using the balance sheet method, and that rate case expense is more material for water and wastewater utilities compared to the revenue requirement than it is in telephone and electric and gas companies.

Staff recommended the Commission adopt this section as originally proposed. SSU agreed and explained why. The Commission voted to change the method of calculating working capital to the balance sheet approach for Class A utilities but to leave the formula method in the rule for Class B and C utilities.

(3) Debit Deferred Taxes

Staff proposed a correction to the first sentence to clarify the Commission practice of netting used and useful debit and credit deferred taxes instead of gross amounts, and explained that this coincides with the used and useful adjustments made to plant in determining rate base. No parties disagreed with this change. Staff recommended further clarification by adding a third sentence.

Witness Swain commented for FWWA that the last sentence of this section is confiscatory because it won't acknowledge investment in many items. They did not suggest that deferred debits in their entirety be included as a separate item of rate base but the unamortized balance should earn a return. As to the first sentence, Ms. Swain thought it would be more accurate and simpler to offset CIAC by the taxes paid on it.

SSU Witness Cresse commented that the Commission should remove the sentence stating "[n]o other deferred debit shall be considered in rate base when the formula method of working capital is used," agreeing with Ms. Swain. Mr. Cresse also commented that non-recurring expenses should be amortized over four years like rate case expense.

Staff recommended that the Commission adopt the proposed rule because it codifies longstanding Commission policy.

(4) Averaging

OPC suggested that the Commission should change this rule to require use of the 13-month averaging method by Class A and B utilities. Staff recommended the adoption of this section as originally proposed--without the change proposed by OPC to the 13-month averaging method. Staff stated it believed the increased cost to prepare MFRs using the 13-month averaging method far outweighed the benefit of an increase in accuracy. The FWWA agreed with staff.

SSU agreed with the proposed rule provision to use the simple beginning and end-of-year average. It stated that it is simpler, less expensive, less time-consuming to present and analyze; fair to ratepayers; does not differ materially in results or accuracy from the 13-month average.

The Commission decided to change the averaging method used to calculate rate base and cost of capital to the 13-month average for Class A utilities only.

(5) Used and Useful Applications

Staff explained that (5) codifies current Commission practice by requiring used and useful percentages to be applied to the appropriate depreciation expense accounts. Staff recommended deleting the word "plant" to clarify the rule. Without this change, staff explained that a literal interpretation could erroneously lead to the assumption that the same dollar adjustment made to plant be made to depreciation.

OPC recommended the addition of the second sentence regarding non-used and useful property taxes. Staff agreed with OPC that non-used and useful property tax adjustments are Commission practice when the taxing authority taxes total plant, not just used and useful plant. Staff disagreed with OPC's proposed rule as its wording assumed that an adjustment is required whenever a non-used and useful adjustment is made. Staff recommended rewording it to codify current policy.

SSU supported the rule as originally proposed and disagreed with OPC's recommendation because it would create an inflexible rule that would not always be applicable.

The Commission adopted the rule deleting "plant" from the first sentence and adding a second sentence based on OPC's comments.

(6) CIAC

SSU and FWWA asked the Commission to delay consideration of this section of the rule because it should be considered at the same time as proposed Rule 25-30.432. Staff agreed because Rule 25-30.432 prescribes whether a margin reserve will be allowed; this rule provides that contributions-in-aid-of-construction (CIAC) will not be imputed on the margin reserve calculation.

The Commission decided to remove the original proposed rule regarding imputation of CIAC on the margin reserve for consideration at a later date with the used and useful rule. In place of that section, the rule providing that charitable contributions shall not be recovered through rates, which was recommended by OPC, was added to codify current Commission practice.

(7) OPC supported the proposed rule. FWWA commented that the issue should be considered on a case-by case basis. Staff recommended that the Commission adopt it as originally proposed and the Commission did so.

(8) Staff recommended the Commission adopt this section as originally proposed. SSU disagreed, stating that the amortization period should be four and not five years and that rates should not be automatically reduced regardless of whether the utility is earning outside its range of return. The Commission adopted this section without any changes.

(9) OPC opposed this section of the rule because it believes that the cost of abandoned projects should not be recovered from ratepayers. Alternatively, OPC proposed a 15-year amortization period. Staff recommended the Commission adopt this section as originally proposed without the change recommended by OPC, stating that OPC's suggested methodology had been argued in several cases in the recent past and rejected by the Commission whereas the rule as originally proposed codifies the Commission's longstanding practice. FWWA and SSU agreed with staff. SSU commented that the rule was appropriate because it does not penalize the utility for investment that was prudent when made. The Commission adopted the rule without any changes.

(10) In response to FWWA's comment about the 99-year provision wherever it appeared in the rules, the Commission voted to add the statement that, in addition to long-term leases as evidence of a company's right to use the land where its facilities are located, it may also consider a written easement or other cost effective alternative to a 99-year lease. Staff recommended the Commission adopt it as originally proposed and OPC agreed.

(11) No comments were presented on this section of the rule other than OPC stating that it did not oppose staff's recommendation. The staff recommended that it be adopted as proposed and the

Commission agreed.

(12) Staff recommended adding this section which was initially suggested by OPC but modified by the FWWA because the wording recommended by FWWA was taken from a number of Commission orders issued over the past ten years. FWWA agreed with staff. SSU disagreed with the rule but preferred FWWA's version to OPC's. The Commission voted to add section (12).

(13) OPC proposed this provision on calculating the amount of interest expense for income tax expense to the Commission. Staff recommended that the Commission adopt the rule proposed by OPC because it codifies longstanding Commission policy but modify it to refer specifically to the parent debt rule. The Commission voted to add (13).

OPC also proposed that the Commission add a provision regarding loss carryforwards. Staff recommended modifying the language and adopting it because it codifies longstanding Commission policy. The FWWA disagreed with the rule and with staff's statement that it codifies policy. SSU also disagreed with the rule, stating that its effect is to take a tax loss the owner paid for and use it in a subsequent year to benefit the ratepayers. OPC supported the provision but said it should go further. The Commission decided not to adopt this provision, nor did it adopt OPC's proposal to disallow by rule the recovery of Chamber of Commerce dues.

25-30.434 Application for Allowance for Funds Prudently Invested (AFPI) Charges.

SSU's witness Cresse commented that property taxes should be treated as if all of it was attributable to used and useful property. He also stated that the rules should make clear that utilities will be encouraged to do long-range planning, that after accumulating AFPI for 5 years, any amount that has not been recovered will be allowed to be recovered in future rates. OPC's witness Sam Gatlin proposed that property taxes be added to the AFPI calculation consistent with what OPC proposed for 25-30.433.

Staff was asked to prepare an exhibit showing examples of staff's and the Commission's proposal, the utilities' proposal, and Chairman Deason's example. This exhibit was considered at the August hearing.

Staff commented that (3)(f) as originally proposed was confusing and indirectly allows utilities to reflect plant net of accumulated depreciation only if the accumulated depreciation was previously recovered through AFPI charges. Staff stated that it is inappropriate to reflect gross plant. Further, if AFPI charges had previously been collected, then the plant would not be subject to AFPI charges again. This would allow a continuation of the collection of carrying charges when the Commission had ordered that those amounts cease in the prior charges.

Staff recommended reorganizing (5) to remove excess words without changing the meaning. The Commission decided to change (3)(f) to delete the phrase limiting reporting of accumulated depreciation to that which has been recovered in previous (Allowance for Funds Prudently Invested) AFPI charges. Section (5) was reworded to remove language that was redundant and confusing.

25-30.435 Application for a Rate Increase by an Applicant that owns Multiple Systems.

Florida Cities Water Company opposed the rule stating that it would increase rate case expense. Southern States supported the proposed rule. FWWA did not take a position. OPC also stated its concern with rate case expense and OPC's ability to adequately analyze multi-system filings. Commissioner Clark stated that the rule seemed to impact only one company, and that perhaps a rule was not needed at this point. The Commission voted not to adopt the rule. Rule 25-30.435 was withdrawn.

25-30.436 General Information and Instructions Required of Class A and B Water and Wastewater Utilities in an Application for Rate Case.

SSU supported revising the rule to allow the utility applicant 30 days from the date of filing its minimum filing requirements to file its direct testimony. Commissioner Clark recommended rewording (2) for clarity. FWWA pointed out that a reference was made in (4)(d) to repealed Rule 25-30.439.

Staff recommended a change to (4)(h) to require filing of fewer copies of certain schedules and deletion in (4)(g) of the reference to Rule 25-30.432 because the Commission decided to withdraw it. OPC proposed changes to (4)(h) to require more detailed information in order to analyze related party transactions and charges. For those utilities that have such charges, this information would be provided through discovery regardless. Staff disagreed with OPC's recommendation to require the workpapers and source documents to be filed as they could be voluminous and expensive to copy. Staff commented that the information may easily be provided during discovery or audit if a problem is evident after the initial review is made.

FWWA and FCWC commented that (4)(h)2. should be clarified and that the threshold for reporting was too low. The Commission decided to change the threshold.

OPC also asked that a utility applicant be required to file an organizational chart. FWWA and FCWC commented that the chart only need include affiliates if they have something to do with the utility business. Staff commented that it is appropriate to require the total organizational chart, not just a chart of those entities that have allocated costs or charges. Without a complete chart, staff may not be aware that any further allocations might be appropriate.

SSU supported the rule as proposed, stating that the requirement for additional information discussed at the hearings was unnecessary and inappropriate for the purpose of minimum filing requirements and that the information could be obtained through discovery.

Rule 25-30.436(2) was changed to identify whose prepared testimony triggers the filing date. The term "any source" in (4)(h) was changed to "a parent, affiliate, or related party"; the rule was changed to apply to both allocated and charged costs; and the reference to forms was changed to reflect the revised forms adopted in Rule 25-30.437. Ss. (4)(h)1 was changed to require itemization of certain costs being allocated or charged in addition to describing them. The words "or direct charging" were added to (4)(h)3. and paragraphs 4 through 6 were added. Subsection (4)(i) was changed to clarify its application to land recorded on the utility's books since rate base was last established. Based on FWWA's comments, the statement was added authorizing the Commission to also consider a written easement or other cost effective alternative to a 99-year lease. Based on staff's recommendation, in (7), the reference to forms was changed to reflect the revised forms adopted in Rule 25-30.437 and, as recommended by the Joint Administrative Procedures staff, "may" was changed to "shall" because when good cause is shown for an extension of time, there is no reason for denial.

25-30.437 Financial, Rate and Engineering Information Required of Class A and B Water and Wastewater Utilities in an Application for Rate Increase.

Staff recommended the Commission adopt the rule as originally proposed with the exception of changes to the forms incorporated that are necessitated by the Commission's changes to Rule 25-30.433 and 25-30.436. The FWWA commented that the rule was not controversial.

SSU supported the rule stating that (6) recognizes that systems already combined in a uniform rate shall be considered as a single system when submitting the MFR schedules outlined in the rule is consistent with Commission policy and practice and permits such systems to achieve the economies and cost savings which flow from uniform rates. Such filing requirements also reflect the reality that utilities with uniform rates operate with one combined rate base, capital structure, etc. SSU also commented that at the same time, no harm is sustained by OPC or other interested parties since back-up data supporting used and useful percentages for each system must also be submitted in the initial filing and further information is available through discovery.

OPC disagreed with SSU's comments and opposed the adoption of (6). The Commission voted to delete (6) and adopt the remainder of the rule including new, separate minimum filing requirement forms for Class A and B utilities. Proposed section (6) was withdrawn and the subsequent section renumbered.

25-30.4385 Additional Rate Information Required in Application for Rate Increase.

All participants agreed at the hearing that the rule as proposed was not controversial and should be adopted. The rule was adopted without changes.

25-30.441 Engineering Information Required in Application for Rater Increase by Utilities Seeking to Recover the Cost of Investment for Plant Construction Required by Governmental Authority.

FWWA commented that repeal of this rule was not controversial. No party disagreed and staff recommended that the Commission repeal it as originally proposed and adopt Rule 25-30.4415 to replace it. The Commission voted to repeal the rule.

25-30.4415 Additional Information Required in Application for Rate Increase by Utilities Seeking to Recover the Cost of Investment in the Public Interest.

FWWA commented that this rule was not controversial. No party disagreed and staff recommended that the Commission adopt it as originally proposed. The rule was adopted without changes.

25-30.443 Minimum Filing Requirements for Class C Water and Wastewater Utilities.

The FWWA stated that this proposed rule was not controversial, including staff's recommended changes to (2)(c). The order of the rules referenced in Rule 25-30.443 was changed to chronological order. In (3), as recommended by the Joint Administrative

Procedures staff, "may" was changed to "shall" because when good cause is shown for an extension of time, there is no reason for denial. The rule was adopted with changes.

25-30.455 Staff Assistance in Rate Cases

OPC objected to limiting the availability of staff assistance to small utilities rather than providing it to small systems which may be part of a large multi-system utility. Staff commented that section 367.0814 authorizes staff assistance for <u>utilities</u>--not systems--with revenues under $150,000 annually. Additionally, the large utilities have the expertise to file for a rate case whereas the SARC process is intended to assist those small utilities that do not have the expertise to file a rate case. The Commission agreed that the statute limited eligibility and did not make any change in that regard.

Rule 25-30.455(6) was changed to specify that it is the Director of the Division of Water and Wastewater who shall give the notice of decisions on applications for staff assistance and a statement was added, at FWWA's suggestion, to clarify that staff assistance will be initiated for <u>accepted</u> applicants. The last sentence of the paragraph was deleted. Section (10) was changed to provide that reconsideration will be decided by the full Commission rather than the Chairman. In section (13), the statement that it is the utility's burden of proof was stricken as suggested by both OPC and staff witness Hill.

25-30.456 Staff Assistance in Alternative Rate Setting

OPC opposed section (12) of this rule, which provides the method of determining the rate increase in an alternative rate setting environment. OPC stated it was not opposed to an alternative rate setting process for Class C utilities, however, it opposed the implementation of a rule which is untested to determine if it would even yield reasonable results. Staff responded that the statute limits the Commission to implementation of alternative rate setting "by rule." The Commission voted to adopt the rule and the same changes that were made in Rule 25-30.455 were made to Rule 25-30.456 in sections (6), (10) and (18).

25-30.460 Application for Miscellaneous Service Charges.

FWWA stated that this rule was not controversial. OPC agreed and SSU stated that it wouldn't be commenting on the rule. The rule was adopted without changes.

25-30.465 Private Fire Protection Rates -

At the May hearing, Mr. Dewar of the Florida Fire Sprinkler Association and the Florida Firemen's Association stated that the fee discriminates against ratepayers who have installed fire sprinkler systems and should be eliminated. They do not disagree with the base facility charge for private fire protection loops, but believe that (in addition to the proposed rule language) fire sprinkler connections should be exempt from the charge. SSU commented that if the need for more private fire protection is great and their effectiveness in protecting customers is proven, SSU would agree that the private fire protection rate could be set prospectively so as to encourage the installation of private fire protection equipment.

PSC staff presented information to support changing the rate to 1/12 the base facility charge. FCWC also presented comments but did not state a position on staff's change. SSU supported the 1/3 base facility charge that was in the proposed rule. FWWA stated it believed changing the charge from 1/3 to 1/12 would result in other classes of ratepayers subsidizing those with private fire protection systems. Mr. Dewar also supported adding language to address cross-connection protection.

At the final hearing on October 7, 1993, staff recommended the Commission adopt the rule as originally proposed with staff's recommended change to one-twelfth the base facility charge. Staff commented that the Commission's current method of determining private fire protection rates using one-third the base facility charge of comparable size meters is based on an evaluation of potential demand, not on cost of service. The recommended rule continues the demand approach by using ISO requirements for fire flow demand. This results in a charge that staff believes is more commensurate with the insurance savings that businesses may receive by installing sprinkler systems, but still provides the utility a contribution towards the maintenance of capacity over and above their peak hour consumptive needs.

The Commission voted to adopt the rule with the change in the rate to one-twelfth.

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

FWWA stated at the May hearing that the rule was consistent with section 367.0816, F.S., and was not controversial. All participants agreed that the rule as proposed was not controversial and should be adopted. The Commission adopted the rule without changes.

25-30.475 Effective Date of Approved Tariffs -

FWWA commented that the rule was not controversial and was consistent with statute. OPC stated its concern that pro-rated billing causes customer confusion. SSU agreed with the proposed rule stating that OPC's concern is without merit. Staff agreed that customers are not confused by pro-rating of bills. The rule was adopted without changes.

25-30.515 Definitions

Staff recommended that the Commission adopt the rule as proposed. Staff commented that major revisions to the Definition section will be addressed in a Phase II rules proceeding. FWWA stated it would raise its concerns in the subsequent rulemaking proceeding. The rule was adopted without changes.

25-30.565 Application for Approval of New or Revised Service Availability Policy or Charges

There were no comments on this rule at the hearings and staff recommended the Commission adopt it as originally proposed. The rule was adopted without changes.

FACTS AND CIRCUMSTANCES JUSTIFYING THE RULE

Rule 25-30.020 - Fees Required to be Paid by Water and Wastewater Utilities: Rule 25-30.020 is difficult to read and apply, does not include fees for limited proceedings and service availability rates, and does not distinguish between simple and complex filings. The rule revisions remove any ambiguity about when and what fees will be charged and add a filing fee for limited proceedings and service availability rates. These types of filings are complex and require a great deal of staff and Commission time. The fee helps to offset the cost of processing these filings.

Finally, the rule revisions recognize that some filings are simple and require little staff and Commission time while others are very complex and require a great deal of time. The fees are higher for more complex filings. The cost of regulating this industry is just covered by the revenues collected pursuant to the regulatory assessment fees and these filing fees. In 1989, the regulatory assessment fees were doubled to cover the cost of regulation. At that time, the Commission was granted the statutory authority to increase filing fees to help cover costs. These revisions increase the maximum fee to that allowed by statute.

Rule 25-30.025 - Official Date of Filing: The Commission's policy and practice must be codified by rule to eliminate confusion and uncertainty on the part of applicants and to comply with Chapter 120, F.S.

Rule 25-30.030 - Notice of Application: The Commission is currently required to maintain a data base of certificated utilities in a section, township, and range format to comply with its current rule. The change will provide a cost saving to the Commission because this data base will no longer be required. The noticing by regular mail instead of certified mail and the reduction of newspaper noticing from three notices to one will provide a significant cost saving to the industry.

Rule 25-30.032 - Applications: This rule is amended to add name changes to the list of actions where regulated utilities are required to file documents with the Commission. Currently, when a utility changes it name there is no requirement for notifying the Commission, resulting in confusion for the Commission and utility customers. The rule change also allows the utility to file fewer application copies because the extra copies are not needed.

Rule 25-30.033 - Application for Original Certificate of Authorization and Initial Rates and Charges: The current rule does not inform utilities how rates should be structured and calculated for their applications. The rule revisions will put the applicant on notice of the Commission's requirements, providing a cost savings and insuring a financially viable utility from the outset.

Rule 25-30.034 - Application for Certificate of Authorization for Existing Utility Currently Charging for Service - The Commission has a goal of coordinating efforts with other governmental agencies in the regulation of water and wastewater utilities. This rule furthers that goal by requiring applicants to include a statement about comprehensive plan consistency.

Rule 25-30.035 - Application for Grandfather Certificate: Currently the Commission does not obtain information about the number of customers by class and the projected number in the application. Staff has to request the information after the application is received. The information is needed to give the Commission a more accurate picture of the utility being certificated.

Rule 25-30.036 - Application for Amendment to Certificate of Authorization to Extend or Delete Service: Under the current rule, a utility must obtain prior approval for any amendment to its service territory. The time it takes to process the application sometimes results in customers not being able to get timely service and costly construction delays. This rule change would allow utilities to begin providing service in a more timely and efficient fashion resulting in cost savings to the applicant.

Rule 25-30.037 - Application for Authority to Transfer: The filing requirements in the current rule do not provide the Commission with sufficient information to adequately evaluate the buyer's ability to provide adequate service at a reasonable cost. Often staff must request the additional information in order to determine if the application should be approved.

Rule 25-30.039 - Application for Name Change: In the past, utilities have failed to even advise the Commission of a name change which has created confusion for the Commission and customers.

Rule 25-30.060 - Application for Exemption from Regulation or Nonjurisdictional Finding: In the past, reseller applicants have not been aware that there are requirements regarding meter testing. In addition, the Commission has discovered in processing landlord/tenant exemption requests that leases usually list what charges are made in addition to the rent rather than listing what is included in the rental amount. Therefore, the rule is changed to delete the impractical requirement for leases to state that there is no separate charge for water or wastewater service.

Rule 25-30.090 - Abandonments: In the case of abandonments, there has been confusion about the responsibility of court appointed receivers with regard to Commission requirements and about the jurisdictional status of governmental authorities acting as the receiver. In addition, it has been unclear in the past what information should be included in the notice of abandonment.

Rule 25-30.111 - Exemption for Resale of Utility Service, Annual Report: Existing Rule 25-30.111 is subject to the misinterpretation that an entity may be exempt as a reseller without Commission approval. The rule also does not require that revenues received from resale of wastewater service must be reported, although that information is required for water service, and other information must currently be reported for both services.

Rule 25-30.117 - Accounting for Pension Costs: Currently the Commission does not have a rule that sets out its policy on the accounting treatment of pension plans. This type of policy must be codified so that all utilities will know pension plan treatment in advance of filing for a rate case. This will help eliminate a potential issue in rate cases as all utilities will be required to follow the same accounting requirements.

Rule 25-30.135 - Tariffs, Rules and Miscellaneous Requirements: Customers currently do not know what rules and regulations govern the utility and service provided by it and do not know where to obtain the information. This rule revision will make the information available to customers at a common location.

Rule 25-30.320 - Refusal or Discontinuance of Service: Utilities have in the past disconnected service to a customer even though the fraudulent or unauthorized use by the customer was already eliminated and paid for at the time the disconnection took place. This rule revision clarifies that a customer should not be disconnected if the infraction has been remedied prior to the utility's arrival to disconnect service.

Rule 25-30.335 - Customer Billing: The rule in its present form contains language that is obsolete and conflicts with current Commission practice. Also, no standard language was provided resulting in inconsistent customer bills. Finally, utilities were inconsistent in charging customers the base facility charge when there was no usage. The rule change resolves these problems.

Rule 25-30.360 - Refunds: The rule revisions are necessary to codify the Commission's long-standing policies that a motion for reconsideration temporarily stays a refund and that any unclaimed refunds are to be treated as contributions-in-aid-of-construction to the utility. This change will eliminate an issue in rate cases, reducing both staff time spent handling the issue and rate case expense.

Rule 25-30.430 - Test Year Approval: The requirement to file prepared direct testimony with the minimum filing requirements is more appropriately placed in Rule 25-30.436(2). To codify present practice and to reduce time and steps, a provision is added to authorize the Director of Water and Wastewater to grant an extension of the filing date.

Rule 25-30.433 - Rate Case Proceedings: Quality of service, working capital, debit deferred taxes, averaging, and used and useful applications are issues in every rate case. Each party that has an interest in the proceeding files prefiled testimony and does extensive discovery resulting in increased rate case expense. By codifying how the Commission will treat these issues, this new rule should simplify rate cases and lower rate case expense.

Rule 25-30.434 - Application for Allowance for Funds Prudently Invested (AFPI) Charges: This new rule is being added to prescribe the application requirements for Allowance for Funds Prudently Invested (AFPI) Charges. There are currently no rules setting out what information Commission staff requires from utilities to analyze their requests.

Rule 25-30.436 - General Information and Instructions Required of Class A and B Water and Wastewater Utilities in an Application for Rate Increase: Utilities are currently notified via a procedural order whether or not prefiled testimony will be required and when it is due. Staff also must obtain the information included in the rule through discovery. Prefiled testimony is always required for cases going directly to hearing and the information obtained by staff is standard. By putting this in rule, we eliminate the question of whether and when testimony is due and reduce the amount of discovery.

Rule 25-30.437 - Financial, Rate and Engineering Information Required of Class A and B Water and Wastewater Utilities in an Application for Rate Increase: Currently, utilities do not file consistent rate structure information when filing for rate relief. This makes analysis difficult at best and does not provide the PSC the information needed. The rule changes should clarify the use of the base facility and usage rate structure.

Rule 25-30.4385 - Additional Rate Information Required in Application for Rate Increase: A utility can only charge customers the charges listed in its tariff. This new rule codifies the requirement that a utility must file revised tariff sheets when it requests a change in its charges to its customers.

Rule 25-30.441 - Engineering Information Required in

Application for Rate Increase by Utilities Seeking to Recover the Cost of Investment for Plant Construction Required by Governmental Authority: The PSC is repealing this rule because it is confusing and requires information the Commission no longer needs. This rule is being replaced by new Rule 25-30.4415.

Rule 25-30.4415 - Additional Information Required in Application for Rate Increase by Utilities Seeking to Recover the Cost of Investment in the Public Interest: This rule replaces Rule 25-30.441. Rule 25-30.441 is confusing and out-of-date. The new rule lists the information and documents that must be provided to the Commission to support the cost of a utility's investment in plant in service that is made pursuant to a regulatory requirement. It allows the use of an estimate of a professional engineer or a person knowledgeable in design and construction of plant which should result in cost savings by utilities and knowledge in advance of what must be filed.

Rule 25-30.443 - Minimum Filing Requirements for Class C Water and Wastewater Utilities: Currently, utilities do not file consistent rate structure information when filing for rate relief. Also, when a utility is proposing to combine rates for separate systems, the information required often is filed only on a combined basis. This makes analysis difficult at best and does not provide the Commission the information needed to set rates on an individual basis if desired. The rule changes will clarify the use of the base facility and usage rate structure and the requirement to file information on an individual system basis.

Rule 25-30.455 - Staff Assistance in Rate Cases: Section

367.0814(4), F.S., states that, in requesting staff assistance, a utility shall agree to accept the final rates and charges approved by the Commission unless the final rates and charges produce less revenue than the existing rates and charges. By including it in the rule revision, this is emphasized. As a result of a staff-assisted rate case that recently went to hearing, we have clarified the responsibilities of Commission staff and the utility in the event of a protested SARC in order to improve the quality of post-protest filings and to make clear what the Class C utility's responsibilities are during the hearing process.

Rule 25-30.456 - Staff Assistance in Alternative Rate Setting: The Legislature created the opportunity for a different type of regulation in 1989 by enacting s. 367.0814(7), F.S., authorizing the Commission to establish standards and procedures by rule for alternative rate setting for small utilities. In addition, there has been a history of extremely high rate increases resulting from SARCs because the small utilities do not routinely work to maintain compensatory rates. This may stem partially from the complexity and time involved in a staff-assisted rate case. This new rule should help decrease the number of extreme rate increases and utilities that consistently underearn.

The provision requiring the Commission to vote on a Proposed Agency Action recommendation within 90 days of the official filing date is included to provide the utility with assurance that the process will result in a faster turnaround than the existing SARC process which can take up to 150 days to get to a vote.

To make the process more acceptable to customers and therefore decrease the likelihood of a protest, a maximum level of increase of 50 percent of the test year operating revenue has been included. Another condition states that in the event of a protest the maximum will be removed and the utility will be given the option of having rates set on rate base, thus increasing the likelihood of greater increases. It is hoped that this condition will decrease the possibility of a hearing, which can be very expensive for all parties. By providing Class C utilities with another tool with which to keep rates closer to compensatory levels, "rate shock" should be mitigated, and rate case expense and PSC time invested should be lowered. Another possible byproduct will be less costly regulation, particularly since an audit will not be required and the time frame will be shorter.

Rule 25-30.460 - Application for Miscellaneous Service Charges: Currently, utilities do not know that they can charge for miscellaneous items such as premises visits. This new rule was added to codify existing Commission practice to allow charges for certain items without specific cost support.

Rule 25-30.465 - Private Fire Protection Rates: In rate cases, often a utility will request a separate charge for private fire protection. In each case over the past six years, the Commission has established the rate at one-third the approved base facility charge. Comments made at the hearings supported changing that figure to one-twelfth. By adopting the rule the issue can be eliminated and expenses reduced.

Rule 25-30.470 - Calculation of Rate Reduction After Rate Case Expense is Amortized: Section 367.0816, F.S., requires that after four years' amortization of rate case expense, rates be reduced to reflect the reduction in cost. This rule establishes the method used to calculate the rate reduction.

Rule 25-30.475 - Effective Date of Approved Tariffs: An issue in every rate proceeding before the Commission is the effective date of the rates and charges, and every order issued by the Commission dealing with rates and charges has language in it establishing the effective date of the rates or charges approved. Since the date a rate takes effect has been consistent in proceedings over the past six years, unnecessary time and money is spent addressing the issue at hearing and in writing the language for recommendations and orders.

Rule 25-30.515 - Definitions: There has been confusion in the past as to what guaranteed revenue charges are and when they are appropriate. There has also been confusion over what a plant capacity charge is and what it is for. The revisions to this rule will eliminate this confusion.

Rule 25-30.565 - Application for Approval of New or Revised Service Availability Policy or Charges: Currently, utilities are required to file 15 copies of an application for service availability charges. The Commission no longer needs 15 copies and to continue this requirement would be wasteful. In the past there has been confusion about notice requirements because we prescribe notice requirements in a number of rules. By revising this rule we are eliminating the notice requirements in the individual rules and referring to a new rule for all noticing provisions.

25-30.020 Fees Required to be Paid by Water and Wastewater ~~Sewer~~ Utilities.

(1) When a utility files any application for a certificate of authorization ~~certification, extension, transfer~~ pursuant to sections 367.045, 367.071 and 367.171, Florida Statutes, or files any request for a rate change pursuant to sections 367.081, 367.0814 and 367.0822, Florida Statutes~~, rate change,~~ (except an index or pass-through), or files for authorization to collect or change service availability charges pursuant to section 367.101, Florida Statutes, the utility shall remit a fee to the Commission's Director of Records and Reporting. A separate fee shall apply for water service and wastewater service. A separate fee shall also apply for each section listed above. For purposes of this rule, capacity is determined by combining the capacities of all systems included in the application. For purposes of this rule, an equivalent residential connection (ERC) is 350 gallons per day (gpd) for water service and 280 gallons per day (gpd) for wastewater service.

(2) The amount of the fee to be filed pursuant to subsection (1) of this rule~~,~~ shall be ~~based upon the existing or proposed capacity of the system or extension~~ as follows:

(a) For an original certificate application filed pursuant to Section 367.045, Florida statutes, the amount of the fee shall be as follows: ~~For systems or extensions serving from 1 to 999 persons, $150;~~

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

1. For utilities with the existing or proposed capacity to serve up to 500 ERCs, $750;

2. For utilities with the existing or proposed capacity to serve from 501 to 2,000 ERCs, $1,500;

3. For utilities with the existing or proposed capacity to serve from 2,001 to 4,000 ERCs, $2,250;

4. For utilities with the existing or proposed capacity to serve more than 4,000 ERCs, $3,000.

(b) For an application for extension or deletion of territory filed pursuant to Section 367.045, Florida Statutes, the amount of the fee shall be as follows: ~~For systems or extensions serving from 1,000 to 4,999 persons, $900;~~

1. For applications in which the area to be extended or deleted has the proposed capacity to serve up to 100 ERCs, $100;

2. For applications in which the area to be extended or deleted has the proposed capacity to serve from 101 to 200 ERCs, $200;

3. For applications in which the area to be extended or deleted has the proposed capacity to serve from 201 to 500 ERCs, $500;

4. For applications in which the area to be extended or deleted has the proposed capacity to serve from 501 to 2,000 ERCs, $1,000;

5. For applications in which the area to be extended or deleted has the proposed capacity to serve from 2,001 to 4,000

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

ERCs, $1,750;

6. For applications in which the area to be extended or deleted has the proposed capacity to serve more than 4,000 ERCs, $2,250.

(c) For an application for transfer or change in majority organizational control filed pursuant to Section 367.071, Florida Statutes, the amount of the fee shall be as follows: ~~For systems or extensions serving from 5,000 to 9,999 persons, $1,500;~~

1. For applications in which the utility to be transferred has the capacity to serve up to 500 ERCs, $750;

2. For applications in which the utility to be transferred has the capacity to serve from 501 to 2,000 ERCs, $1500;

3. For applications in which the utility to be transferred has the capacity to serve from 2,001 to 4,000 ERCs, $2,250;

4. For applications in which the utility to be transferred has the capacity to serve more than 4,000 ERCs, $3,000.

(d) For an application for a grandfather certificate filed pursuant to Section 367.171, Florida Statutes, the amount of the fee shall be as follows: ~~For systems or extensions serving 10,000 or more persons, $2,250.~~

1. For applications in which the utility has the capacity to serve up to 100 ERCs, $100;

2. For applications in which the utility has the capacity to serve from 101 to 200 ERCs, $200;

3. For applications in which the utility has the capacity to

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

serve from 201 to 500 ERCs, $500;

4. For applications in which the utility has the capacity to serve from 501 to 2,000 ERCs, $1,000;

5. For applications in which the utility has the capacity to serve from 2,001 to 4,000 ERCs, $1,750;

6. For applications in which the utility has the capacity to serve more than 4,000 ERCs, $2,250.

(e) For file and suspend rate cases filed pursuant to Section 367.081, Florida Statutes, the amount of the fee shall be as follows:

1. For utilities with the existing capacity to serve up to 500 ERCs, $1,000;

2. For utilities with the existing capacity to serve from 501 to 2,000 ERCs, $2,000;

3. For utilities with the existing capacity to serve from 2,001 to 4,000 ERCs, $3,500;

4. For utilities with the existing capacity to serve more than 4,000 ERCs, $4,500.

(f) For staff-assisted rate cases filed pursuant to Section 367.0814, Florida Statutes, the amount of the fee shall be as follows:

1. For utilities with the existing capacity to serve up to 100 ERCs, $200;

2. For utilities with the existing capacity to serve from 101 to 200 ERCs, $500;

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

3. For utilities with the existing capacity to serve more than 200 ERCs, $1,000.

(g) For an application for a limited proceeding pursuant to Section 367.0822, Florida Statutes, the amount of the fee shall be as follows:

1. For utilities with the existing capacity to serve up to 100 ERCs, $100;

2. For utilities with the existing capacity to serve from 101 to 200 ERCs, $200;

3. For utilities with the existing capacity to serve from 201 to 500 ERCs, $500;

4. For utilities with the existing capacity to serve from 501 to 2,000 ERCs, $1,000;

5. For utilities with the existing capacity to serve from 2,001 to 4,000 ERCs, $1,750;

6. For utilities with the existing capacity to serve more than 4,000 ERCs, $2,250.

(h) For an application for approval of charges or conditions for service availability filed pursuant to section 367.101, Florida Statutes, the amount of the fee shall be as follows:

1. For utilities with existing and proposed capacity to serve up to 100 ERCs, $100;

2. For utilities with existing and proposed capacity to serve from 101 to 200 ERCs, $200;

3. For utilities with existing and proposed capacity to

serve from 201 to 500 ERCs, $500;

4. For utilities with existing and proposed capacity to serve from 501 to 2,000 ERCs, $1,000;

5. For utilities with existing and proposed capacity to serve from 2,001 to 4,000 ERCs, $1,750;

6. For utilities with existing and proposed capacity to serve more than 4,000 ERCs, $2,250.

Specific Authority: 350.127(2) and 367.121(1), F.S. ~~367.141, F.S. as amended by Chapter 80-99, Laws of Florida.~~

Law Implemented: 367.045(1)(d), (2)(e), 367.071(3), 367.081(5), 367.0822(2), 367.101(2), 367.145 and 367.171(2)(b), F.S. ~~367.141, F.S. as amended by Chapter 80-99, Laws of Florida.~~

History: New 10/29/80, Formerly 25-10.11, Transferred from 25-10.011 and Amended 11/9/86, _____.

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

25-30.025 Official Date of Filing.

(1) The "official date of filing" is the date on which the Director of the Division of Water and Wastewater determines the ~~a~~ utility has filed completed sets of the minimum filing requirements (MFRs), including testimony that may be required by Rule 25-30.436(2) ~~for any application~~ and payment of ~~paid~~ the appropriate filing fee to the Director of Records and Reporting.

(2) The Director of the Division of Water and Wastewater ~~Sewer~~ shall determine the official date of filing for any utility's application and~~, advise the Commission who will~~ advise the applicant. The Commission shall resolve any ~~and~~ dispute regarding the official date of filing.

Specific Authority: 367.121(1), F.S.

Law Implemented: 367.083, F.S.

History: New 3/26/81, Formerly 25-10.12, Transferred from 25-10.012, Amended 11/9/86, ________.

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

25-30.030 Notice of Application.

(1) When a utility applies for a certificate of authorization, an extension or deletion of its service area, or a sale, assignment or transfer of its certificate of authorization, facilities or any portion thereof or majority organizational control, it shall provide notice of its application in the manner and to the entities described in this section.

(2) Before providing notice in accordance with this section, a utility shall obtain from the Commission a list of the names and addresses of the municipalities, the county or counties, the regional planning council, the Office of Public Counsel, the Commission's Director of Records and Reporting, the appropriate regional office of the Department of Environmental Protection, the appropriate water management district, and privately-owned~~,~~ water ~~utilities,~~ and wastewater utilities that hold a certificate granted by the Public Service Commission and that are located within the county in which the utility or the territory proposed to be served is located ~~within a four mile radius~~. In addition, if any portion of the proposed territory is within one mile of a county boundary, the utility shall obtain from the Commission a list of the names and addresses of the privately-owned utilities located in the bordering counties and holding a certificate granted by the Commission. The utility's request for the list shall include a complete legal description~~, in township, range and land sections,~~ of the territory to be requested in the application that includes:~~.~~

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

(a) a reference to township(s), range(s), land section(s) and county; and

(b) a complete and accurate description of the territory served or proposed to be served in one of the following formats. The description may reference interstates, state roads, and major bodies of water. The description shall not rely on references to government lots, local streets, recorded plats or lots, tracts, or other recorded instruments.

1. Sections: If the territory includes complete sections, the description shall only include the township, range, and section reference. If the territory includes partial sections, the description shall either identify the subsections included or excluded.

2. Metes and bounds: A point of beginning which is referenced from either a section corner or a subsection corner, such as a quarter corner. The perimeter shall be described by traversing the proposed territory and closing at the point of beginning. The description shall include all bearings and distances necessary to provide a continuous description.

(3) The notice shall be appropriately styled:

(a) Notice of Application for an Initial Certificate of Authorization for Water, Wastewater, or Water and Wastewater Certificate;

(b) Notice of Application for an Extension of Service Area;

(c) Notice of Application for Deletion of Service Area;

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

(d) Notice of Application for a Transfer of Water, Wastewater, or Water and Wastewater Certificate(s); or

(e) Notice of Application for a Transfer of Majority Organizational Control.

(4) The n~~N~~otice shall include the following:

(a) the date the notice is given;

(b) ~~(a)~~ the name and address of the applicant;

(c) ~~(b)~~ a description, using township, range and section references, of the territory proposed to be either served, added, deleted, or transferred; and

(d) ~~(c)~~ a statement that any objections to the a~~A~~pplication must be filed with the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, no later than 30 days after the last date that the n~~N~~otice was mailed or published, whichever is later.

(5) Within 7 ~~seven~~ days of filing its application, the utility shall provide a copy of the n~~N~~otice~~,~~ by regular ~~certified~~ mail ~~or personal service,~~ to:

(a) the governing body of the county in which the utility system or the territory proposed to be served is located;

(b) the governing body of any municipality contained on the list obtained pursuant to (2) above ~~within a four-mile radius of the utility system or the territory proposed to be served~~;

(c) the regional planning council ~~agency~~ designated by the Clean Water Act, 33 U.S.C. 1288(2);

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

(d) all ~~any~~ water or wastewater utilities contained on the list(s) obtained pursuant to (2) above ~~utility within a four mile radius of the territory proposed to be served, added, deleted, or transferred~~;

(e) the office of Public Counsel; ~~and~~

(f) the Commission's Director of Records and Reporting;~~.~~

(g) the appropriate regional office of the Department of Environmental Protection; and

(h) the appropriate Water Management District.

(6) No sooner than 21 ~~twenty one~~ days before the application is filed and no later than 7 ~~seven~~ days after the application is filed, the utility shall also provide a copy of the Notice, by regular mail or personal service, to each customer, ~~if any,~~ of the system to be certificated, transferred, acquired, or deleted.

(7) The Notice shall be published once ~~each week, for three consecutive weeks,~~ in a newspaper of general circulation in the territory proposed to be served, added, deleted, or transferred. The ~~first~~ publication shall be within 7 days of filing the application ~~no sooner than 21 days before the date the application is filed, and no later than seven days after the date the application is filed~~.

(8) A copy of the notice(s) and list of the entities receiving notice pursuant to this rule shall accompany the affidavit required by sections 367.045(1)(e) and (2)(f), Florida Statutes. The affidavit shall be filed no later than 15 days after

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

filing the application.

(9) ~~(8)~~ This rule does not apply to applications for grandfather certificates filed under section 367.171, Florida Statutes, or to applications for transfers to governmental authorities filed under Section 367.071, Florida Statutes, or to name changes.

Specific Authority: 367.121(1), F.S.

Law Implemented: 367.031, 367.045, 367.071, F.S.

History: New 4/5/81, formerly 25-10.061, Transferred from 25-10.0061 and Amended 11/9/86, Amended 1/27/91, Amended _____.

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

25-30.032 Applications.

(1) Each utility subject to regulation by the Commission shall apply for an initial certificate of authorization, amendment to an existing certificate of authorization, ~~or~~ transfer<u>, or name change</u> by filing a completed application and <u>12</u> ~~fifteen~~ copies, in accordance with either 25-30.033, 25-30.034, 25-30.035, 25-30.036, ~~or~~ 25-30.037(1) or (2)<u>, or 25-30.039</u>, F.A.C. However, a utility shall apply for a transfer to a governmental authority by filing a completed application and two copies, in accordance with Rule 25-30.037 (3) and (4), F.A.C. The application shall be filed with the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870. Sample application forms may be obtained from the Division of Water and Wastewater, Bureau of Certification, 101 East Gaines Street, Tallahassee, Florida 32399-<u>0850</u>~~0873~~.

(2) A utility may file combined applications if it is applying for certificates of authorization or any amendments thereto for both water and wastewater systems; however, the utility shall remit a separate application fee for each <u>service</u> ~~system~~. The Commission will treat a combined application as if a separate application had been filed for each <u>service</u> ~~system~~.

(3) The official filing date of an application for an original certificate, any amendment to an existing certificate,or any transfer shall be the date a completed application is filed with the Division of Records and Reporting, except that the

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

noticing requirements set forth in Rule 25-30.030, F.A.C., do not need to be completed at that time. If, however, the utility has not completed the noticing within the time limits prescribed by Rule 25-30.030, F.A.C., ~~22 days of filing the application,~~ the official filing date shall be the date the noticing is complete. ~~The affidavit that the applicant has provided notice of its actual application required by Section 367.045, Florida Statutes, shall be filed within 35 days after filing the application.~~

Specific Authority: 367.121, F.S.

Law Implemented: 367.031, 367.045, 367.071, F.S.

History: New 1/27/91, Amended ________.

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

25-30.033 Application for Original Certificate of Authorization and Initial Rates and Charges.

(1) Each application for an original certificate of authorization and initial rates and charges shall provide the following information:

(a) the applicant's name and address;

(b) the nature of the applicant's business organization, i.e., corporation, partnership, limited partnership, sole proprietorship, association, etc.;

(c) the name(s) and address(es) of all corporate officers, directors, partners, or any other person(s) <u>or entities</u> owning an interest in the applicant's business organization;

(d) whether the applicant has made an election under Internal Revenue Code § 1362 to be an S corporation;

(e) a statement showing the financial and technical ability of the applicant to provide service, and the need for service in the proposed area. The statement shall identify any other utilities within <u>the area proposed to be served</u> ~~a 4 mile radius~~ that could potentially provide service, and the steps the applicant took to ascertain whether such other service is available;

(f) A statement that <u>to the best of the applicant's knowledge,</u> the provision of service will be consistent with the water and wastewater sections of the local comprehensive plan~~,~~ as approved by the Department of Community Affairs <u>at the time the application is filed</u>, or, if not <u>consistent</u>, a statement

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

demonstrating why granting the certificate of authorization would be in the public interest.

(g) the date applicant plans to begin serving customers;

(h) the number of equivalent residential connections (ERCs) proposed to be served, by meter size and customer class. If development will be in phases, separate this information by phase;

(i) a description of the types of customers anticipated, i.e., single family homes, mobile homes, duplexes, golf course clubhouse, commercial, etc.;

(j) evidence, in the form of a warranty deed, that the utility owns the land upon which the utility treatment facilities are or will be located, or a copy of an agreement which provides for the continued use of the land, such as a 99-year lease. <u>The Commission may consider a written easement or other cost-effective alternative.</u> The applicant may submit a contract for the purchase and sale of land with an unexecuted copy of the warranty deed, provided the applicant files an executed and recorded copy of the deed, or executed copy of the lease, within <u>30</u> ~~thirty~~ days after the order granting the certificate;

(k) one original and two copies of a sample tariff, containing all rates, classifications, charges, rules, and regulations, which shall be consistent with Chapter 25-9, Florida Administrative Code. Model tariffs are available from the Division of Water and Wastewater, 101 East Gaines Street, Tallahassee, Florida 32399-<u>0850</u>~~0870~~;

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

(l) a description of the territory to be served, using township, range and section references as specified in Rule 25-30.030(2);

(m) one copy of a detailed system map showing the proposed lines, treatment facilities and the territory proposed to be served. The map shall be of sufficient scale and detail to enable correlation with the description of the territory proposed to be served;

(n) one copy of the official county tax assessment map, or other map showing township, range, and section with a scale such as 1"=200' or 1"=400', with the proposed territory plotted thereon by use of metes and bounds or quarter sections, and with a defined reference point of beginning.

(o) a statement regarding the separate capacities of the proposed lines and treatment facilities in terms of ERCs and gallons per day. If development will be in phases, separate this information by phase;

(p) a written description of the type of water treatment, wastewater treatment, and method of effluent disposal;

(q) if (p) above does not include effluent disposal by means of reuse ~~spray irrigation~~, a statement that describes with particularity the reasons for not using reuse ~~spray irrigation~~;

(r) a detailed financial statement (balance sheet and income statement), certified if available, of the financial condition of the applicant, that shows all assets and liabilities of every kind

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

and character. The income statement shall be for the preceding calendar or fiscal year. If an applicant has not operated for a full year, then the income statement shall be for the lesser period. The financial statement shall be prepared in accordance with Rule 25-30.115, Florida Administrative Code. If available, a statement of the source and application of funds shall also be provided;

~~(s) a statement of profit and loss (operating statement), certified if available, of the applicant for the preceding calendar or fiscal year. If an applicant has not operated for a full year, then for the lesser period;~~

(s) ~~(t)~~ a list of all entities, including affiliates, upon which the applicant is relying to provide ~~which have provided, or will provide~~ funding to the utility, and an explanation of the manner and amount of such funding, which shall include their financial statements and ~~or~~ copies of any financial agreements with the utility. This requirement shall not apply to any person or entity holding less than 10 percent ownership interest in the utility;

(t) ~~(u)~~ a cost study including customer growth projections supporting the proposed rates, charges and service availability charges. A sample cost study, and assistance in preparing initial rates and charges, are available from the Division of Water and Wastewater;

(u) ~~(v)~~ a schedule showing the projected cost of the

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

proposed system(s) by uniform system of accounts (USOA) ~~NARUC~~ account numbers pursuant to Rule 25-30.115, F.A.C. and the related capacity of each system in ERCs and gallons per day. If the utility will be built in phases, this shall apply to the first phase;

(v) ~~(w)~~ a schedule showing the projected operating expenses of the proposed system by USOA ~~NARUC~~ account numbers, when 80 percent of the designed capacity of the system is being utilized. If the utility will be built in phases, this shall apply to the first phase; and

(w) ~~(x)~~ a schedule showing the projected capital structure including the methods of financing the construction and operation of the utility until the utility reaches 80 percent ~~%~~ of the design capacity of the system.

(2) The base facility and usage rate structure (as defined in Rule 25-30.437(7), F.A.C.) shall be utilized for metered service, unless an alternative rate structure is supported by the applicant and authorized by the Commission.

(3) A return on common equity shall be established using the current equity leverage formula established by order of this Commission pursuant to section 367.081(4), F.S., unless there is competent substantial evidence supporting the use of a different return on common equity.

(4) Utilities obtaining initial certificates pursuant to this rule are authorized to accrue allowance for funds used during

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

construction (AFUDC) for projects found eligible pursuant to Rule 25-30.116(1), F.A.C.

(a) The applicable AFUDC rate shall be determined as the utility's projected weighted cost of capital as demonstrated in its application for original certificate and initial rates and charges.

(b) A discounted monthly AFUDC rate calculated in accordance with Rule 25-30.116(3), F.A.C., shall be used to insure that the annual AFUDC charged does not exceed authorized levels.

(c) The date the utility shall begin to charge the AFUDC rate shall be the date the certificate of authorization is issued to the utility so that such rate can apply to the initial construction of the utility facilities.

Specific Authority: 367.121, F.S.

Law Implemented: 367.031, 367.045(1), F.S.

History: New 1/27/91, Amended ________.

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

25-30.034 Application for Certificate of Authorization for Existing Utility Currently Charging for Service.

(1) Each existing utility currently charging for service, which is applying for an initial certificate of authorization, other than under section 367.171, Florida Statutes, shall provide the following information:

(a) the utility's complete name and address;

(b) the nature of the utility's business organization, i.e., corporation, partnership, limited partnership, sole proprietorship, association, etc.;

(c) the name(s) and address(es) of all corporate officers, directors, partners, or any other person(s) owning an interest in the utility;

(d) a statement regarding the financial and technical ability of the applicant to continue to provide service;

(e) evidence that the utility owns the land upon which the utility treatment facilities are located, or a copy of an agreement which provides for the continued use of the land, such as a 99-year lease<u>. The Commission may consider a written easement or other cost-effective alternative</u>;

(f) one original and two copies of <u>a model</u> ~~sample~~ tariff, containing all rates, classifications, charges, rules, and regulations, which shall be consistent with Chapter 25-9, Florida Administrative Code. <u>Model</u> ~~Sample~~ tariffs are available from the Division of Water and Wastewater, 101 East Gaines Street,

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

Tallahassee, Florida 32399-0850~~0870~~;

(g) a statement specifying on what date and under what authority the current rates and charges were established;

(h) a description of the territory to be served, using township, range and section references as specified in Rule 25-30.030(2);

(i) one copy of a detailed system map showing the lines, treatment facilities and the territory to be served. Any territory not served at the time of the application shall be specifically identified on the system map. The map shall be of sufficient scale and detail to enable correlation with the description of the territory to be served;

(j) one copy of the official county tax assessment map, or other map showing township, range, and section with a scale such as 1"=200′ or 1"=400′, with the proposed territory plotted thereon by use of metes and bounds or quarter sections, and with a defined reference point of beginning.

(k) the numbers and dates of any permits issued for the systems by the Department of Environmental Protection ~~Regulation~~;

(l) the date the utility was established; ~~and~~

(m) a statement explaining how and why applicant began providing service prior to obtaining a certificate of authorization; and

(n) a schedule showing the number of customers currently served, by class and meter size, as well as the number of customers

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

projected to be served when the requested service territory is fully occupied.

(2) If the applicant is requesting any territory not served at the time of application, provide the following:

(a) a statement showing the need for service in the proposed area; and

(b) a statement that to the best of the applicant's knowledge, the provision of service in this territory will be consistent with the water and wastewater sections of the local comprehensive plan as approved by the Department of Community Affairs at the time the application is filed, or, if not consistent, a statement demonstrating why granting the territory would be in the public interest.

Specific Authority: 367.121, F.S.

Law Implemented: 367.045, F.S.

History: New 1/27/91, Amended _______.

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

25-30.035 Application for Grandfather Certificate.

Each applicant for a certificate of authorization under the provisions of section 367.171, Florida Statutes, shall provide the following information.

(1) the utility's complete name and address;

(2) the nature of the utility's business organization, i.e., corporation, partnership, limited partnership, sole proprietorship, association, etc.;

(3) the name(s) and address(es) of all corporate officers, directors, partners, or any other person(s) owning an interest in the utility;

(4) the date the utility was established;

(5) a description of the types of customers served, i.e., single family homes, mobile homes, duplexes, golf course clubhouse, commercial, etc.;

(6) evidence that the utility owns the land upon which the utility treatment facilities are located, or a copy of an agreement which provides for the continued use of the land, such as a 99-year lease<u>. The Commission may consider a written easement or other cost-effective alternative</u>;

(7) one original and two copies of a ~~sample~~ tariff, containing all rates, classifications, charges, rules, and regulations, which shall be consistent with Chapter 25-9, Florida Administrative Code. Sample tariffs are available from the Division of Water and Wastewater, 101 East Gaines Street,

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

Tallahassee, Florida 32399-0850~~0870~~.

(8) a statement specifying on what date and under what authority the current rates and charges were established;

(9) a description, using township, range, and section references as specified in Rule 25-30.030(2), of the territory the utility was serving, or was authorized to serve by the county which had jurisdiction over the utility on the day Chapter 367, Florida Statutes, became applicable to the utility;

(10) one copy of a detailed system map showing the lines, treatment facilities and the territory to be served. Any territory not served at the time of the application shall be specifically identified, and the map shall be of sufficient scale and detail to enable correlation with the description of the territory to be served;

(11) one copy of the official county tax assessment map, or other map showing township, range, and section, with a scale such as 1"=200′ or 1"=400′, with the proposed territory plotted thereon by use of metes and bounds or quarter sections, and with a defined reference point of beginning; ~~and~~

(12) the numbers and dates of any permits issued for the systems by the Department of Environmental Protection ~~Regulation~~; and

(13) a schedule showing the number of customers currently served, by class and meter size, as well as the number of customers projected to be served when the requested service territory is

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

fully occupied.~~,~~

Specific Authority: 367.121, F.S.

Law Implemented: 367.171, F.S.

History: Amended 7/21/65, 1/7/69, 2/3/70, 3/6/71, 9/12/74, 3/26/81, Formerly 25-10.02, 25-10.002, Amended 11/9/86, Amended 1/27/91, _______.

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

25-30.036 Application for Amendment to Certificate of Authorization to Extend or Delete Service.

(1) This rule applies to any certificated water or wastewater utility that proposes to extend its service territory into an area in which there is no existing water or wastewater system or proposes to delete a portion of its service territory.

(2) A request for service territory expansion and amendment of an existing certificate or issuance of a new certificate shall be considered approved under the following conditions if no protest is timely filed to the notice of application:

(a) the utility has provided a written statement of an officer of the utility that the proposed new territory includes a maximum of 25 equivalent residential connections within such territory at the time the territory is at buildout; and

(b) the utility has provided the written statement of an officer of the utility that, upon investigation, to the best of his or her knowledge:

1. there is no other utility in the area of the proposed territory that is willing and capable of providing reasonably adequate service to the new territory; and

2. the person(s) or business(es) requesting water or wastewater service have demonstrated to the utility that service is necessary because (1) a private well has been contaminated or gone dry, (2) a septic tank has failed; or (3) service is otherwise not available.

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

(c) the utility has filed a completed application in accordance with section (2) of this rule within 45 days of the completion of the notice requirements.

(3) ~~(2)~~ Each utility proposing to extend its service area (except applications filed pursuant to section (2) above, which shall file only (a), (d), (e), (i), (m), (o), (p), (q), and (r) listed below) shall provide the following:

(a) the utility's complete name and address;

(b) a statement showing the financial and technical ability of the utility to provide service and the need for service in the area requested. ~~The statement shall identify any other utilities within a 4 mile radius that could potentially provide such service~~;

(c) a statement that to the best of the applicant's knowledge the provision of service will be consistent with the water and wastewater sections of the local comprehensive plan at the time the application is filed, as approved by the Department of Community Affairs, or, if not, a statement demonstrating why granting the amendment would be in the public interest.

(d) evidence that the utility owns the land upon which the utility treatment facilities that will serve the proposed territory are located or a copy of an agreement, such as a 99-year lease, which provides for the continued use of the land. The Commission may consider a written easement or other cost-effective alternative;

(e) a description of the territory proposed to be served,

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

using township, range and section references as specified in Rule 25-30.030(2);

(f) one copy of a detailed system map showing the proposed lines, treatment facilities, and the territory proposed to be served. The map shall be of sufficient scale and detail to enable correlation with the description of the territory;

(g) if the utility is planning to build a new wastewater treatment plant, or upgrade an existing plant to serve the proposed territory, provide a written description of the proposed method(s) of effluent disposal;

(h) if (g) above does not include effluent disposal by means of reuse ~~spray irrigation~~, a statement that describes with particularity the reasons for not using reuse ~~spray irrigation~~.

(i) one copy of the official county tax assessment map or other map showing township, range, and section, with a scale such as 1"=200' or 1"=400', with the proposed territory plotted thereon by use of metes and bounds or quarter sections, and with a defined reference point of beginning.

(j) a statement describing the capacity of the existing lines, the capacity of the treatment facilities, and the design capacity of the proposed extension;

(k) the numbers and dates of any permits issued for the proposed systems by the Department of Environmental Protection ~~Regulation~~;

(l) a detailed statement regarding the proposed method of

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

financing the construction, and the projected impact on the utility's capital structure;

(m) a description of the types of customers anticipated to be served by the extension, i.e., single family homes, mobile homes, duplexes, golf course clubhouse, commercial, etc.;

(n) a statement regarding the projected impact of the extension on the utility's monthly rates and service availability charges;

(o) the original and two copies of sample tariff sheets reflecting the additional service area; and

(p) the applicant's current certificate for possible amendment.

(q) the number of the most recent order of the Commission establishing or changing the applicant's rates and charges.

(r) an affidavit that the utility has tariffs and annual reports on file with the Commission.

(4) ~~(2)~~ Each utility proposing to delete a portion of its service area shall submit the following:

(a) the utility's complete name and address;

(b) a description of the territory proposed to be deleted, using township, range and section references;

(c) one copy of a detailed system map showing the existing lines, treatment facilities, and territory served. The map shall be of sufficient scale and detail to enable correlation with the legal description of the territory;

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

(d) the number of current active connections within the territory to be deleted;

(e) one copy of the official county tax assessment map, or other map, showing township, range, and section with a scale such as 1"=200' or 1"=400', with the territory proposed to be deleted plotted thereon by use of metes and bounds or quarter sections, and with a defined reference point of beginning.

(f) a statement specifying the reasons for the proposed deletion of territory;

(g) a statement indicating why the proposed deletion of territory is in the public interest;

(h) a statement as to the effect of the proposed deletion on the ability of any customer or potential customer to receive water and wastewater service, including alternative source(s) of service;

(i) the original and two copies of sample tariff sheets reflecting the revised service area; and

(j) the applicant's current certificate for possible amendment.

(k) the number of the most recent order of the Commission establishing or changing the applicant's rates and charges.

(l) an affidavit that the utility has tariffs and annual reports on file with the Commission.

Specific Authority: 367.121, F.S.

Law Implemented: 367.045, F.S.

History: New 1/27/91, Amended _____.

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

25-30.037 Application for Authority to Transfer.

<u>(1) This rule applies to any application for the transfer of an existing water or wastewater system, regardless of whether service is currently being provided. This rule does not apply where the transfer is of an exempt or non-jurisdictional system and will result in the system continuing to be exempt from or not subject to Commission jurisdiction. The application for transfer may result in the transfer of the seller's existing certificate, amendment of the buyer's certificate or granting an initial certificate to the buyer.</u>

<u>(2)</u>~~(1)~~ Each application for transfer of certificate of authorization, facilities or any portion thereof, to a non-governmental entity shall include the following information:

(a) the complete name and address of the <u>seller</u> ~~transferor~~;

(b) the complete name and address of the <u>buyer</u> ~~transferee~~;

(c) the nature of the <u>buyer's</u> ~~transferee's~~ business organization, i.e., corporation, partnership, limited partnership, sole proprietorship, or association;

(d) the name(s) and address(es) of all of the <u>buyer's</u> ~~transferee's~~ corporate officers, directors, partners or any other person(s) who will own an interest in the utility;

(e) the date and state of incorporation or organization of the <u>buyer</u> ~~transferee~~;

(f) the names and locations of any other water or wastewater ~~or water and wastewater~~ utilities owned by the <u>buyer</u> ~~transferee~~;

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

(g) a copy of the contract for sale and all auxiliary or supplemental agreements, which shall include, if applicable:

1. purchase price and terms of payment;~~,~~ ~~and~~

2. a list of and the dollar amount of the assets purchased and liabilities assumed or not assumed, including those of non-regulated operations or entities; and

3. a description of all consideration between the parties, for example, promised salaries, retainer fees, stock, stock options, assumption of obligations.

(h) the contract for sale shall also provide for the disposition, where applicable, of the following:

1. customer deposits and interest thereon;

2. any guaranteed revenue contracts;

3. developer agreements;

4. customer advances;

5. debt of the utility;

6. leases;

(i) a statement describing the financing of the purchase;

(j) a statement indicating how the transfer is in the public interest, including a summary of the buyer's ~~transferee's~~ experience in water or wastewater utility operations, a showing of the buyer's ~~transferee's~~ financial ability to provide service, and a statement that the buyer ~~transferee~~ will fulfill the commitments, obligations and representations of the seller ~~transferor~~ with regard to utility matters;

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

(k) a list of all entities <u>upon which the applicant is relying to provide</u> ~~which have provided, or will provide,~~ funding to the <u>buyer</u> ~~transferee~~, <u>and an explanation of the manner and amount of such funding, which shall include</u> their financial statements and copies of any financial agreements <u>with the utility</u>. <u>This requirement shall not apply to any person or entity holding less than 10 percent ownership interest in the utility</u>;

(l) the proposed net book value of the system as of the date of the proposed transfer. <u>The net book value shall be calculated in accordance with Rule 25-30.0371, F.A.C.</u> If rate base has been established by this Commission, <u>state</u> ~~indicate~~ the order number and date issued and identify all adjustments made to update this rate base to the date of transfer;

(m) a statement setting out the reasons for the inclusion of an acquisition adjustment, if one is requested;

(n) if the books and records of the <u>seller</u> ~~transferor~~ are not available for inspection by the Commission <u>or are not adequate for purposes of establishing the net book value of the system</u>, a statement by the <u>buyer</u> ~~transferee~~ that a good faith, extensive effort has been made to obtain such books and records for inspection by the Commission <u>and detailing the steps taken to obtain the books and records</u>;

<u>(o) a statement from the buyer that it has obtained or will obtain copies of all of the federal income tax returns of the seller from the date the utility was first established, or rate</u>

base was last established by the Commission or, if the tax returns have not been obtained, a statement from the buyer detailing the steps taken to obtain the returns;

(p) a statement from the buyer that after reasonable investigation, the system being acquired appears to be in satisfactory condition and in compliance with all applicable standards set by the Department of Environmental Protection (DEP) or, if the system is in need of repair or improvement, has any outstanding Notice of Violation of any standard set by the DEP or any outstanding consent orders with the DEP, the buyer shall provide a list of the improvements and repairs needed and the approximate cost to make them, a list of the action taken by the utility with regard to the violation, a copy of the Notice of Violation(s), a copy of the consent order and a list of the improvements and repairs consented to and the approximate cost to make them;

(q) ~~(o)~~ evidence that the utility owns the land upon which the utility treatment facilities are located, or a copy of an agreement which provides for the continued use of the land, such as a 99-year lease. The Commission may consider a written easement or other cost-effective alternative;

(r) ~~(p)~~ a statement regarding the disposition of any outstanding regulatory assessment fees, fines, or refunds owed;

(s) ~~(q)~~ the original and two copies of sample tariff sheets reflecting the change in ownership; and

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

(t) ~~(r)~~ the utility's current certificate(s), or if not available, provide an explanation of the steps the applicant took to obtain the certificate(s).

(3) ~~(2)~~ In case of a change in majority organizational control, the application shall include the following information:

(a) the complete name and address of the seller ~~the information required under paragraphs (a), (b), (d), (f), (i), (j), (k), (o), and (q) of subsection (1)~~;

(b) the complete name and address of the buyer ~~a copy of the purchase agreement~~;

(c) the name(s) and address(es) of all of the buyer's corporate officers, directors, partners and any other person(s) who will own an interest in the utility; ~~a statement from the transferee that it has obtained or will obtain all the books and records of the utility; and~~

(d) the names and locations of any other water or wastewater utilities owned by the buyer ~~if the books and records of the transferor are not available, a statement by the transferee that a good faith, extensive effort has been made to obtain such books and records~~;

(e) a statement describing the financing of the purchase;

(f) a statement describing how the transfer is in the public interest, including a summary of the buyer's experience in water or wastewater utility operations, a showing of the buyer's financial ability to provide service, and a statement that the buyer will

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

<u>fulfill the commitments, obligations and representations of the seller with regard to utility matters;</u>

<u>(g) a list of all entities, including affiliates, that have provided, or will provide, funding to the buyer, and an explanation of the manner and amount of such funding, which shall include their financial statements and copies of any financial agreements with the utility. This requirement shall not apply to any person or entity holding less than 10 percent ownership interest in the utility;</u>

<u>(h) a statement from the buyer that after reasonable investigation, the system being acquired appears to be in satisfactory condition and in compliance with all applicable standards set by the DEP or, if the system is in need of repair or improvement, has any outstanding Notice of Violation(s) of any standard(s) set by the DEP or any outstanding consent orders with the DEP, the buyer shall provide a list of the improvements and repairs needed and the approximate cost to make them, a list of the action taken by the utility with regard to the violations, a copy of the Notice of Violation(s), a copy of the consent order and a list of the improvements and repairs consented to and the approximate cost;</u>

<u>(i) evidence that the utility owns the land upon which the utility treatment facilities are located, or a copy of an agreement which provides for the continued use of the land, such as a 99-year lease. The Commission may consider a written easement or other</u>

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

cost effective alternative;

(j) the original and two copies of sample tariff sheets reflecting the change in ownership; and

(k) the utility's current certificate(s), or if not available, the applicant shall provide an explanation of the steps the applicant took to obtain the certificate(s).

~~(a) the information required under paragraphs (a), (b), (d), (f), (i), (j), (k), (o), and (q) of subsection (1);~~

(4) ~~(3)~~ Each application for transfer of certificate of authorization, facilities, or any portion thereof, or majority organizational control to a governmental authority shall contain the following information:

(a) the name and address of the utility and its authorized representative;

(b) the name of the governmental authority and the name and address of its authorized representative;

(c) a copy of the contract or other document transferring the utility system to the governmental authority;

(d) a list of any utility assets not transferred to the governmental authority if such remaining assets constitute a system providing or proposing to provide water or wastewater service to the public for compensation;

(e) ~~(c)~~ a statement that the governmental authority obtained, from the utility or Commission, the most recent available income and expense statement, balance sheet, statement of rate base for

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

regulatory purposes, and contributions-in-aid-of-construction;

(f) ~~(d)~~ the date on which the governmental authority proposes to take official action to acquire the utility;

(g) ~~(e)~~ a statement describing the disposition of customer deposits and interest thereon; and

(h) ~~(f)~~ a statement regarding the disposition of any outstanding regulatory assessment fees, fines or refunds owed.

(5) ~~(4)~~ If a utility is transferring a portion of its facilities to a governmental agency, it must provide the following additional information:

(a) a description of the remaining territory using township, range, and section references;

(b) one copy of the official county tax assessment map, or other map, showing township, range, and section with a scale such as 1"=200' or 1"=400', with the remaining territory plotted thereon by use of metes and bounds or quarter sections, and with a defined reference point of beginning.

(c) the original and two copies of sample tariff sheets reflecting the remaining territory.

(6) ~~(5)~~ Upon its receipt of items required in (4) ~~(3)~~ (a), (b), (c), ~~and~~ (d), (e) and (f), the Commission will issue an order acknowledging that the facilities or any portion thereof have been acquired by the governmental authority.

(7) ~~(6)~~ Upon receipt of the items required in (4) ~~(3)~~ (g) ~~(e)~~ and (h) ~~(f)~~ and, if applicable, (5) ~~(4)~~ (a), (b), and (c), ~~upon payment of~~

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

~~all regulatory assessment fees due and owing,~~ and upon the completion of all pending proceedings before the Commission, the ~~Commission will issue an order amending or cancelling the~~ utility's certificate <u>will be amended or cancelled</u>. <u>Amendment or cancellation of the certificate shall not affect the utility's obligation pursuant to Rule 25-30.120, F.A.C., Regulatory Assessment Fees.</u>

Specific Authority: 367.121, F.S.

Law Implemented: 367.071 F.S.

History: New 1/27/91, Amended _______.

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

25-30.039 Application for Name Change.

(1) This rule shall apply to a certificated utility that changes its name only, with no change in the ownership or control of the utility or its assets.

(2) Each application for approval of a change in name of a certificated utility shall include the following information:

(a) The complete name, address, and type of business entity of the certificated utility;

(b) The proposed change in name and the type of business entity under the new name;

(c) A statement setting out the reasons for the name change;

(d) The effective date of the name change;

(e) In the case of a corporation, limited partnership, or any other type of entity that is chartered by the State of Florida or any other state, a copy of the certificate or other document issued by the state showing its acceptance of the entity's new name. In addition, an officer of the entity shall provide a statement that the ownership and control of the utility and its assets will not change under the proposed name. In the case of a sole proprietorship, general partnership, or any other type of entity not chartered by the State of Florida or any other state, a statement, signed by a duly authorized representative, that the ownership and control of the utility and its assets will not change under the proposed name;

(f) A proposed notice to be sent to the customers of the utility informing them of the change in utility name;

(g) An original and two copies of a proposed tariff reflecting the name change, including all standard forms; and,

(h) The applicant's current certificate.

(3) After the Commission staff approves the customer notice, the utility shall send the approved customer notice to all existing customers with the next regular billing, advising them of the name change.

Specific Authority: 367.121, F.S.

Law Implemented: 367.121, F.S.

History: New.

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

25-30.060 Application for Exemption from Regulation or Nonjurisdictional Finding.

(1) Each application for an exemption shall be filed in original and two copies, ~~except that applications filed under Section 367.022(7), Florida Statutes, shall be filed in original and 15 copies,~~ with the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870. Sample application forms may be obtained from the Division of Water and Wastewater ~~Sewer~~, Bureau of Certification, 101 East Gaines Street, Tallahassee, Florida 32399-0850~~0873~~.

(2) Each application for an exemption from regulation shall contain the following information:

(a) The name of the system owner;

(b) The physical address of the system;

(c) The mailing address of the applicant, if different from the system address;

(d) The name, address, and phone number of the primary contact person for the exemption request;

(e) The nature of the applicant's business organization, e.g., corporation, partnership, limited partnership, sole proprietorship, association; and

(f) A statement that the applicant is aware that pursuant to Section 837.06, Florida Statutes, whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a

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

misdemeanor of the second degree, punishable as provided in s. 775.082, s. 775.083, or s. 775.084.

(3) Each application must specifically state which type of exemption is being applied for and contain one of the following:

(a) For an exemption pursuant to Section 367.022(1), Florida Statutes, a statement from the owner of the system that the system is used solely to provide bottled water and that water is not provided to customers through a water main or service pipe;

(b) For an exemption pursuant to Section 367.022(2), Florida Statutes, a statement from the governmental authority specifying the statutory authority for the governmental authority; that the system is owned, operated, managed, or controlled by the governmental authority; stating whether it provides water service, wastewater service or both; and specifying the service area. The applicant shall describe with particularity the nature of the ownership, operation, management, and control of the system;

(c) For an exemption pursuant to Section 367.022(3), Florida Statutes, a statement from the manufacturer that service is provided solely in connection with its operations; stating whether it provides water service, wastewater service or both; and specifying the service area;

(d) For an exemption pursuant to Section 367.022(4), Florida Statutes, a statement from the public lodging establishment that service is provided solely in connection with service to its guests; stating whether it provides water service, wastewater service or both; and specifying the service area;

(e) For an exemption pursuant to Section 367.022(5), Florida Statutes, a statement from the landlord that it provides service solely to tenants; that charges for service are non-specifically contained in rental charges; stating whether it provides water service, wastewater service or both; and specifying the service area. A copy of the landlord's most recent version of a standard lease or rental agreement, ~~stating that there is no separate charge for water service, wastewater service, or both,~~ shall be submitted with the application;

(f) For an exemption pursuant to Section 367.022(6), Florida Statutes, a statement from the owner of the system that the system has or will have the capacity to serve 100 or fewer persons; stating whether it provides water service, wastewater service or both; and specifying the service area. The applicant shall submit documentation verifying the capacity of the system(s). For a wastewater system, the capacity of both the treatment and disposal facilities shall be documented;

(g) For an exemption pursuant to Section 367.022(7), Florida Statutes, a statement from the corporation, association, or cooperative that it is nonprofit; that it provides service solely to members who own and control it; stating whether it provides water service, wastewater service or both; specifying who will do the billing for such service; and specifying the service area. The applicant must submit its articles of incorporation as filed with

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

the Secretary of State and its bylaws, which documents must clearly show the requirements for membership, that the members' voting rights are one vote per unit of ownership, and the circumstances under which control of the corporation passes to the non-developer members. Control of the corporation must pass: 1) at 51 percent ownership by the non-developer members or, 2) at some greater percentage delimited by a time period not to exceed 5 years from the date of incorporation. The applicant must provide proof of its ownership of the utility facilities and the land upon which the facilities will be located or other proof of its right to continued use of the land, such as a 99-year lease. <u>The Commission may consider a written easement or other cost-effective alternative</u>;

(h) For an exemption pursuant to Section 367.022(8), Florida Statutes, a statement from the reseller that service is provided at a rate or charge that does not exceed the actual purchase price; stating that the reseller is aware of the requirements of Rule 25-30.111, Florida Administrative Code; <u>stating that the reseller is aware of the requirements of Section 367.122, Florida Statutes, and Rules 25-30.262, .263, .264, .265, .266 and .267, Florida Administrative Code, relating to examination and testing of meters;</u> stating whether it provides water service, wastewater service or both; and specifying the service area. The reseller must also provide the name of the utility providing service to it and that utility's current rates and charges. The reseller must submit a schedule of all of its proposed rates and charges, an explanation

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

of the proposed method of billing customers, separately, for both water and wastewater, and a schedule showing that the amount billed will not exceed the amount paid for water, wastewater, or both;

(i) For an exemption pursuant to Section 367.022(9), Florida Statutes, a statement from the owner of the wastewater system that the system is primarily for the treatment of wastewater other than domestic wastewater, such as runoff and leachate from areas that receive pollutants associated with industrial or commercial storage, handling or processing; identifying the principal source or nature of such wastewater; and specifying the service area;

(j) For a nonjurisdictional finding pursuant to Section 367.021(12), Florida Statutes, a statement from the system owner stating that it does not charge for providing utility service; specifying how operational costs of providing service are treated or recovered; stating whether it provides water service, wastewater service, or both; and specifying the service area.

Specific Authority: 367.121(1), F.S.

Law Implemented: 367.021(12), 367.022, 367.031, F.S.

History: New 1/5/92, Amended _____.

25-30.090 Abandonments.

(1) This rule applies to any person, lessee, trustee, or receiver owning, operating, managing, or controlling a utility which intends to abandon the utility. The provisions of this rule are intended to prevent service interruptions to the utility customers.

(2) The notice required by section 367.165, F.S., shall include the following:

(a) The utility's name and address;

(b) The person to contact regarding this notice, their address and telephone number;

(c) The location of the utility's books and records;

(d) The date of the notice;

(e) The date the utility will be abandoned;

(f) Whether the water system, wastewater system, or both are to be abandoned;

(g) A statement of the reason the utility is to be abandoned;

(h) A statement of the status of the utility with the Department of Environmental Protection regarding outstanding citations or violations.

(3) Within 10 days of the appointment of a receiver by the circuit court, the receiver shall request from the Commission a copy of the utility's tariff and most recent annual report.

(4) Within 90 days of the appointment of the receiver, the receiver shall file a proposed tariff revision amending the title

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

page to reflect the name, address and telephone number of the receiver. This shall not affect the certificated name of the utility.

(5) During the pendency of the receivership, the receiver shall be responsible for fulfilling the utility's obligations pursuant to Chapter 367, F.S., and Chapter 25-30, F.A.C. In no event shall a receiver be held responsible for failure to provide safe, efficient and sufficient service where such failure is substantially caused by actions or omissions pre-dating appointment of the receiver, unless the receiver is given reasonable opportunity to rectify such failure.

(6) If the receiver appointed by the circuit court is a governmental authority as defined by section 367.021(7), F.S., the governmental authority, upon request, shall be found exempt pursuant to section 367.022(2), F.S.

Specific Authority: 367.121, F.S.

Law Implemented: 367.165, F.S.

History: New.

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

25-30.111 Exemption for Resale of Utility Service, Annual Report.

Any person who has been granted an exemption from regulation as a reseller of ~~resells~~ water or wastewater ~~sewer~~ service ~~and claims the exemption~~ provided for in subsection 367.022(8), F.S., shall file a report by March 31 of each year following the year for which the exemption is claimed. The report shall contain the following:

(1) A schedule, listing by month, the rates charged for and total revenue received from the water or wastewater service sold.

(2) A schedule, listing by month, the rates charged and total expense incurred for the purchase of the water or wastewater ~~sewer~~ service.

(3) A statement listing the source from which the water or wastewater ~~sewer~~ service was purchased.

Specific Authority: 367.121(1), F.S.

Law Implemented: 367.022(8), F.S.

History: New 3/26/81, Formerly 25-10.09, 25-10.009, Amended 11/9/86, ________.

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

25-30.117 Accounting for Pension Costs.

Any utility that has an established defined benefit pension plan as defined by the Financial Accounting Standard's Board in the Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions (SFAS 87), dated December, 1985, shall account for these costs pursuant to SFAS 87 as it applies to business enterprises in general.

Specific Authority: 367.121, F.S.

Law Implemented: 367.121, F.S.

History: New ________.

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

25-30.135 Tariffs, Rules and Miscellaneous Requirements.

(1) Each utility shall adopt and file tariffs in accordance with Chapter 25-9, Florida Administrative Code.

(2) No utility may modify or revise its rules or regulations or its schedules of rates and charges until the utility files and receives approval from the Commission for any such modification or revision.

(3) Each utility shall maintain for customer inspection upon request during regular business hours at its main in-state business office, a current copy of Chapters 25-9, 25-22 and 25-30, Florida Administrative Code, a current copy of Chapter 367, F.S., and a copy of the utility's current tariffs, and current developer agreements. The Commission shall provide current copies of the above rules and statute to each utility ~~rules, regulations and schedules.~~

Specific Authority: 367.121, F.S.

Law Implemented: 367.081, F.S.

History: Amended 9/12/74, Formerly 25-10.41, 25-10.041, Amended 11/9/86, _______.

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

25-30.320 Refusal or Discontinuance of Service.

(1) Until adequate facilities can be provided, a utility may refuse to serve an applicant if, in the best judgment of the utility, it does not have adequate facilities, or supply to render the service applied for, or if the service is of character that is likely to affect unfavorably service to other customers.

(2) As applicable, the utility may refuse or discontinue service under the following conditions provided that, unless otherwise stated, the customer shall be given <u>written</u> notice and allowed a reasonable time to comply with any rule or remedy any deficiency:

(a) For noncompliance with or violation of any state or municipal law or regulation governing such utility service.

(b) For failure or refusal of the customer to correct any deficiencies or defects in his piping or equipment which are reported to him by the utility.

(c) For the use of utility service for any other property or purpose than that described in the application.

(d) For failure or refusal to provide adequate space for the meter or service equipment of the utility.

(e) For failure or refusal to provide the utility with a deposit to insure payment of bills in accordance with the utility's regulation.

(f) For neglect or refusal to provide reasonable access to the utility for the purpose of reading meters or inspection and

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

maintenance of equipment owned by the utility.

(g) For nonpayment of bills or noncompliance with utility's rules and regulations in connection with the same or a different type or a different class of utility service furnished to the same customer at the same premises by the same or affiliated utility only after there has been a diligent attempt to have the customer comply, including at least 5 working days' written notice to the customers. Such notice shall be separate and apart from any bill for service. For purposes of this subsection, "working day" means any day on which the utility's office is open and the U.S. Mail is delivered. A utility shall not, however, refuse or discontinue service for nonpayment of a dishonored check service charge imposed by the utility.

(h) Without notice in the event of a condition known to the utility to be hazardous.

(i) Without notice in the event of tampering with regulators, valves, piping, meter or other facilities furnished and owned by the utility.

(j) Without notice in the event of unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of such service, the utility, before restoring service, may require the customer to make at his own expense all changes in piping or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the deficiency in revenue resulting from such fraudulent use. Service shall not be

<u>discontinued if, prior to the arrival of the utility to discontinue service, the customer has:</u>

<u>1. paid for all fraudulent use of service;</u>

<u>2. demonstrated the fraudulent use has ceased;</u>

<u>3. paid all other applicable fees and charges; and</u>

<u>4. the service condition allowing fraudulent use of service has been corrected.</u>

(3) Service shall be restored when cause for discontinuance has been satisfactorily adjusted.

(4) In case of refusal to establish service, or whenever service is discontinued, the utility shall notify the applicant or customer in writing of the reason for such refusal or discontinuance. In all instances involving refusal or discontinuance of service the utility shall advise in its notice that persons dissatisfied with the utility's decision to refuse or discontinue service may register their complaint with the utility's Customer Relations Personnel and to the Florida Public Service Commission at 1-800-342-3552, which is a toll free number.

(5) The following shall not constitute sufficient cause for refusal or discontinuance of service to an applicant or customer:

(a) Delinquency in payment for service by a previous occupant of the premises unless the current applicant or customer occupied the premises at the time the delinquency occurred and the previous customer continues to occupy the premises and such previous customer will receive benefit from such service.

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

(b) Failure to pay for appliances or equipment purchased from the utility.

(c) Failure to pay for a different class of service, except where two or more classes of service are rendered to the same customer at the same premises.

(d) Failure to pay the bill of another customer as guarantor thereof.

(e) Failure to pay a dishonored check service charge imposed by the utility.

(6) No utility shall discontinue service to any customer, between 12:00 noon on a Friday and 8:00 a.m. the following Monday or between 12:00 noon on the day preceding a public holiday and 8:00 a.m. the next working day; provided, however, that this prohibition shall not apply when:

(a) Discontinuance is requested by or agreed to by the customer; or

(b) A hazardous condition exists; or

(c) Meters or other utility-owned facilities have been tampered with; or

(d) Service is being obtained fraudulently or is being used for unlawful purposes.

Specific Authority: 367.121, F.S.

Law Implemented: 367.081, 367.121, F.S.

History: Amended 9/12/74, 4/3/80, formerly 25-10.74, 25-10.074, Amended 11/9/86, 1/1/91, 1/11/93, _______.

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

25-30.335 Customer Billing.

(1) Except as provided in this rule, a utility shall render bills to customers at regular intervals, and each bill shall indicate: the billing period covered; the applicable rate schedule; beginning and ending meter reading; the amount of the bill; ~~as applicable, gross and/or net billing, and/or discount or penalty; and final discount or penalty date; and~~ the delinquent date or the date after which the bill becomes past due; and any authorized late payment charge.

(2) If the utility estimates the bill, the utility shall indicate on the bill that the amount owed is an estimated amount.

(3) When service is rendered for less than 50 ~~fifty~~ percent of the normal billing cycle, the utility shall prorate the base facility charges as though the normal billing cycle were 30 ~~thirty~~ days, except that the utility may elect not to issue an initial bill for service if the service is rendered during a time period which is less than 50 ~~fifty~~ percent of the normal billing cycle. Instead, the utility may elect to combine the amount owed for the service rendered during the initial time period with the amount owed for the next billing cycle, and issue a single bill for the combined time period. For service taken under flat rate schedules, 50 ~~fifty~~ percent ~~(50%)~~ of the normal charges may be applied.

(4) A utility may not consider a customer delinquent in paying his or her bill until the 21st ~~twenty first~~ day after the utility has mailed or presented the bill for payment.

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

(5) Each utility shall establish each point of delivery as an independent customer and shall calculate the amount of the bill accordingly, except where physical conditions make it necessary to use additional meters or points of delivery for one class of service to a single customer on the same premises, or where such multiple meters or delivery points are used for the convenience of the utility.

(6) A utility may not incorporate municipal or county franchise fees into the amount indicated as the cost for service on the customer's bill. Rather, the utility shall show any such franchise fee as a separate item.

(7) The utility shall maintain a record of each customer's account for the most current 2 ~~two~~ years so as to permit reproduction of the customer's bills during the time that the utility provided service to that customer.

(8) In the event of unauthorized use of service by a customer, a utility may bill the customer on a reasonable estimate of the service taken. In addition, the utility may assess a fee to defray the cost of restoring service to such a customer provided that the fee is specified in the utility's tariff.

(9) If a utility utilizes the base facility and usage charge rate structure and does not have a Commission authorized vacation rate, the utility shall bill the customer the base facility charge regardless of whether there is any usage.

Specific Authority: 367.121, F.S.

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

Law Implemented: 367.121, F.S.
History: Amended 9/14/75, 6/21/79, formerly 25-10.97, Transferred from 25-10.097 and 25-10.111, and Amended 11/9/86, Amended ______.

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

25-30.360 Refunds.

(1) Applicability. With the exception of deposit refunds, all refunds ordered by the Commission shall be made in accordance with the provisions of this Rule, unless otherwise ordered by the Commission.

(2) Timing of Refunds. Refunds must be made within 90 ~~ninety (90)~~ days of the Commission's order unless a different time frame is prescribed by the Commission. A timely motion for reconsideration temporarily stays the refund, pending the final order on the motion for reconsideration. ~~Unless a stay has been requested in writing and granted by the Commission, a motion for reconsideration of an order requiring a refund will not delay the timing of the refund.~~ In the event of ~~that~~ a stay ~~is granted~~ pending reconsideration, the timing of the refund shall commence from the date of the order disposing of any motion for reconsideration. This rule does not authorize any motion for reconsideration not otherwise authorized by Chapter 25-22, Florida Administrative Code.

(3) Basis of Refund. Where the refund is the result of a specific rate change, including interim rate increases, and the refund can be computed on a per customer basis, that will be the basis of the refund. However, where the refund is not related to specific rate changes, such as a refund for overearnings, the refund shall be made to customers of record as of a date specified by the Commission. In such case, refunds shall be made on the

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

basis of usage. Per customer refund refers to a refund to every customer receiving service during the refund period. Customer of record refund refers to a refund to every customer receiving service as of a date specified by the Commission.

(4) Interest.

(a) In the case of refunds which the Commission orders to be made with interest, the average monthly interest rate until refund is posted to the customers account shall be based on the 30 ~~thirty (30)~~ day commercial paper rate for high grade, unsecured notes sold through dealers by major corporations in multiples of $1,000 as regularly published in the Wall Street Journal.

(b) This average monthly interest rate shall be calculated for each month of the refund period:

1. By adding the published interest rate in effect for the last business day of the month prior to each month of the refund period and the published rate in effect for the last business day of each month of the refund period, divided by 24 ~~twenty four (24)~~ to obtain the average monthly interest rate;
2. The average monthly interest rate for the month prior to distribution shall be the same as the last calculated average monthly interest rate.

(c) The average monthly interest rate shall be applied to the sum of the previous month's ending balance (including monthly interest accruals) and the current month's ending balance divided

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

by 2 ~~two (2)~~ to accomplish a compounding effect.

(d) Interest Multiplier. When the refund is computed for each customer, an interest multiplier may be applied against the amount of each customer's refund in lieu of a monthly calculation of the interest for each customer. The interest multiplier shall be calculated by dividing the total amount refundable to all customers, including interest, by the total amount of the refund, excluding interest. For the purpose of calculating the interest multiplier, the utility may, upon approval by the Commission, estimate the monthly refundable amount.

(e) Commission staff shall provide applicable interest rate figures and assistance in calculations under this Rule upon request of the affected utility.

(5) Method of Refund Distribution. For those customers still on the system, a credit shall be made on the bill. In the event the refund is for a greater amount than the bill, the remainder of the credit shall be carried forward until the refund is completed. If the customer so requests, a check for any negative balance must be sent to the customer within 10 ~~ten (10)~~ days of the request. For customers entitled to a refund but no longer on the system, the company shall mail a refund check to the last known billing address except that no refund for less than $1.00 will be made to these customers.

(6) Security for Money Collected Subject to Refund. In the case of money being collected subject to refund, the money shall be

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

secured by a bond unless the Commission specifically authorizes some other type of security such as placing the money in escrow, approving a corporate undertaking, or providing a letter of credit. The company shall provide a report by the 20th of each month indicating the monthly and total amount of money subject to refund as of the end of the preceding month. The report shall also indicate the status of whatever security is being used to guarantee repayment of the money.

(7) Refund Reports. During the processing of the refund, monthly reports on the status of the refund shall be made by the 20th of the following month. In addition, a preliminary report shall be made within 30 ~~thirty (30)~~ days after the date the refund is completed and again 90 days thereafter. A final report shall be made after all administrative aspects of the refund are completed. The above reports shall specify the following:

(a) The amount of money to be refunded and how that amount was computed;

(b) The amount of money actually refunded;

(c) The amount of any unclaimed refunds; and

(d) The status of any unclaimed amounts.

(8) Any unclaimed refunds shall be treated as cash contributions-in-aid-of-construction.

~~(8) With the last report under subsection (7) of this Rule, the company shall suggest a method for disposing of any unclaimed amounts. The Commission shall then order a method of disposing of~~

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

~~the unclaimed funds.~~

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

Law Implemented: 367.081(6), 367.082(2), F.S.

History: New 8/17/83, Formerly 25-10.76, 25-10.076, Amended 11/9/86, ______.

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

25-30.430 Test Year Approval.

(1) Prior to the filing of an application for a general rate increase a utility shall submit to the Commission a written request for approval of a test year, supported by a statement of reasons and justifications showing that the requested test year is representative of utility operations. The Commission Chairman will then approve or disapprove the request within 30 days from the receipt of the request. In disapproving the requested test year, the Chairman may suggest another test year. Within 30 days of the Chairman's approval or disapproval of a test year, upon request of any interested person the full Commission may review the Chairman's test year decision.

(2) Each applicant for test year approval shall submit the following information in its written request to the Chairman:

(a) A statement explaining why the requested test year is representative of the utility's current operations.

(b) A general statement of major plant expansions or changes in operational methods which:

1. Have occurred in the most recent 18 months or since the last test year, whichever is less;

2. Will occur during the requested test year.

(c) A general statement of all known estimated pro forma adjustments which will be made to the requested test year amounts.

(d) If a projected test year is requested, provide an explanation as to why the projected period is more representative

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

of the utility's operations than a historical period.

(3) Any requests for extensions of time to file the application shall be made to the Director, Division of Water and Wastewater. Upon good cause shown and if the extension will not cause the approved test year to be unrepresentative, the Director shall grant an extension in writing. ~~In the test year approval letter the Commission Chairman may advise whether or not prepared testimony in support of the utility's application will be required to be filed as part of the minimum filing requirements.~~

~~(a) Prepared testimony will be required, as part of the minimum filing requirements, for all cases anticipated to require a formal hearing, rather than a proposed agency action process.~~

~~(b) Where prepared testimony is not required to be filed as part of the minimum filing requirements, it may be required by the Commission or the Commission Chairman during a rate case proceeding.~~

Specific Authority: 367.121, F.S.

Law Implemented: 367.081, F.S.

History: New 6/10/75, Amended 6/13/79, 3/26/81, 9/27/83, Transferred from 25-10.175 and Amended 11/9/86, 6/25/90, _____.

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

25-30.433 Rate Case Proceedings. In a rate case proceeding, the following provisions shall apply, unless the applicant or any intervenor demonstrates that these rules result in an unreasonable burden. In these instances, fully supported alternatives will be considered by the Commission. Any alternatives proposed by the utility must be filed with the minimum filing requirements.

(1) The Commission in every rate case shall make a determination of the quality of service provided by the utility. This shall be derived from an evaluation of three separate components of water and wastewater utility operations: quality of utility's product (water and wastewater); operational conditions of utility's plant and facilities; and the utility's attempt to address customer satisfaction. Sanitary surveys, outstanding citations, violations and consent orders on file with the Department of Environmental Protection (DEP) and county health departments (HRS) or lack thereof over the preceding 3-year period shall also be considered. DEP and HRS officials' testimony concerning quality of service as well as the testimony of utility's customers shall be considered.

(2) Working capital for Class A utilities shall be calculated using the balance sheet approach. Working capital for Class B and C utilities shall be calculated using the formula method (one-eighth of operation and maintenance expenses).

(3) Reserved.

(4) The averaging method used by the Commission to calculate

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

<u>rate base and cost of capital shall be a 13-month average for Class A utilities and the simple beginning and end-of-year average for Class B and C utilities.</u>

<u>(5) Non-used and useful adjustments shall be applied to the applicable depreciation expense. Property tax expense on non-used and useful plant shall not be allowed.</u>

<u>(6) Charitable contributions shall not be recovered through rates.</u>

<u>(7) Income tax expense shall not be allowed for Subchapter S corporations, partnerships or sole proprietorships.</u>

<u>(8) Non-recurring expenses shall be amortized over a 5-year period unless a shorter or longer period of time can be justified.</u>

<u>(9) The amortization period for forced abandonment or the prudent retirement, in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts, of plant assets prior to the end of their depreciable life shall be calculated by taking the ratio of the net loss (original cost less accumulated depreciation and contributions-in-aid-of-construction (CIAC) plus accumulated amortization of CIAC plus any costs incurred to remove the asset less any salvage value) to the sum of the annual depreciation expense, net of amortization of CIAC, plus an amount equal to the rate of return that would have been allowed on the net invested plant that would have been included in rate base before the abandonment or retirement. This formula shall be used unless the specific circumstances surrounding the abandonment</u>

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

or retirement demonstrate a more appropriate amortization period.

(10) A utility is required to own the land upon which the utility treatment facilities are located, or possess the right to the continued use of the land, such as a 99-year lease. The Commission may consider a written easement or other cost-effective alternative.

(11) In establishing an authorized rate of return on common equity, a utility, in lieu of presenting evidence, may use the current leverage formula adopted by Commission order. The equity return established shall be based on the equity leverage order in effect at the time the Commission decides the case.

(12) Nonutility investment should be removed directly from equity when reconciling the capital structure to rate base unless the utility can show, through competent evidence, that to do otherwise would result in a more equitable determination of the cost of capital for regulatory purposes.

(13) Interest expense to be included in the calculation of income tax expense shall be the amount derived by multiplying the amount of the debt components of the reconciled capital structure times the average weighted cost of the respective debt components. Interest expense shall include an amount for the parent debt adjustment in those cases covered by Rule 25-14.004. Interest shall also be imputed on deferred investment tax credits in those cases covered by 26 CFR Part 1, s. 1.46-6(b)(2)(i), (3) and (4)(ii) issued May 22, 1986 and effective for property constructed or

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

acquired on or after August 15, 1971.

Specific Authority: 367.121, F.S.

Law Implemented: 367.081, F.S.

History: New.

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

25-30.434 Application for Allowance For Funds Prudently Invested (AFPI) Charges.

(1) An Allowance For Funds Prudently Invested (AFPI) charge is a mechanism which allows a utility the opportunity to earn a fair rate of return on prudently constructed plant held for future use from the future customers to be served by that plant in the form of a charge paid by those customers.

(2) Each application for AFPI charges shall comply with the notice requirements specified in Rule 25-22.0408, F.A.C.

(3) Each application for AFPI charges shall provide the following information. If any of the following items do not apply to the applicant, the applicant shall state the reason it does not apply.

(a) The applicant's name and address.

(b) A statement describing how the noticing requirements have been complied with, including a copy of the actual notice(s).

(c) The numbers of all Commission order(s) that:

1. previously established customer rates for the applicant either in a rate case or a reverse make-whole proceeding; and

2. established AFPI charges for the applicant.

(d) The charge shall be calculated for one equivalent residential connection (ERC) on a monthly basis up to the time the utility reaches the designed capacity of the plant for which the charge applies. The charges shall cease when the plant has reached its designed capacity.

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

(e) A statement explaining the basis for the requested charges and conditions.

(f) The dollar amount of the non-used and useful plant and the accumulated depreciation, and the methodology used to determine these amounts. The net of these two amounts shall be considered the cost of qualifying assets. Separate balances for plant and for accumulated depreciation shall be reported for the water treatment plant, wastewater treatment plant, water transmission and distribution system and wastewater collection system.

(g) The plant capacity related to each of the systems in (f) above and the methodology used to determine the amount.

(h) The number of future customers in number of ERCs related to the non-used and useful plant by system.

(i) The amount of depreciation expense and composite depreciation rate related to the non-used and useful plant by system.

(j) The overall rate of return requested for the AFPI charge and the workpapers supporting the calculation.

(k) The last authorized rate of return on equity and references to the docket number of the last rate case and the resulting order.

(l) The state and federal income tax rates requested for calculating the AFPI charge.

(m) All other costs such as non-used and useful property taxes and operation and maintenance expenses removed in the last

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

rate case.

(n) The test year to be used in the calculation, the month that the utility expects the charge to go into effect and the number of years the utility expects to collect the charge. Provide a detailed explanation of why the number of years to collect the charge represents a reasonable and prudent management decision in the construction of plant.

(o) The workpapers and calculations used to develop the proposed AFPI charge. The utility may obtain a diskette that outlines the calculation and schedules to be used by calling or writing the Bureau of Economic Regulation, Division of Water and Wastewater, 904/488-8482. The required schedules that shall be submitted are "AFPI Filing Schedules", Commission Form PSC/WAW 26 (/), incorporated by reference into this rule, and are as follows:

Schedule 1 - List of Information Imputed Into Calculation

Schedule 2 - Calculation Of Carrying Costs Per ERC

Schedule 3 - Calculation Of Carrying Costs Per ERC Per Year

Schedule 4 - Calculation Of Carrying Costs Per ERC Per Month

The form may be obtained from the Commission's Division of Water and Wastewater, 101 East Gaines Street, Tallahassee, Florida 32399-0850.

(p) The revised or original tariff sheets necessary to incorporate the AFPI charge into the tariff.

(4) The beginning date for accruing the AFPI charge shall

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

agree with the month following the end of the test year that was used to establish the amount of non-used and useful plant. If any connections have been made between the beginning date and the effective date of the charge, no AFPI will be collected from those connections.

(5) Unless the utility demonstrates that the 5-year period is inappropriate, it is prudent for a utility to have an investment in future use plant for a period of no longer than 5 years beyond the test year.

(6) For utilities that have non-used and useful plant to be held for periods longer than what is determined to be prudent, the AFPI charge will cease accruing charges and will remain constant after the accrual period, established by the Commission, has expired. The utility can continue to collect the constant charge until all ERCs projected in the calculation have been added.

Specific Authority: 367.121, F.S.

Law Implemented: 367.121, F.S.

History: New.

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

25-30.436 General Information and Instructions Required of Class A and B Water and Wastewater ~~Sewer~~ Utilities in an Application for Rate Increase.

(1) Each applicant for a rate increase shall provide the following general information to the Commission:

(a) The name of the applicant as it appears on the applicant's certificate and the address of the applicant's principal place of business;

(b) The type of business organization under which the applicant's operations are conducted; if the applicant is a corporation, the date of incorporation; the names and addresses of all persons who own 5 percent ~~%~~ or more of the applicant's stock or the names and addresses of the owners of the business.

(c) The number of the Commission order, if any, which previously considered the applicant's rates for the system(s) involved.

(d) The address within the service area where the application is available for customer~~'s~~ inspection during the time the rate application is pending.

(e) Where the utility requests rates which generate less than a fair rate of return, it must provide a statement of assurance that its quality of service will not suffer.

(f) An affidavit signed by an officer of the utility that states that the utility will comply with Rule 25-22.0407 ~~25-22.0406~~, F.A.C.

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

(g) A statement ~~as to~~ whether the applicant requests to have the case processed using the proposed agency action procedure outlined in section 367.081(8), F.S. ~~1989.~~

(2) The applicant's petition for rate relief will not be deemed filed until the appropriate filing fee has been paid and all minimum filing requirements have been met, including filing of the applicant's prepared direct testimony ~~where appropriate~~ unless the applicant has filed its petition pursuant to section 367.081(8), F.S. At a minimum, the direct testimony shall explain why the rate increase is necessary and address those areas anticipated at the time of filing to be at issue.

(3) The applicant shall state any known deviation from the policies, procedures and guidelines prescribed by the Commission in relevant rules or in the company's last rate case.

(4) In the rate case application:

(a) Each schedule shall be cross-referenced to identify related schedules as either supporting schedules ~~and/~~or recap schedules.

(b) Each page of the filing shall be consecutively numbered on 8 1/2 x 11-inch paper.

(c) Except for handwritten official company records, all data in the petition, exhibits and minimum filing requirements shall be typed.

(d) Sixteen copies shall ~~are required to~~ be filed with the Commission's ~~directly with the~~ Division of Records and Reporting,

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

except as specifically identified in (4)(h) below or in Rule 25-30.437, 25-30.4385 or 25-30.440, F.A.C.

(e) Whenever the applicant proposes any corrections, updates or other changes to the originally filed data, 20 ~~twenty (20)~~ copies shall be filed with the Division of Records and Reporting with copies also served on all parties of record at the same time.

(f) If the capital structure contains zero or negative equity, a return on equity shall be requested, which shall be the maximum of the return of the current equity leverage formula established by order of this Commission pursuant to section 367.081(4), F.S.

(g) The provisions of Rule 25-30.433 shall be followed in preparing the utility's application.

(h) Any system that has costs allocated or charged to it from a parent, affiliate or related party, in addition to those costs reported on Schedule B-12 of Commission Form PSC/WAW 19 for a Class A utility, or PSC/WAW 20 for a Class B utility, (incorporated by reference in Rule 25-30.437) shall file three copies of additional schedules that show the following information:

1. The total costs being allocated or charged prior to any allocation or charging as well as the name of the entity from which the costs are being allocated or charged and its relationship to the utility.

2. For costs allocated or charged to the utility in excess of one percent of test year revenues:

a. a detailed description and itemization; and

b. the amount of each itemized cost.

3. The allocation or direct charging method used and the bases for using that method.

4. The workpapers used to develop the allocation method, including but not limited to the numerator and denominator of each allocation factor.

5. The workpapers used to develop, where applicable, the basis for the direct charging method.

6. An organizational chart of the relationship between the utility and its parent and affiliated companies and the relationship of any related parties.

7. A copy of any contracts or agreements between the utility and its parent or affiliated companies for services rendered between or among them.

(i) For any land recorded on the utility's books since rate base was last established, the utility shall file copies of the documents that demonstrate that the utility owns the land upon which the utility treatment facilities are located, or that provides for the continued use of the land, such as a 99-year lease. The Commission may consider a written easement or other cost-effective alternative.

(5) Commission Designee. The Director of the Division of Water and Wastewater ~~Sewer~~ shall be the designee of the Commission for purposes of determining whether the applicant has met the

minimum filing requirements imposed by this rule.

(6) Waiver of MFR Requirements. The Commission may grant a waiver with respect to specific data required by this rule upon a showing that the production of the data would be impractical or impose an excessive economic burden upon the applicant. All requests for waiver of specific portions of the minimum filing requirements shall be made as early as practicable.

(7) Within 60 days after the issuance of a final order entered in response to an application for increased rates, or, if applicable, within 60 days after the issuance of an order entered in response to a motion for reconsideration of the final order, each utility shall submit a breakdown of actual rate case expense incurred, in total, in a manner consistent with Schedule No. B-10 (PSC/WAW Form 19 or 20, whichever is applicable, as described in Rule 25-30.437). If the deadline prescribed above cannot be met, an extension shall be granted by the Director of the Division of Water and Wastewater for good cause shown.

Specific Authority: 367.121, F.S.

Law Implemented: 367.081, 367.121, F.S.

History: New 11/9/86, Amended 6/25/90, _______.

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

25-30.437 Financial, Rate and Engineering Information Required of Class A and B Water and Wastewater ~~Sewer~~ Utilities in an Application for Rate Increase. Each Class A or B utility applying ~~applicant~~ for a rate increase shall provide the information required by Commission Form PSC/WAW 19 ( ) ~~PSC/WAS 17 (6/90)~~, entitled "Class A Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements", or PSC/WAW 20 ( ), entitled "Class B Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements ~~- Class A and B Utilities~~", whichever is applicable. These forms are ~~which is~~ incorporated into this rule by reference and~~. The form~~ may be obtained from the Director, Division of Water and Wastewater ~~Sewer~~, Florida Public Service Commission, 101 E. Gaines Street, Tallahassee, Florida 32399-0850~~0873~~. In compiling the required schedules, additional instructions are set forth below:

(1) Each section of this form shall be indexed and tabbed, including a table of contents listing the page numbers of each schedule.

(2) If information requested in the form described above is not applicable to the applicant, so state and provide an explanation of the specific schedule.

(3) If a projected test year is used, provide a complete set of ~~the~~ Commission Form PSC/WAW 19 (for Class A utilities) or PSC/WAW 20 (for Class B utilities) ~~PSC/WAS 17 (6/90), entitled~~

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

~~"Financial, Rate and Engineering Minimum Filing Requirements — Class A and B Utilities"~~ (as described above) which require a designation of historical or projected information. Such schedules shall be submitted for the historical base year, and any year subsequent to the base year and prior to the projected test year, in addition to the projected test year. If no designation is shown on a schedule, submit that schedule for the test year only. In lieu of providing separate pages for the above required schedules, the information required can be combined on the same page by adding additional columns. In the rate base schedules, Section A, the beginning and end of year balances shall be shown. For any intermediate period or year, only the year-end balance shall be shown. ~~If a historical test year is used, Schedule E-13 will not be required.~~ A schedule shall ~~should~~ also be included which describes in detail all methods and bases of projection, explaining the justification for each method or basis employed. If an historical test year is used, Schedule E-13 is not required.

(4) Only two ~~2~~ copies of Schedule E-14, entitled Billing Analysis Schedules, shall be filed with the application. Each copy shall be submitted in a separate binder from the other required information.

(5) If a petition for interim rates if filed, a utility shall demonstrate that it is earning outside the range of reasonableness on rate of return calculated in accordance with section ~~Chapter~~ 367.082(5), Florida Statutes. In doing such, the utility shall

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

submit schedules of rate base, cost of capital and net operating income on an historical basis, with schedules of all adjustments thereto, consistent with Commission Form PSC/WAW 19 (for a Class A utility) or PSC/WAW 20 (for a Class B utility) ~~PSC/WAS 17 (6/90)~~, (described above).

(6) In proposing rates, the utility shall use the base facility and usage charge rate structure, unless an alternative rate structure is adequately supported by the applicant. The base facility charge incorporates fixed expenses of the utility and is a flat monthly charge. This charge is applicable as long as a person is a customer of the utility, regardless of whether there is any usage. The usage charge incorporates variable utility expenses and is billed on a per 1,000 gallon or 100 cubic feet basis in addition to the base facility charge. The rates are first established with the 5/8 " x 3/4" meter as the foundation. For meter sizes larger than 5/8", the base facility charge shall be based on the usage characteristics.

Specific Authority: 367.121, F.S.

Law Implemented: 367.081, F.S.

History: New 6/10/75, Amended 10/16/77, 3/26/81, Formerly 25-10.176, Amended 11/9/86, 6/25/90, ______.

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

25-30.4385 Additional Rate Information Required in Application for Rate Increase. The utility shall file an original and three copies of all revised tariff sheets for each service classification in which any change is proposed, except those tariff sheets in which the only change is to the service rates.

Specific Authority: 367.121,F.S.

Law Implemented: 367.081, F.S.

History: New.

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

~~25-30.441 Engineering Information Required in Application for Rate Increase by Utilities Seeking to Recover the Cost of Investment for Plant Construction Required by Governmental Authority.~~

Specific Authority: 367.121,F.S.

Law Implemented: 367.081, F.S.

History: New 11/9/86, Repealed. ________.

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

25-30.4415 Additional Information Required in Application for Rate Increase by Utilities Seeking to Recover the Cost of Investment in the Public Interest. If an applicant proposes to include in its plant investment the cost of investment made in the public interest pursuant to section 367.081(2), F.S., which investment was or will be required by agency rule, regulation, order or other regulatory directive, the applicant shall provide the following information to the Commission:

(1) A copy of the rule, regulation, order, or other regulatory directive that has required or will require the applicant to make the improvement or the investment for which the applicant seeks recovery.

(2) An estimate by a professional engineer, or other person knowledgeable in design and construction of water and wastewater plant, to establish the cost of the applicant's investment and the period of time required for completion of construction.

(3) An analysis showing the portion of the proposed rate increase that relates to the financial support for the investment or improvement.

Specific Authority: 367.121, F.S.

Law Implemented: 367.081, F.S.

History: New _____.

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

25-30.443 Minimum Filing Requirements for Class C Water and Wastewater ~~Sewer~~ Utilities.

(1) A Class C Utility seeking a rate increase shall submit an application which contains the information required by Rules 25-30.436; 25-30.4385; 25-30.440; 25-30.4415 ~~25-30.441~~; and 25-30.442.

(2) Each Class C Utility seeking a rate increase shall also provide the information required by Commission Form PSC/WAS 18 (6/90), entitled "Financial, Rate and Engineering Minimum Filing Requirements - Class C Utilities" which is incorporated into this rule by reference. The form may be obtained from the Director, Division of Water and Wastewater ~~Sewer~~, Florida Public Service Commission, 101 E. Gaines Street, Tallahassee, Florida 32399-0850~~0873~~. In compiling the required schedules, additional instructions are set forth below:

(a) Each section of this form shall be indexed and tabbed, including a table of contents listing the page numbers of each schedule.

(b) If information requested in the form described above is not applicable to the applicant, so state and provide an explanation on the specific schedule.

(c) If a projected test year is used, provide a complete set of the Commission Form PSC/WAS 18 (6/90), entitled "Financial, Rate and Engineering Minimum Filing Requirements - Class C Utilities" (as described above) which require a designation of historical or

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

projected information. Such schedules shall be submitted for the historical base year,and any projected year subsequent to the base year and prior to the projected test year, in addition to the projected year. If no designation is shown on a schedule, submit that schedule for the test year only. In lieu of providing separate pages for the above required schedules, the information required can be combined on the same page by adding columns. In the rate base schedules, Section A, the beginning and end-of-year balances shall be shown. For any intermediate period or year, only the year-end balance shall be shown. If a historical test year is used, Schedule E-5 will not be required. A schedule shall ~~should~~ also be included which describes in detail all methods and bases of projection, explaining the justification for each method or basis employed.

(d) Only two ~~2~~ copies of Schedule E-6, entitled Billing Analysis Schedules shall be filed with the application. Each copy shall be submitted in a separate binder from the other required information.

(e) In designing rates, the base facility and usage charge rate structure shall be utilized for metered service.

(3) Within 60 days after the issuance of a final order entered in response to an application for increased rates, or, if applicable, within 60 days after the issuance of an order entered in response to a motion for reconsideration of such final order, each utility shall submit a breakdown of actual rate case expense

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

incurred, in total, in a manner consistent with Schedule No. B-10 (PSC/WAS Form 19, as described in Rule 25-30.437). If this deadline cannot be met, an extension shall be granted by the Director of the Division of Water and Wastewater for good cause shown.

(4) If a petition for interim rates is filed, a utility shall demonstrate that it is earning outside the range of reasonableness on rate of return calculated in accordance with section 367.082(5), F.S. To demonstrate this, the utility shall submit schedules of rate base, cost of capital and net operating income on an historical basis, with schedules of all adjustments thereto, consistent with Commission Form PSC/WAS 18 (6/90), described above.

(5) If a utility is requesting uniform rates for systems that are not already combined in a uniform rate, the information required by this rule must be submitted on a separate basis for each system that has not already been combined in a uniform rate. For those systems already combined in a uniform rate, the utility should submit the required information as a single system. At a minimum, the following schedules of Form PSC/WAS 18 (6/90), described above, shall be filed on a combined basis for all systems included in the filing: A-1, A-2, A-3, A-16, B-1, B-2, B-3, B-4, B-5, B-10, B-11, B-12, plus all "C", "D" and "E" schedules (no "F" schedules are required).

Specific Authority: 367.121, F.S.

Law Implemented: 367.081, F.S.

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

History: New 6/25/90, Amended _______.

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

25-30.455 Staff Assistance in Rate Cases.

(1) Water and wastewater u~~U~~tilities whose ~~with~~ total gross annual operating revenues are ~~of~~ $150,000 or less for water ~~each~~ service or $150,000 or less for wastewater service, ~~provided~~ or $300,000 or less ~~where the services are combined~~ on a combined basis, may petition the Commission for staff assistance in rate ~~filings~~ applications by submitting a completed staff assisted rate case application. In accordance with section 367.0814(4), F.S., a utility that requests staff assistance waives its right to protest by agreeing to accept the final rates and charges approved by the Commission unless the final rates and charges would produce less revenue than the existing rates and charges. If a utility that chooses to utilize the staff assistance option employs outside experts to assist in developing information for staff or to assist in evaluating staff's schedules and conclusions, the reasonable and prudent expense will be recoverable through the rates developed by staff. A utility that chooses not to exercise the option of staff assistance may file for a rate increase under the provisions of Rule 25-30.443, F.A.C.

(2) Upon request, the Division of Water and Wastewater ~~Sewer~~ shall provide the potential applicant with the appropriate application form, Commission Form ~~(~~PSC/WAS 2 (Rev. 11/86), "Application for Staff Assisted Rate Case",~~)~~ which is incorporated by reference in this rule, and a copy of Rule 25-30.455, F.A.C., governing staff assisted rate cases. The form may be obtained from

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

the Commission's Division of Water and Wastewater ~~Sewer~~, 101 East Gaines Street, Tallahassee, Florida 32399-0850~~8153~~.

(3) Upon completion of the form, the petitioner may return it to the Director of Records and Reporting, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399-0870~~8153~~.

(4) Upon receipt of a completed application, the Director of Records and Reporting shall acknowledge its ~~such~~ receipt, assign a docket number for identification, and shall forward the application to a committee comprised of one member each of the Commission's Divisions of Water and Wastewater ~~Sewer~~, Auditing and Financial Analysis, and Legal Services.

(5) Within 30 days of receipt of the completed application, the committee shall evaluate the application and determine the petitioner's eligibility for staff assistance.

(a) If the Commission has received four or more applications in the previous 30 ~~thirty (30)~~ days; or, if the Commission has 20 ~~twenty (20)~~ or more docketed s~~S~~taff a~~A~~ssisted r~~R~~ate c~~C~~ases in active status on the date the application is received, the Commission shall deny initial evaluation of an application for staff assistance and close the docket. When an application is denied under the provisions of this subsection, the applicant shall be notified of the date on which the application may be resubmitted.

(b) Initially, determinations of eligibility may be conditional, pending an actual examination of the condition of petitioner's books and records. After an initial determination of eligibility, the Division of Auditing and Financial Analysis committee shall examine the books and records of the utility before making a final determination of eligibility.

(c) All recommendations of in~~non~~eligibility shall be in writing and shall state the ~~indicate~~ deficiencies in the application with reference to guidelines set out in subsection (8) of this rule or with reference to subsection (11) of this rule.

(6) Upon reaching a decision to officially accept or deny the application, the Director of the Division of Water and Wastewater ~~Sewer~~ shall notify the petitioner by letter and initiate staff assistance for the accepted applicant.

(7) The official date of filing will be 30 days after the date of the letter notifying the applicant of the official acceptance of the application by the Commission.

(8) In arriving at a recommendation whether to grant or deny the petition, the following shall be considered:

(a) Whether the petitioner qualifies for staff assistance pursuant to subsection (1) of this rule;

(b) Whether the petitioner's books and records are organized consistent with Rule 25-30.110, F.A.C., so as to allow commission personnel to verify costs and other relevant factors within the 30-day time frame set out in this rule;

(c) Whether the petitioner has filed annual reports;

(d) Whether the petitioner has paid applicable regulatory assessment fees;

(e) Whether the petitioner has at least 1 ~~one~~ year's actual experience in utility operation;

(f) Whether the petitioner has filed additional relevant information in support of eligibility, together with reasons why the information should be considered;

(g) Whether the petitioner has complied in a timely manner with all Commission decisions and requests affecting water and wastewater utilities for 2 ~~two~~ years prior to the filing of the application under review;

(h) Whether the utility has applied for a staff assisted rate case within the 2 ~~two~~ year period prior to the receipt of the application under review.

(9) The Commission will deny the application if a utility does not remit the fee~~,~~ as provided by section 367.145, Florida Statutes, and Rule 30.020(2)(f), F.A.C., within 30 days after official acceptance.

(10) An aggrieved petitioner may request reconsideration which shall be decided by the full Commission ~~Chairman~~.

(11) A petitioner may request a waiver of any of the guidelines set out in subsection (8) of this rule.

(12) A substantially affected person may file a petition to protest the Commission's proposed agency action in a staff assisted rate case within 21 days of issuance of the Notice of Proposed

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

CERTIFICATION OF
PUBLIC SERVICE COMMISSION

FORM INCORPORATED BY REFERENCE IN RULE 25-30.437

FILED WITH THE DEPARTMENT OF STATE

Pursuant to Rule 1S-1.005, Florida Administrative Code, I hereby certify that the attached is a true and complete copy of Form PSC/WAS 19 (/), "Class A Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements", which is incorporated by reference in Rule 25-30.437, Florida Administrative Code.

Under the provisions of paragraph 120.54(13)(a), F.S., the incorporated material takes effect 20 days from the date filed with the Department of State or a later date as set out below:

Effective: ______________________
(month) (day) (year)

STEVE TRIBBLE, Director
Division of Records & Reporting

____
Number of Pages Certified

(S E A L)

adp25-30.mrd

CLASS A
WATER AND/OR WASTEWATER UTILITIES

FINANCIAL, RATE AND ENGINEERING MINIMUM FILING REQUIREMENTS

OF

____

Exact Legal Name of Utility

FOR THE

TEST YEAR ENDED   , 19

FORM PSC/WAW 19 (/)

FLORIDA PUBLIC SERVICE COMMISSION

CLASS A WATER AND/OR SEWER UTILITIES
FINANCIAL, RATE AND ENGINEERING
MINIMUM FILING REQUIREMENTS

INDEX

INSTRUCTIONS FOR COMPLETING THE MINIMUM FILING REQUIREMENTS FORMS FOR CLASS A UTILITIES

1. For all schedules which call for an average balance, provide the balance for the the beginning of the test year, the end of the test year, and each intervening month. This average balance is a thirteen month account balance for the test year.

2. The prescribed method of accounting for working capital is the Balance Sheet approach.

3. Be sure to include the date of the schedule at the top of each schedule where provided. This is especially important in cases where a projected test year is employed.

4. Be sure to read Rule Sections 25–30.436 to 25–30.442 for additional MFR requirements.

5. Complete all schedules as instructed. If you have specific questions regarding any schedule, please call the Division of Water and Wastewater for clarification.

6. It is the position of the Florida Public Service Commission that the NARUC system of accounts applicable to water and wastewater utilities requires a breakdown of revenues by customer class specified in the sub–accounts under NARUC account numbers 461, 521 and 522. However, the Commission will automatically grant a waiver of this requirement upon request for all rate cases filed on or before July 1, 1992. After July 1, 1992, a request for waiver of this requirement will have to be justified by the utility.

Schedule of Water Rate Base

Company:
Docket No.:
Schedule Year Ended:
Interim [ ] Final [ ]
Historical [ ] Projected [ ]

Florida Public Service Commission

Schedule: A-1
Page 1 of 1
Preparer:

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant in Service				A-5
2	Utility Land & Land Rights				A-5
3	Less: Non-Used & Useful Plant				A-7
4	Construction Work in Progress				-
5	Less: Accumulated Depreciation				A-9
6	Less: CIAC				A-12
7	Accumulated Amortization of CIAC				A-14
8	Acquisition Adjustments				-
9	Accum. Amort. of Acq. Adjustments				-
10	Advances For Construction				A-16
11	Working Capital Allowance				A-17
12	Total Rate Base				

Schedule of Sewer Rate Base

Company:
Docket No.:
Schedule Year Ended:
Interim [ ] Final [ ]
Historical [ ] Projected [ ]

Florida Public Service Commission

Schedule: A-2
Page 1 of 1
Preparer:

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant In Service				A-6
2	Utility Land & Land Rights				A-6
3	Less: Non-Used & Useful Plant				A-7
4	Construction Work in Progress				-
5	Less: Accumulated Depreciation				A-10
6	Less: CIAC				A-12
7	Accumulated Amortization of CIAC				A-14
8	Acquisition Adjustments				-
9	Accum. Amort. of Acq. Adjustments				-
10	Advances For Construction				A-18
11	Working Capital Allowance				A-17
12	Total Rate Base				

G

Schedule of Adjustments to Rate Base

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Interim [ ] Final [ ]
Historic [ ] or Projected [ ]

Schedule: A-3
Page __ of __
Preparer:

Explanation: Provide a detailed description of all adjustments to rate base per books, with a total for each rate base line item.

Line No.	Description	Water	Sewer

Schedule of Water and Sewer Plant in Service
Annual Balances Subsequent to Last Established Rate Base

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: A-4
Page __ of __
Preparer:

Explanation: Provide the annual balance of the original cost of plant in service, for water and sewer separately, for all years since either rate base was last established by this Commission, or the date of inception of utility service if rate base has not been established previously by this Commission; and yearly additions, retirements, and adjustments by dollar amount up to the end of the test year. Provide an additional page if necessary. If a projected test year is used, include the projected annual additions and/or retirements specifically identifying those amounts.

Line No.	Description	Year-End Balance Water	Year-End Balance Sewer
1	__/__/__ Balance		
2	19__ Additions		
3	19__ Retirements		
4	19__ Adjustments		
5	__/__/__ Balance		
6	19__ Additions		
7	19__ Retirements		
8	19__ Adjustments		
9	__/__/__ Balance		
10	19__ Additions		
11	19__ Retirements		
12	19__ Adjustments		
13	__/__/__ Balance		
14	19__ Additions		
15	19__ Retirements		
16	19__ Adjustments		
17	__/__/__ Balance		
18	19__ Additions		
19	19__ Retirements		
20	19__ Adjustments		
21	__/__/__ Balance		

Supporting Schedules: A-5,A-6
Recap Schedules: A-18

Schedule of Water Plant in Service By Primary Account
Test Year Average Balance

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Florida Public Service Commission

Schedule: A-5
Page 1 of 3
Preparer:

Recap Schedules: A-1, A-4

Line No.	(1) Account No. and Name	(2) Test Year Average Bal	(3) Non-Used Useful %	(4) Non-Used Amount
1	INTANGIBLE PLANT			
2	301.1 Organization			
3	302.1 Franchises			
4	339.1 Other Plant & Misc. Equipment			
5	SOURCE OF SUPPLY AND PUMPING PLANT			
6	303.2 Land & Land Rights			
7	304.2 Structures & Improvements			
8	305.2 Collect. & Impound. Reservoirs			
9	306.2 Lake, River & Other Intakes			
10	307.2 Wells & Springs			
11	308.2 Infiltration Galleries & Tunnels			
12	309.2 Supply Mains			
13	310.2 Power Generation Equipment			
14	311.2 Pumping Equipment			
15	339.2 Other Plant & Misc. Equipment			
16	WATER TREATMENT PLANT			
17	303.3 Land & Land Rights			
18	304.3 Structures & Improvements			
19	320.3 Water Treatment Equipment			
20	339.3 Other Plant & Misc. Equipment			
21	TRANSMISSION & DISTRIBUTION PLANT			
22	303.4 Land & Land Rights			
23	304.4 Structures & Improvements			
24	330.4 Distr. Reservoirs & Standpipes			
25	331.4 Transm. & Distribution Mains			
26	333.4 Services			
27	334.4 Meters & Meter Installations			
28	335.4 Hydrants			
29	339.4 Other Plant & Misc. Equipment			
30	GENERAL PLANT			
31	303.5 Land & Land Rights			
32	304.5 Structures & Improvements			
33	340.5 Office Furniture & Equipment			
34	341.5 Transportation Equipment			
35	342.5 Stores Equipment			
36	343.5 Tools, Shop & Garage Equipment			
37	344.5 Laboratory Equipment			
38	345.5 Power Operated Equipment			
39	346.5 Communication Equipment			
40	347.5 Miscellaneous Equipment			
41	348.5 Other Tangible Plant			
42	TOTAL	$	$	$

Schedule of Water Plant In Service By Primary Account
Test Year Average Balance

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide month ending balances for each month of the test year and the ending balance for the prior year.

Schedule: A-5

Preparer:

Recap Schedules: A-1, A-4

Line No.	Account No. and Name	(2) Prior Year	(3) Month # 1	(4) Month # 2	(5) Month # 3	(6) Month # 4	(7) Month # 5	(8) Month # 6
1	<u>INTANGIBLE PLANT</u>							
2	301.1 Organization							
3	302.1 Franchises							
4	339.1 Other Plant & Misc. Equipment							
5	<u>SOURCE OF SUPPLY AND PUMPING PLANT</u>							
6	303.2 Land & Land Rights							
7	304.2 Structures & Improvements							
8	305.2 Collect. & Impound. Reservoirs							
9	306.2 Lake, River & Other Intakes							
10	307.2 Wells & Springs							
11	308.2 Infiltration Galleries & Tunnels							
12	309.2 Supply Mains							
13	310.2 Power Generation Equipment							
14	311.2 Pumping Equipment							
15	339.2 Other Plant & Misc. Equipment							
16	<u>WATER TREATMENT PLANT</u>							
17	303.3 Land & Land Rights							
18	304.3 Structures & Improvements							
19	320.3 Water Treatment Equipment							
20	339.3 Other Plant & Misc. Equipment							
21	<u>TRANSMISSION & DISTRIBUTION PLANT</u>							
22	303.4 Land & Land Rights							
23	304.4 Structures & Improvements							
24	330.4 Distr. Reservoirs & Standpipes							
25	331.4 Transm. & Distribution Mains							
26	333.4 Services							
27	334.4 Meters & Meter Installations							
28	335.4 Hydrants							
29	339.4 Other Plant & Misc. Equipment							
30	<u>GENERAL PLANT</u>							
31	303.5 Land & Land Rights							
32	304.5 Structures & Improvements							
33	340.5 Office Furniture & Equipment							
34	341.5 Transportation Equipment							
35	342.5 Stores Equipment							
36	343.5 Tools, Shop & Garage Equipment							
37	344.5 Laboratory Equipment							
38	345.5 Power Operated Equipment							
39	346.5 Communication Equipment							
40	347.5 Miscellaneous Equipment							
41	348.5 Other Tangible Plant							
42	TOTAL	$	$	$	$	$	$	$

Schedule of Water Plant in Service By Primary Account
Test Year Average Balance

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide month ending balances for each month of the test year and the ending balance for the prior year.

Schedule: A-5
Page 3 of 3
Preparer:

Recap Schedules: A-1, A-4

Line No.	(1) Account No. and Name	(9) Month # 7	(10) Month # 8	(11) Month # 9	(12) Month # 10	(13) Month # 11	(14) End of Test Year	(15) Average Balance
1	INTANGIBLE PLANT							
2	301.1 Organization							
3	302.1 Franchises							
4	339.1 Other Plant & Misc. Equipment							
5	SOURCE OF SUPPLY AND PUMPING PLANT							
6	303.2 Land & Land Rights							
7	304.2 Structures & Improvements							
8	305.2 Collect. & Impound. Reservoirs							
9	306.2 Lake, River & Other Intakes							
10	307.2 Wells & Springs							
11	308.2 Infiltration Galleries & Tunnels							
12	309.2 Supply Mains							
13	310.2 Power Generation Equipment							
14	311.2 Pumping Equipment							
15	339.2 Other Plant & Misc. Equipment							
16	WATER TREATMENT PLANT							
17	303.3 Land & Land Rights							
18	304.3 Structures & Improvements							
19	320.3 Water Treatment Equipment							
20	339.3 Other Plant & Misc. Equipment							
21	TRANSMISSION & DISTRIBUTION PLANT							
22	303.4 Land & Land Rights							
23	304.4 Structures & Improvements							
24	330.4 Distr. Reservoirs & Standpipes							
25	331.4 Transm. & Distribution Mains							
26	333.4 Services							
27	334.4 Meters & Meter Installations							
28	335.4 Hydrants							
29	339.4 Other Plant & Misc. Equipment							
30	GENERAL PLANT							
31	303.5 Land & Land Rights							
32	304.5 Structures & Improvements							
33	340.5 Office Furniture & Equipment							
34	341.5 Transportation Equipment							
35	342.5 Stores Equipment							
36	343.5 Tools, Shop & Garage Equipment							
37	344.5 Laboratory Equipment							
38	345.5 Power Operated Equipment							
39	346.5 Communication Equipment							
40	347.5 Miscellaneous Equipment							
41	348.5 Other Tangible Plant							
42	TOTAL	$	$	$	$	$	$	$

Schedule of Sewer Plant in Service By Primary Account
Test Year Average Balance

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Florida Public Service Commission

Schedule: A-6
Page 1 of 3
Preparer:

Recap Schedules: A-2, A-4

Line No.	(1) Account No. and Name	(2) Test Year Average Bal	(3) Non-Used Useful %	(4) Non-Used Amount
	<u>INTANGIBLE PLANT</u>			
	351.1 Organization			
	352.1 Franchises			
	389.1 Other Plant & Misc. Equipment			
	<u>COLLECTION PLANT</u>			
	353.2 Land & Land Rights			
	354.2 Structures & Improvements			
	360.2 Collection Sewers - Force			
	361.2 Collection Sewers - Gravity			
	362.2 Special Collecting Structures			
	363.2 Services to Customers			
	364.2 Flow Measuring Devices			
	365.2 Flow Measuring Installations			
	389.2 Other Plant & Misc. Equipment			
	<u>SYSTEM PUMPING PLANT</u>			
	353.3 Land & Land Rights			
	354.3 Structures & Improvements			
	370.3 Receiving Wells			
	371.3 Pumping Equipment			
	389.3 Other Plant & Misc. Equipment			
	<u>TREATMENT AND DISPOSAL PLANT</u>			
	353.4 Land & Land Rights			
	354.4 Structures & Improvements			
	380.4 Treatment & Disposal Equipment			
	381.4 Plant Sewers			
	382.4 Outfall Sewer Lines			
	389.4 Other Plant & Misc. Equipment			
	<u>GENERAL PLANT</u>			
	353.5 Land & Land Rights			
	354.5 Structures & Improvements			
	390.5 Office Furniture & Equipment			
	391.5 Transportation Equipment			
	392.5 Stores Equipment			
	393.5 Tools, Shop & Garage Equipment			
	394.5 Laboratory Equipment			
	395.5 Power Operated Equipment			
	396.5 Communication Equipment			
	397.5 Miscellaneous Equipment			
	398.5 Other Tangible Plant			
	TOTAL	$	$	$

Schedule of Sewer Plant In Service By Primary Account
Test Year Average Balance

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide month ending balances for each month of the test year and the ending balance for the prior year.

Schedule: A-6
Page 2 of 3
Preparer:

Recap Schedules: A-2, A-4

Line No.	(1) Account No. and Name	(2) Prior Year	(3) Month # 1	(4) Month # 2	(5) Month # 3	(6) Month # 4	(7) Month # 5	(8) Month # 6
1	INTANGIBLE PLANT							
2	351.1 Organization							
3	352.1 Franchises							
4	389.1 Other Plant & Misc. Equipment							
5	COLLECTION PLANT							
6	353.2 Land & Land Rights							
7	354.2 Structures & Improvements							
8	360.2 Collection Sewers – Force							
9	361.2 Collection Sewers – Gravity							
10	362.2 Special Collecting Structures							
11	363.2 Services to Customers							
12	364.2 Flow Measuring Devices							
13	365.2 Flow Measuring Installations							
14	389.2 Other Plant & Misc. Equipment							
15	SYSTEM PUMPING PLANT							
16	353.3 Land & Land Rights							
17	354.3 Structures & Improvements							
18	370.3 Receiving Wells							
19	371.3 Pumping Equipment							
20	389.3 Other Plant & Misc. Equipment							
21	TREATMENT AND DISPOSAL PLANT							
22	353.4 Land & Land Rights							
23	354.4 Structures & Improvements							
24	380.4 Treatment & Disposal Equipment							
25	381.4 Plant Sewers							
26	382.4 Outfall Sewer Lines							
27	389.4 Other Plant & Misc. Equipment							
28	GENERAL PLANT							
29	353.5 Land & Land Rights							
30	354.5 Structures & Improvements							
31	390.5 Office Furniture & Equipment							
32	391.5 Transportation Equipment							
33	392.5 Stores Equipment							
34	393.5 Tools, Shop & Garage Equipment							
35	394.5 Laboratory Equipment							
36	395.5 Power Operated Equipment							
37	396.5 Communication Equipment							
38	397.5 Miscellaneous Equipment							
39	398.5 Other Tangible Plant							
40	TOTAL	$	$	$	$	$	$	$

Schedule of Sewer Plant in Service By Primary Account
Test Year Average Balance

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide month ending balances for each month of the test year and the ending balance for the prior year.

Schedule: A-6

Preparer:

Recap Schedules: A-2, A-4

Line No.	(1) Account No. and Name	(9) Month # 7	(10) Month # 8	(11) Month # 9	(12) Month # 10	(13) Month # 11	(14) End of Test Year	(15) Average Balance
1	INTANGIBLE PLANT							
2	351.1 Organization							
3	352.1 Franchises							
4	389.1 Other Plant & Misc. Equipment							
5	COLLECTION PLANT							
6	353.2 Land & Land Rights							
7	354.2 Structures & Improvements							
8	360.2 Collection Sewers – Force							
9	361.2 Collection Sewers – Gravity							
10	362.2 Special Collecting Structures							
11	363.2 Services to Customers							
12	364.2 Flow Measuring Devices							
13	365.2 Flow Measuring Installations							
14	389.2 Other Plant & Misc. Equipment							
15	SYSTEM PUMPING PLANT							
16	353.3 Land & Land Rights							
17	354.3 Structures & Improvements							
18	370.3 Receiving Wells							
19	371.3 Pumping Equipment							
20	389.3 Other Plant & Misc. Equipment							
21	TREATMENT AND DISPOSAL PLANT							
22	353.4 Land & Land Rights							
23	354.4 Structures & Improvements							
24	380.4 Treatment & Disposal Equipment							
25	381.4 Plant Sewers							
26	382.4 Outfall Sewer Lines							
27	389.4 Other Plant & Misc. Equipment							
28	GENERAL PLANT							
29	353.5 Land & Land Rights							
30	354.5 Structures & Improvements							
31	390.5 Office Furniture & Equipment							
32	391.5 Transportation Equipment							
33	392.5 Stores Equipment							
34	393.5 Tools, Shop & Garage Equipment							
35	394.5 Laboratory Equipment							
36	395.5 Power Operated Equipment							
37	396.5 Communication Equipment							
38	397.5 Miscellaneous Equipment							
39	398.5 Other Tangible Plant							
40	TOTAL	$	$	$	$	$	$	$

Non-Used and Useful Plant – Summary

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:

Explanation: Provide a summary of the items included in non-used and useful plant for the test year. Provide additional support schedules, if necessary.

Schedule: A-7
Page __ of __
Preparer:

Line No.	(1) Description	(2) Average Amount Per Books	(3) Utility Adjustments	(4) Balance Per Utility
	WATER			
1	Plant in Service			
2	Land			
3	Accumulated Depreciation			
4	Other (Explain)			
		------------	------------	----------
5	Total			
		============	============	==========
	SEWER			
6	Plant in Service			
7	Land			
8	Accumulated Depreciation			
9	Other (Explain)			
		------------	------------	----------
10	Total			
		============	============	==========

Supporting Schedules: A-5,A-6,A-9,A-10
Recap Schedules: A-1,A-2

Schedule of Water and Sewer Accumulated Depreciation
Annual Balances Subsequent to Last Established Rate Base

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: A-8
Page __ of __
Preparer:

Explanation: Provide the annual balance of accumulated depreciation, for water and sewer separately, for all years since either rate base was last established by this Commission, or the date of inception of utility service if rate base has not been established previously by this Commission; and yearly additions, retirements, and adjustments by dollar amount up to the end of the test year. Provide an additional page if necessary. If a projected test year is used, include the projected additions and/or retirments specifically identifying those amounts.

Line No.	Description	Year-End Balance Water	Year-End Balance Sewer
1	__/__/__ Balance		
2	19__ Additions		
3	19__ Retirements		
4	19__ Adjustments		
5	__/__/__ Balance		
6	19__ Additions		
7	19__ Retirements		
8	19__ Adjustments		
9	__/__/__ Balance		
10	19__ Additions		
11	19__ Retirements		
12	19__ Adjustments		
13	__/__/__ Balance		
14	19__ Additions		
15	19__ Retirements		
16	19__ Adjustments		
17	__/__/__ Balance		
18	19__ Additions		
19	19__ Retirements		
20	19__ Adjustments		
21	__/__/__ Balance		

Supporting Schedules: A-9,A-10
Recap Schedules: A-18

Schedule of Water Accumulated Depreciation By Primary Account
Test Year Average Balance

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Florida Public Service Commission

Schedule: A-9
Page 1 of 3
Preparer:

Recap Schedules: A-1, A-8

Line No.	(1) Account No. and Name	(2) Test Year Average Bal	(3) Non-Used Useful %	(4) Non-Used Amount
1	INTANGIBLE PLANT			
2	301.1 Organization			
3	302.1 Franchises			
4	339.1 Other Plant & Misc. Equipment			
5	SOURCE OF SUPPLY AND PUMPING PLANT			
6	303.2 Land & Land Rights			
7	304.2 Structures & Improvements			
8	305.2 Collect. & Impound. Reservoirs			
9	306.2 Lake, River & Other Intakes			
10	307.2 Wells & Springs			
11	308.2 Infiltration Galleries & Tunnels			
12	309.2 Supply Mains			
13	310.2 Power Generation Equipment			
14	311.2 Pumping Equipment			
15	339.2 Other Plant & Misc. Equipment			
16	WATER TREATMENT PLANT			
17	303.3 Land & Land Rights			
18	304.3 Structures & Improvements			
19	320.3 Water Treatment Equipment			
20	339.3 Other Plant & Misc. Equipment			
21	TRANSMISSION & DISTRIBUTION PLANT			
22	303.4 Land & Land Rights			
23	304.4 Structures & Improvements			
24	330.4 Distr. Reservoirs & Standpipes			
25	331.4 Transm. & Distribution Mains			
26	333.4 Services			
27	334.4 Meters & Meter Installations			
28	335.4 Hydrants			
29	339.4 Other Plant & Misc. Equipment			
30	GENERAL PLANT			
31	303.5 Land & Land Rights			
32	304.5 Structures & Improvements			
33	340.5 Office Furniture & Equipment			
34	341.5 Transportation Equipment			
35	342.5 Stores Equipment			
36	343.5 Tools, Shop & Garage Equipment			
37	344.5 Laboratory Equipment			
38	345.5 Power Operated Equipment			
39	346.5 Communication Equipment			
40	347.5 Miscellaneous Equipment			
41	348.5 Other Tangible Plant			
42	TOTAL	$	$	$

Schedule of Water Accumulated Depreciation By Primary Account
Test Year Average Balance

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide month ending balances for each month of the test year and the ending balance for the prior year.

Schedule: A-9
Page 2 of 3
Preparer:

Recap Schedules: A-1, A-8

Line No.	(1) Account No. and Name	(2) Prior Year	(3) Month # 1	(4) Month # 2	(5) Month # 3	(6) Month # 4	(7) Month # 5	(8) Month # 6
1	INTANGIBLE PLANT							
2	301.1 Organization							
3	302.1 Franchises							
4	339.1 Other Plant & Misc. Equipment							
5	SOURCE OF SUPPLY AND PUMPING PLANT							
6	303.2 Land & Land Rights							
7	304.2 Structures & Improvements							
8	305.2 Collect. & Impound. Reservoirs							
9	306.2 Lake, River & Other Intakes							
10	307.2 Wells & Springs							
11	308.2 Infiltration Galleries & Tunnels							
12	309.2 Supply Mains							
13	310.2 Power Generation Equipment							
14	311.2 Pumping Equipment							
15	339.2 Other Plant & Misc. Equipment							
16	WATER TREATMENT PLANT							
17	303.3 Land & Land Rights							
18	304.3 Structures & Improvements							
19	320.3 Water Treatment Equipment							
20	339.3 Other Plant & Misc. Equipment							
21	TRANSMISSION & DISTRIBUTION PLANT							
22	303.4 Land & Land Rights							
23	304.4 Structures & Improvements							
24	330.4 Distr. Reservoirs & Standpipes							
25	331.4 Transm. & Distribution Mains							
26	333.4 Services							
27	334.4 Meters & Meter Installations							
28	335.4 Hydrants							
29	339.4 Other Plant & Misc. Equipment							
30	GENERAL PLANT							
31	303.5 Land & Land Rights							
32	304.5 Structures & Improvements							
33	340.5 Office Furniture & Equipment							
34	341.5 Transportation Equipment							
35	342.5 Stores Equipment							
36	343.5 Tools, Shop & Garage Equipment							
37	344.5 Laboratory Equipment							
38	345.5 Power Operated Equipment							
39	346.5 Communication Equipment							
40	347.5 Miscellaneous Equipment							
41	348.5 Other Tangible Plant							
42	TOTAL	$	$	$	$	$	$	$

Schedule of Water Accumulated Depreciation By Primary Account
Test Year Average Balance

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide month ending balances for each month of the test year and the ending balance for the prior year.

Schedule: A-9
Page 3 of 3
Preparer:

Recap Schedules: A-1, A-8

Line No.	(1) Account No. and Name	(9) Month # 7	(10) Month # 8	(11) Month # 9	(12) Month # 10	(13) Month # 11	(14) End of Test Year	(15) Average Balance
1	INTANGIBLE PLANT							
2	301.1 Organization							
3	302.1 Franchises							
4	339.1 Other Plant & Misc. Equipment							
5	SOURCE OF SUPPLY AND PUMPING PLANT							
6	303.2 Land & Land Rights							
7	304.2 Structures & Improvements							
8	305.2 Collect. & Impound. Reservoirs							
9	306.2 Lake, River & Other Intakes							
10	307.2 Wells & Springs							
11	308.2 Infiltration Galleries & Tunnels							
12	309.2 Supply Mains							
13	310.2 Power Generation Equipment							
14	311.2 Pumping Equipment							
15	339.2 Other Plant & Misc. Equipment							
16	WATER TREATMENT PLANT							
17	303.3 Land & Land Rights							
18	304.3 Structures & Improvements							
19	320.3 Water Treatment Equipment							
20	339.3 Other Plant & Misc. Equipment							
21	TRANSMISSION & DISTRIBUTION PLANT							
22	303.4 Land & Land Rights							
23	304.4 Structures & Improvements							
24	330.4 Distr. Reservoirs & Standpipes							
25	331.4 Transm. & Distribution Mains							
26	333.4 Services							
27	334.4 Meters & Meter Installations							
28	335.4 Hydrants							
29	339.4 Other Plant & Misc. Equipment							
30	GENERAL PLANT							
31	303.5 Land & Land Rights							
32	304.5 Structures & Improvements							
33	340.5 Office Furniture & Equipment							
34	341.5 Transportation Equipment							
35	342.5 Stores Equipment							
36	343.5 Tools, Shop & Garage Equipment							
37	344.5 Laboratory Equipment							
38	345.5 Power Operated Equipment							
39	346.5 Communication Equipment							
40	347.5 Miscellaneous Equipment							
41	348.5 Other Tangible Plant							
42	TOTAL	$	$	$	$	$	$	$

Schedule of Sewer Accumulated Depreciation By Primary Account
Test Year Average Balance

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Florida Public Service Commission

Schedule: A-10
Page 1 of 3
Preparer:

Recap Schedules: A-2, A-8

Line No.	(1) Account No. and Name	(2) Test Year Average Bal	(3) Non-Used Useful %	(4) Non-Used Amount
1	INTANGIBLE PLANT			
2	351.1 Organization			
3	352.1 Franchises			
4	389.1 Other Plant & Misc. Equipment			
5	COLLECTION PLANT			
6	353.2 Land & Land Rights			
7	354.2 Structures & Improvements			
8	360.2 Collection Sewers – Force			
9	361.2 Collection Sewers – Gravity			
10	362.2 Special Collecting Structures			
11	363.2 Services to Customers			
12	364.2 Flow Measuring Devices			
13	365.2 Flow Measuring Installations			
14	389.2 Other Plant & Misc. Equipment			
15	SYSTEM PUMPING PLANT			
16	353.3 Land & Land Rights			
17	354.3 Structures & Improvements			
18	370.3 Receiving Wells			
19	371.3 Pumping Equipment			
20	389.3 Other Plant & Misc. Equipment			
21	TREATMENT AND DISPOSAL PLANT			
22	353.4 Land & Land Rights			
23	354.4 Structures & Improvements			
24	380.4 Treatment & Disposal Equipment			
25	381.4 Plant Sewers			
26	382.4 Outfall Sewer Lines			
27	389.4 Other Plant & Misc. Equipment			
28	GENERAL PLANT			
29	353.5 Land & Land Rights			
30	354.5 Structures & Improvements			
31	390.5 Office Furniture & Equipment			
32	391.5 Transportation Equipment			
33	392.5 Stores Equipment			
34	393.5 Tools, Shop & Garage Equipment			
35	394.5 Laboratory Equipment			
36	395.5 Power Operated Equipment			
37	396.5 Communication Equipment			
38	397.5 Miscellaneous Equipment			
39	398.5 Other Tangible Plant			
40	TOTAL	$	$	$

Schedule of Sewer Accumulated Depreciation By Primary Account
Test Year Average Balance

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide month ending balances for each month of the test year and the ending balance for the prior year.

Schedule: A-10
Page 2 of 3
Preparer:

Recap Schedules: A-2, A-8

Line No.	(1) Account No. and Name	(2) Prior Year	(3) Month # 1	(4) Month # 2	(5) Month # 3	(6) Month # 4	(7) Month # 5	(8) Month # 6
1	INTANGIBLE PLANT							
2	351.1 Organization							
3	352.1 Franchises							
4	389.1 Other Plant & Misc. Equipment							
5	COLLECTION PLANT							
6	353.2 Land & Land Rights							
7	354.2 Structures & Improvements							
8	360.2 Collection Sewers – Force							
9	361.2 Collection Sewers – Gravity							
10	362.2 Special Collecting Structures							
11	363.2 Services to Customers							
12	364.2 Flow Measuring Devices							
13	365.2 Flow Measuring Installations							
14	389.2 Other Plant & Misc. Equipment							
15	SYSTEM PUMPING PLANT							
16	353.3 Land & Land Rights							
17	354.3 Structures & Improvements							
18	370.3 Receiving Wells							
19	371.3 Pumping Equipment							
20	389.3 Other Plant & Misc. Equipment							
21	TREATMENT AND DISPOSAL PLANT							
22	353.4 Land & Land Rights							
23	354.4 Structures & Improvements							
24	380.4 Treatment & Disposal Equipment							
25	381.4 Plant Sewers							
26	382.4 Outfall Sewer Lines							
27	389.4 Other Plant & Misc. Equipment							
28	GENERAL PLANT							
29	353.5 Land & Land Rights							
30	354.5 Structures & Improvements							
31	390.5 Office Furniture & Equipment							
32	391.5 Transportation Equipment							
33	392.5 Stores Equipment							
34	393.5 Tools, Shop & Garage Equipment							
35	394.5 Laboratory Equipment							
36	395.5 Power Operated Equipment							
37	396.5 Communication Equipment							
38	397.5 Miscellaneous Equipment							
39	398.5 Other Tangible Plant							
40	TOTAL	$	$	$	$	$	$	$

Schedule of Sewer Accumulated Depreciation By Primary Account
Test Year Average Balance

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide month ending balances for each month of the test year and the ending balance for the prior year.

Schedule: A-10
Page 3 of 3
Preparer:

Recap Schedules: A-2, A-6

Line No.	(1) Account No. and Name	(9) Month # 7	(10) Month # 8	(11) Month # 9	(12) Month # 10	(13) Month # 11	(14) End of Test Year	(15) Average Balance
1	INTANGIBLE PLANT							
2	351.1 Organization							
3	352.1 Franchises							
4	389.1 Other Plant & Misc. Equipment							
5	COLLECTION PLANT							
6	353.2 Land & Land Rights							
7	354.2 Structures & Improvements							
8	360.2 Collection Sewers – Force							
9	361.2 Collection Sewers – Gravity							
10	362.2 Special Collecting Structures							
11	363.2 Services to Customers							
12	364.2 Flow Measuring Devices							
13	365.2 Flow Measuring Installations							
14	389.2 Other Plant & Misc. Equipment							
15	SYSTEM PUMPING PLANT							
16	353.3 Land & Land Rights							
17	354.3 Structures & Improvements							
18	370.3 Receiving Wells							
19	371.3 Pumping Equipment							
20	389.3 Other Plant & Misc. Equipment							
21	TREATMENT AND DISPOSAL PLANT							
22	353.4 Land & Land Rights							
23	354.4 Structures & Improvements							
24	380.4 Treatment & Disposal Equipment							
25	381.4 Plant Sewers							
26	382.4 Outfall Sewer Lines							
27	389.4 Other Plant & Misc. Equipment							
28	GENERAL PLANT							
29	353.5 Land & Land Rights							
30	354.5 Structures & Improvements							
31	390.5 Office Furniture & Equipment							
32	391.5 Transportation Equipment							
33	392.5 Stores Equipment							
34	393.5 Tools, Shop & Garage Equipment							
35	394.5 Laboratory Equipment							
36	395.5 Power Operated Equipment							
37	396.5 Communication Equipment							
38	397.5 Miscellaneous Equipment							
39	398.5 Other Tangible Plant							
40	TOTAL	$	$	$	$	$	$	$

Schedule of Water and Sewer Contributions in Aid of Construction
Annual Balances Subsequent to Last Established Rate Base

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: A-11
Page __ of __
Preparer:

Explanation: Provide the annual balance of contributions in aid of construction, for water and sewer separately, for all years since either rate base was last established by this Commission, or the date of inception of utility service if rate base has not been established previously by this Commission; and yearly additions and adjustments by dollar amount up to the end of the test year. Provide an additional page if necessary. If a projected test year is used, include the projected additions and/or retirments specifically identifying those amounts. Show any retirments as adjustments.

Line No.	Description	Year-End Balance Water	Year-End Balance Sewer
1	__/__/__ Balance	------------	------------
2	19__ Additions		
3	19__ Adjustments	------------	------------
4	__/__/__ Balance		
5	19__ Additions		
6	19__ Adjustments	------------	------------
7	__/__/__ Balance		
8	19__ Additions		
9	19__ Adjustments	------------	------------
10	__/__/__ Balance		
11	19__ Additions		
12	19__ Adjustments	------------	------------
13	__/__/__ Balance		
14	19__ Additions		
15	19__ Adjustments	------------	------------
16	__/__/__ Balance		
17	19__ Additions		
18	19__ Adjustments	------------	------------
19	__/__/__ Balance	============	============

Supporting Schedules: A-12
Recap Schedules: A-19

Schedule of Contributions in Aid of Construction By Classification
Test Year Average Balance

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Florida Public Service Commission

Schedule: A-12
Page 1 of 3
Preparer:

Recap Schedules: A-1,A-4

Explanation: Provide the average CIAC balance by account. If a projected year is employed, provide breakdown for average and projected test year.

Line No.	(1) Description	(2) Test Year Average Bal	(3) Non-Used Useful %	(4) Non-Used Amount
	WATER			
1	Plant Capacity Fees			
2	Line/Main Extension Fees			
3	Meter Installation Fees			
4	Contributed Lines			
5	Other (Describe)			
6				
7	Total	$	$	$
	SEWER			
8	Plant Capacity Fees			
9	Line/Main Extension Fees			
10	Contributed Lines			
11	Other (Describe)			
12				
13	Total	$	$	$

Schedule of Contributions In Aid of Construction By Classification
Test Year Average Balance

Florida Public Service Commission

Schedule: A--12
Page 2 of 3
Preparer:

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide the average CIAC balance by account classification.
If a projected year is employed, provide breakdown for base year and intermediate year also.

Line No.	(1) Description	(2) Prior Year	(3) Month # 1	(4) Month # 2	(5) Month # 3	(6) Month # 4	(7) Month # 5	(8) Month # 6
	WATER							
1	Plant Capacity Fees							
2	Line/Main Extension Fees							
3	Meter Installation Fees							
4	Contributed Lines							
5	Other (Describe)							
6								
7	Total	$	$	$	$	$	$	$
	SEWER							
8	Plant Capacity Fees							
9	Line/Main Extension Fees							
10	Contributed Lines							
11	Other (Describe)							
12								
13	Total	$	$	$	$	$	$	$

Schedule of Contributions in Aid of Construction By Classification
Test Year Average Balance

Florida Public Service Commission

Schedule: A-12
Page 3 of 3
Preparer:

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide the average CIAC balance by account classification.
If a projected year is employed, provide breakdown for base year and intermediate year also.

Line No.	(1) Description	(9) Month # 7	(10) Month # 8	(11) Month # 9	(12) Month # 10	(13) Month # 11	(14) End of Test Year	(15) Average Balance
	WATER							
1	Plant Capacity Fees							
2	Line/Main Extension Fees							
3	Meter Installation Fees							
4	Contributed Lines							
5	Other (Describe)							
6								
7	Total	$	$	$	$	$	$	$
	SEWER							
8	Plant Capacity Fees							
9	Line/Main Extension Fees							
10	Contributed Lines							
11	Other (Describe)							
12								
13	Total	$	$	$	$	$	$	$

Schedule of Water and Sewer Accumulated Amortization of CIAC
Annual Balances Subsequent to Last Established Rate Base

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: A-13
Page __ of __
Preparer:

Explanation: Provide the annual balance of accumulated amortization of CIAC, for water and sewer separately, for all years since either rate base was last established by this Commission, or the date of inception of utility service if rate base has not been established previously by this Commission; and yearly additions and adjustments by dollar amount up to the end of the test year. Provide an additional page if necessary. If a projected test year is used, include the projected additions and/or retirments specifically identifying those amounts. Show any retirments as adjustments.

Line No.	Description	Year-End Balance Water	Year-End Balance Sewer
1	__/__/__ Balance	------------	------------
2	19__ Additions		
3	19__ Adjustments	------------	------------
4	__/__/__ Balance		
5	19__ Additions		
6	19__ Adjustments	------------	------------
7	__/__/__ Balance		
8	19__ Additions		
9	19__ Adjustments	------------	------------
10	__/__/__ Balance		
11	19__ Additions		
12	19__ Adjustments	------------	------------
13	__/__/__ Balance		
14	19__ Additions		
15	19__ Adjustments	------------	------------
16	__/__/__ Balance		
17	19__ Additions		
18	19__ Adjustments	------------	------------
19	__/__/__ Balance	============	============

Supporting Schedules: A-14
Recap Schedules: A-19

Schedule of Accumulated Amortization – CIAC
Test Year Average Balance

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Schedule: A–14
Page 1 of 3
Preparer:

Explanation: Provide the average CIAC balance by account. If a projected year is employed, provide breakdown for average and projected test year.

Line No.	(1) Description	(2) Test Year Average Bal	(3) Non–Used Useful %	(4) Non–Used Amount
	WATER			
1	Plant Capacity Fees			
2	Line/Main Extension Fees			
3	Meter Installation Fees			
4	Contributed Lines			
5	Other (Describe)			
6				
7	Total	$	$	$
	SEWER			
8	Plant Capacity Fees			
9	Line/Main Extension Fees			
10	Contributed Lines			
11	Other (Describe)			
12				
13	Total	$	$	$

Schedule of Accumulated Amortization – CIAC
Test Year Average Balance

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Florida Public Service Commission

Schedule: A–14
Page 2 of 3
Preparer:

Explanation: Provide the ending balances and average of CIAC, by classification for the prior year and the test year. If a projected year is employed, provide breakdown for base year and intermediate year also.

Line No.	(1) Description	(2) Prior Year	(3) Month # 1	(4) Month # 2	(5) Month # 3	(6) Month # 4	(7) Month # 5	(8) Month # 6
	WATER							
1	Plant Capacity Fees							
2	Line/Main Extension Fees							
3	Meter Installation Fees							
4	Contributed Lines							
5	Other (Describe)							
6								
7	Total	$	$	$	$	$	$	$
	SEWER							
8	Plant Capacity Fees							
9	Line/Main Extension Fees							
10	Contributed Lines							
11	Other (Describe)							
12								
13	Total	$	$	$	$	$	$	$

Schedule of Accumulated Amortization – CIAC
Test Year Average Balance

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Florida Public Service Commission

Schedule: A–14
Page 3 of 3
Preparer:

Explanation: Provide the ending balances and average of CIAC, by classification for the prior year and the test year.
If a projected year is employed, provide breakdown for base year and intermediate year also.

Line No.	(1) Description	(9) Month # 7	(10) Month # 8	(11) Month # 9	(12) Month # 10	(13) Month # 11	(14) End of Test Year	(15) Average Balance
	WATER							
1	Plant Capacity Fees							
2	Line/Main Extension Fees							
3	Meter Installation Fees							
4	Contributed Lines							
5	Other (Describe)							
6								
7	Total	$	$	$	$	$	$	$
	SEWER							
8	Plant Capacity Fees							
9	Line/Main Extension Fees							
10	Contributed Lines							
11	Other (Describe)							
12								
13	Total	$	$	$	$	$	$	$

Schedule of Annual AFUDC Rates Used

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: A-15
Page __ of __
Preparer:

Explanation: Provide the annual AFUDC rates used since either rate base was last established by this Commission, or the date of inception of utility service if rate base has not been established previously. Include a description of practices and authority of rate(s) used.

Schedule of Water and Sewer Advances For Construction
Annual Balances Subsequent to Last Established Rate Base

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: A-16
Page 1 of 1
Preparer:

Explanation: Provide the annual balance of Advances For Construction, for water and sewer separately, for all years since either rate base was last established by this Commission, or the date of inception of utility service if rate base has not been established previously by this Commission; and yearly additions and adjustments by dollar amount up to the end of the test year. Provide an additional page if necessary. If a projected test year is used, include the projected additions and/or retirements, specifically identifying those amounts. Also provide a brief description of the applicant's policy regarding advances.

Line No.	Description	Average Test Year Balance	
		Water	Sewer
1	_/_/_ Balance		
2	19_ Additions		
3	19_ Adjustments		
4	_/_/_ Balance		
5	19_ Additions		
6	19_ Adjustments		
7	_/_/_ Balance		
8	19_ Additions		
9	19_ Adjustments		
10	_/_/_ Balance		
11	19_ Additions		
12	19_ Adjustments		
13	_/_/_ Balance		
14	19_ Additions		
15	19_ Adjustments		
16	_/_/_ Balance		

TEST YEAR AVERAGE BALANCE

Line No.	Description	Water	Sewer
1	_/_/_ Beginning Balance		
2	Month #1		
3	Month #2		
4	Month #3		
5	Month #4		
6	Month #5		
7	Month #6		
8	Month #7		
9	Month #8		
10	Month #9		
12	Month #11		
13	_/_/_ Ending Balance		
14	Average Test Year Balance - 13 Months		

Schedule of Working Capital Allowance Calculation

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: A-17
Page __ of __
Preparer:
Recap Schedule: A-1, A-2

Explanation: Provide the calculation of working capital using the balance sheet method. The calculation should not include accounts that are reported in other rate base or cost of capital accounts Unless otherwise explained, this calculation should include both current and deferred debits and credits. All adjustments to the per book accounts shall be explained.

Comparative Balance Sheet – Assets

Company:
Docket No.:
Test Year Ended:

Explanation: Provide a balance sheet for years requested. Provide same for historical base or intermediate years, if not already shown.

Florida Public Service Commission

Schedule: A–18
Page 1 of 2
Preparer:

Line No.	(1) ASSETS	(2) Prior Test Year	(3) Month # 1	(4) Month # 2	(5) Month # 3	(6) Month # 4	(7) Month # 5	(8) Month # 6
1	Utility Plant in Service							
2	Construction Work in Progress							
3	Other Utility Plant Adjustments							
4	GROSS UTILITY PLANT	$	$	$	$	$	$	$
5	Less: Accumulated Depreciation							
6	NET UTILITY PLANT	$	$	$	$	$	$	$
7	Cash							
8	Accounts Rec'b – Customer							
9	Notes & Accts. Rec'b – Assoc. Cos.							
10	Accounts Rec'b – Other							
11	Allowance for Bad Debts							
12	Materials & Supplies							
13	Miscellaneous Current & Accrued Assets							
14	TOTAL CURRENT ASSETS	$	$	$	$	$	$	$
15	Unamortized Debt Discount & Exp.							
16	Prelim. Survey & Investigation Charges							
17	Clearing Accounts							
18	Deferred Rate Case Expense							
19	Other Miscellaneous Deferred Debits							
20	Accum. Deferred Income Taxes							
21	TOTAL DEFERRED DEBITS	$	$	$	$	$	$	$
22	TOTAL ASSETS	$	$	$	$	$	$	$

Comparative Balance Sheet – Assets

Company:
Docket No.:
Test Year Ended:

Explanation: Provide a balance sheet for years requested. Provide same for historical base or intermediate years, if not already shown.

Schedule: A-18
Page 2 of 2
Preparer:

Line No.	(1) ASSETS	(9) Month # 7	(10) Month # 8	(11) Month # 9	(12) Month # 10	(13) Month # 11	(14) End of Test Year	(15) 13-Month Avg Bal
1	Utility Plant in Service							
2	Construction Work in Progress							
3	Other Utility Plant Adjustments							
4	GROSS UTILITY PLANT							
5	Less: Accumulated Depreciation							
6	NET UTILITY PLANT							
7	Cash							
8	Accounts Rec'b – Customer							
9	Notes & Accts. Rec'b – Assoc. Cos.							
10	Accounts Rec'b – Other							
11	Allowance for Bad Debts							
12	Materials & Supplies							
13	Miscellaneous Current & Accrued Assets							
14	TOTAL CURRENT ASSETS							
15	Unamortized Debt Discount & Exp.							
16	Prelim. Survey & Investigation Charges							
17	Clearing Accounts							
18	Deferred Rate Case Expense							
19	Other Miscellaneous Deferred Debits							
20	Accum. Deferred Income Taxes							
21	TOTAL DEFERRED DEBITS							
22	TOTAL ASSETS							

Comparative Balance Sheet – Equity Capital & Liabilities

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Explanation: Provide a balance sheet for years requested. Provide same for historical base or intermediate years, if not already shown.

Schedule: A-19
Page 1 of 2
Preparer:

Line No.	(1) EQUITY CAPITAL & LIABILITIES	(2) Prior Test Year	(3) Month # 1	(4) Month # 2	(5) Month # 3	(6) Month # 4	(7) Month # 5	(8) Month # 6
1	Common Stock Issued							
2	Preferred Stock Issued							
3	Additional Paid In Capital							
4	Retained Earnings							
5	Other Equity Capital							
6	TOTAL EQUITY CAPITAL							
7	Bonds							
8	Reacquired Bonds							
9	Advances From Associated Companies							
10	Other Long–Term Debt							
11	TOTAL LONG–TERM DEBT							
12	Accounts Payable							
13	Notes Payable							
14	Notes & Accounts Payable – Assoc. Cos.							
15	Customer Deposits							
16	Accrued Taxes							
17	Accrued Interest							
18	Accrued Dividends							
19	Misc. Current & Accrued Liabilities							
20	TOTAL CURRENT & ACC. LIABILITIES							
22	Advances For Construction							
23	Other Deferred Credits							
24	Accum. Deferred ITCs							
24	Operating Reserves							
26	TOTAL DEF. CREDITS & OPER. RESERVES							
27	Contributions In Aid of Construction							
28	Less: Accum. Amortization of CIAC							
29	Accumulated Deferred Income Taxes							
30	TOTAL EQUITY CAPITAL & LIABILITIES							

Comparative Balance Sheet – Equity Capital & Liabilities

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Explanation: Provide a balance sheet for years requested. Provide same for historical base or intermediate years, if not already shown.

Schedule: A–19

Preparer:

Line No.	(1) EQUITY CAPITAL & LIABILITIES	(9) Month # 7	(10) Month # 8	(11) Month # 9	(12) Month # 10	(13) Month # 11	(14) End of Test Year	(15) 13–Month Avg Bal
1	Common Stock Issued							
2	Preferred Stock Issued							
3	Additional Paid In Capital							
4	Retained Earnings							
5	Other Equity Capital							
6	TOTAL EQUITY CAPITAL							
7	Bonds							
8	Reacquired Bonds							
9	Advances From Associated Companies							
10	Other Long–Term Debt							
11	TOTAL LONG–TERM DEBT							
12	Accounts Payable							
13	Notes Payable							
14	Notes & Accounts Payable – Assoc. Cos.							
15	Customer Deposits							
16	Accrued Taxes							
17	Accrued Interest							
18	Accrued Dividends							
19	Misc. Current & Accrued Liabilities							
20	TOTAL CURRENT & ACC. LIABILITIES							
21	Advances For Construction							
22	Other Deferred Credits							
23	Accum. Deferred ITCs							
24	Operating Reserves							
25	TOTAL DEF. CREDITS & OPER. RESERVES							
26	Contributions In Aid of Construction							
27	Less: Accum. Amortization of CIAC							
28	Accumulated Deferred Income Taxes							
29	TOTAL EQUITY CAPITAL & LIABILITIES							

37

Schedule of Water Net Operating Income

Florida Public Service Commission

Company:
Schedule Year Ended:
Interim [ ] Final [ ]
Historic [ ] or Projected [ ]

Schedule: B-1
Page __ of __
Docket No.:
Preparer:

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	(7) Supporting Schedule(s)
1	OPERATING REVENUES						B-4
2	Operation & Maintenance						B-5
3	Depreciation, net of CIAC Amort.						B-13
4	Amortization						
5	Taxes Other Than Income						B-15
6	Provision for Income Taxes						C-1
7	OPERATING EXPENSES						
8	NET OPERATING INCOME						
9	RATE BASE						
10	RATE OF RETURN						

Schedule of Sewer Net Operating Income

Florida Public Service Commission

Company:
Schedule Year Ended:
Interim [ ] Final [ ]
Historic [ ] or Projected [ ]

Schedule: B-2
Page __ of __
Docket No.:
Preparer:

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	(7) Supporting Schedule(s)
1	OPERATING REVENUES						B-4
		-------------	-------------	-------------	-------------	-------------	
2	Operation & Maintenance						B-6
3	Depreciation, net of CIAC Amort.						B-14
4	Amortization						
5	Taxes Other Than Income						B-15
6	Provision for Income Taxes						C-1
		-------------	-------------	-------------	-------------	-------------	
7	OPERATING EXPENSES						
		-------------	-------------	-------------	-------------	-------------	
8	NET OPERATING INCOME						
		=============	=============	=============	=============	=============	
9	RATE BASE						
		=============		=============		=============	
10	RATE OF RETURN						
		=============		=============		=============	

Schedule of Adjustments to Operating Income

Florida Public Service Commission

Company:
Schedule Year Ended:
Interim [ ] Final [ ]
Historic [ ] or Projected [ ]

Schedule: B-3
Page __ of __
Docket No.:
Preparer:

Explanation: Provide a detailed description of all adjustments to operating income per books, with a total for each line item shown on the net operating income statement.

Line No.	Description	Water	Sewer

Test Year Operating Revenues

Company:
Docket No.:
Schedule Year Ended:

Explanation: Complete the following revenue schedule for the historical test year or base year. If general service revenue is not accounted for by sub-account, then show the total amount under metered-or measured-commercial and provide an explanation.

Florida Public Service Commission

Schedule: B-4
Page __ of __
Preparer:
Recap Schedules: B-1,B-2

Line No.	WATER SALES Account No. and Description	Total Water	SEWER SALES Account No. and Description	(1) Total Sewer
1	460 Unmetered Water Revenue		521.1 Flat Rate - Residential	
2	461.1 Metered - Residential		521.2 Flat Rate - Commercial	
3	461.2 Metered - Commercial		521.3 Flat Rate - Industrial	
4	461.3 Metered - Industrial		521.4 Flat Rate - Public Authorities	
5	461.4 Metered - Public Authorities		521.5 Flat Rate - Multi-Family	
6	461.5 Metered - Multi-Family		521.6 Flat Rate - Other	
7	462.1 Public Fire Protection		522.1 Measured - Residential	
8	462.2 Private Fire Protection		522.2 Measured - Commercial	
9	464 Other Sales - Public Authorities		522.3 Measured - Industrial	
10	465 Irrigation Customers		522.4 Measured - Public Authority	
11	466 Sales for Resale		522.5 Measured - Multi-Family	
12	467 Interdepartmental Sales		523 Other Sales - Public Authorities	
13		--------------	524 Revenues from Other Systems	
14	TOTAL WATER SALES		525 Interdepartmental Sales	
15		--------------		--------------
16	OTHER WATER REVENUES		TOTAL SEWER SALES	
17	470 Forfeited Discounts			--------------
18	471 Misc. Service Revenues		OTHER SEWER REVENUES	
19	472 Rents From Water Property		531 Sale of Sludge	
20	473 Interdepartmental Rents		532 Forfeited Discounts	
21	474 Other Water Revenues		534 Rents From Sewer Property	
22		--------------	535 Interdepartmental Rents	
23	TOTAL OTHER WATER REVENUES		536 Other Sewer Revenues	
24		--------------		--------------
25	TOTAL WATER OPERATING REVENUES		TOTAL OTHER SEWER REVENUES	
26		==============		--------------
27			TOTAL SEWER OPERATING REVENUES	
				==============

Detail of Operation & Maintenance Expenses By Month - Water

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide a schedule of operation and maintenance expenses by primary account for each month of the test year. If schedule has to be continued on 2nd page, reprint the account titles and numbers.

Schedule: B-5
Page __ of __
Preparer:
Recap Schedules: B-1

Line No.	(1) Account No. and Name	(2) Month	(3) Month	(4) Month	(5) Month	(6) Month	(7) Month	(8) Month	(9) Month	(10) Month	(11) Month	(12) Month	(13) Month	(14) Total Annual
1	601 Salaries & Wages - Employees													
2	603 Salaries & Wages - Officers, Etc.													
3	604 Employee Pensions & Benefits													
4	610 Purchased Water													
5	615 Purchased Power													
6	616 Fuel for Power Purchased													
7	618 Chemicals													
8	620 Materials & Supplies													
9	631 Contractual Services - Engr.													
10	632 Contractual Services - Acct.													
11	633 Contractual Services - Legal													
12	634 Contractual Services - Mgmt. Fees													
13	635 Contractual Services - Other													
14	641 Rental of Building/Real Prop.													
15	642 Rental of Equipment													
16	650 Transportation Expenses													
17	656 Insurance - Vehicle													
18	657 Insurance - General Liability													
19	658 Insurance - Workman's Comp.													
20	659 Insurance - Other													
21	660 Advertising Expense													
22	666 Reg. Comm. Exp. - Rate Case Amort.													
23	667 Reg. Comm. Exp. - Other													
24	670 Bad Debt Expense													
25	675 Miscellaneous Expenses													
26	TOTAL	$	$	$	$	$	$	$	$	$	$	$	$	$

Detail of Operation & Maintenance Expenses By Month - Sewer

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide a schedule of operation and maintenance expenses by primary account for each month of the test year. If schedule has to be continued on 2nd page, reprint the account titles and numbers.

Schedule: B-6
Page __ of __
Preparer:
Recap Schedules: B-2

Line No.	(1) Account No. and Name	(2) Month	(3) Month	(4) Month	(5) Month	(6) Month	(7) Month	(8) Month	(9) Month	(10) Month	(11) Month	(12) Month	(13) Month	(14) Total Annual
1	701 Salaries & Wages - Employees													
2	703 Salaries & Wages - Officers, Etc.													
3	704 Employee Pensions & Benefits													
4	710 Purchased Sewage Treatment													
5	711 Sludge Removal Expense													
6	715 Purchased Power													
7	716 Fuel for Power Purchased													
8	718 Chemicals													
9	720 Materials & Supplies													
10	731 Contractual Services - Engr.													
11	732 Contractual Services - Acct.													
12	733 Contractual Services - Legal													
13	734 Contractual Services - Mgmt. Fees													
14	735 Contractual Services - Other													
15	741 Rental of Building/Real Prop.													
16	742 Rental of Equipment													
17	750 Transportation Expenses													
18	756 Insurance - Vehicle													
19	757 Insurance - General Liability													
20	758 Insurance - Workman's Comp.													
21	759 Insurance - Other													
22	760 Advertising Expense													
23	766 Reg. Comm. Exp. - Rate Case Amort.													
24	767 Reg. Comm. Exp. - Other													
25	770 Bad Debt Expense													
26	775 Miscellaneous Expenses													
27	TOTAL	$	$	$	$	$	$	$	$	$	$	$	$	$

Operation & Maintenance Expense Comparison - Water

Company:
Docket No.:
Test Year Ended:

Florida Public Service Commission

Schedule: B-7
Page __ of __
Preparer:

Explanation: Complete the following comparison of the applicant's current and prior test year O&M expenses before this Commission. Provide an explanation of all differences which are not attributable to the change in customer growth and the CPI-U. If the applicant has not had a previous rate case, use the year 5 years prior to the test year for comparison. Provide an additional schedule, if necessary, to explain differences.

Line No.	(1) Account No. and Name	(2) Prior TY __/__/__	(3) Current TY __/__/__	(4) $ Difference	(5) % Difference	(6) Explanation
1	601 Salaries & Wages - Employees					
2	603 Salaries & Wages - Officers, Etc.					
3	604 Employee Pensions & Benefits					
4	610 Purchased Water					
5	615 Purchased Power					
6	616 Fuel for Power Purchased					
7	618 Chemicals					
8	620 Materials & Supplies					
9	631 Contractual Services - Engr.					
10	632 Contractual Services - Acct.					
11	633 Contractual Services - Legal					
12	634 Contractual Services - Mgmt. Fees					
13	635 Contractual Services - Other					
14	641 Rental of Building/Real Prop.					
15	642 Rental of Equipment					
16	650 Transportation Expenses					
17	656 Insurance - Vehicle					
18	657 Insurance - General Liability					
19	658 Insurance - Workman's Comp.					
20	659 Insurance - Other					
21	660 Advertising Expense					
22	666 Reg. Comm. Exp. - Rate Case Amort.					
23	667 Reg. Comm. Exp. - Other					
24	670 Bad Debt Expense					
25	675 Miscellaneous Expenses					
26	TOTAL	$	$	$		
27	Total Customers					
28	Consumer Price Index - U					

Operation & Maintenance Expense Comparison - Sewer

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: B-8
Page __ of __
Preparer:

Explanation: Complete the following comparison of the applicant's current and prior test year O&M expenses before this Commission. Provide an explanation of all differences which are not attributable to the change in customer growth and the CPI-U. If the applicant has not had a previous rate case, use the year 5 years prior to the test year for comparison. Provide an additional schedule, if necessary, to explain differences.

Line No.		(1) Account No. and Name	(2) Prior TY __/__/__	(3) Current TY __/__/__	(4) $ Difference	(5) % Difference	(6) Explanation
1	701	Salaries & Wages - Employees					
2	703	Salaries & Wages - Officers, Etc.					
3	704	Employee Pensions & Benefits					
4	710	Purchased Sewage Treatment					
5	711	Sludge Removal Expense					
6	715	Purchased Power					
7	716	Fuel for Power Purchased					
8	718	Chemicals					
9	720	Materials & Supplies					
10	731	Contractual Services - Engr.					
11	732	Contractual Services - Acct.					
12	733	Contractual Services - Legal					
13	634	Contractual Services - Mgmt. Fees7					
14	735	Contractual Services - Other					
15	741	Rental of Building/Real Prop.					
16	742	Rental of Equipment					
17	750	Transportation Expenses					
18	756	Insurance - Vehicle					
19	757	Insurance - General Liability					
20	758	Insurance - Workman's Comp.					
21	759	Insurance - Other					
22	760	Advertising Expense					
23	766	Reg. Comm. Exp. - Rate Case Amort.					
24	767	Reg. Comm. Exp. - Other					
25	770	Bad Debt Expense					
26	775	Miscellaneous Expenses					
27		TOTAL	$	$	$		
28		Total Customers					
29		Consumer Price Index - U					

Contractual Services

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: B-9
Page __ of __
Preparer:

Explanation: Provide a complete list of outside services which were incurred during the test year. List by type of service, such as accounting, engineering or legal, and provide specific detail of work performed by each consultant and the associated cost breakdown by items. Provide amounts separated by system and method of allocation if appropriate. Specific detail is not necessary for charges which are less than 2% of the test year revenues for that system. Do not include rate case expense charges.

(1) Line No.	(2) Consultant	(3) Type of Service	(4) Amount	(5) Description of Work Performed

Analysis of Rate Case Expense

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: B-10
Page __ of __
Preparer:

Explanation: Provide the total amount of rate case expense requested in the application. State whether the total includes the amount up to proposed agency action or through a hearing before the Commission. Provide a list of each firm providing services for the applicant, the individuals for each firm assisting in the application, including each individual's hourly rate, and an estimate of the total charges to be incurred by each firm, as well as a description of the type of services provided. Also provide the additional information for amortization and allocation method, including support behind this determination.

Line No.	(1) Firm or Vendor Name	(2) Counsel, Consultant or Witness	(3) Hourly Rate Per Person	(4) Total Estimate Of Charges By Firm	(5) Type of Service Rendered
	Total				

Estimate Through
[ ] PAA
[ ] Commission Hearing

Amortization Period __ Years
Explanation if different from Section 367.0816, Florida Statutes:

Amortization of Rate Case Expense:

	(A) Water	(B) Sewer	(C) Total
Prior Unamortized Rate Case Expense			
Current Rate Case Expense			
Total Projected Rate Case Expense			
Annual Amortization			

Method of Allocation Between Systems:
(Provide Calculation)

Analysis of Major Maintenance Projects - Water & Sewer
For the Test Year and 2 Years Prior and 1 Year Subsequent

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: B-11
Page __ of __
Preparer:

Explanation: Provide an analysis of all maintenance projects greater than 2% of test year revenues per system which occurred during the 2 years prior to the test year, the test year, and the budgeted amount for 1 year subsequent to the test year. For each project, provide a description, the total cost or budgeted amount and how often the project should be repeated.

Allocation of Expenses

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Schedule: B-12
Page __ of __
Preparer:

Explanation: Provide a schedule detailing expenses which are subject to allocation between systems (water, sewer & gas, etc.) showing allocation percentages, gross amounts, amounts allocated, and a detailed description of the method of allocation. Provide a description of all systems other than water and sewer.

			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			Allocation Percentages						Amounts Allocated		
Line No.	Acct. No.	Description	Water	Sewer	Other	Total	Description of Allocation Method	Water	Sewer	Other	Total

Net Depreciation Expense - Water

Company:
Docket No.:
Test Year Ended:

Florida Public Service Commission

Schedule: B-13
Page __ of __
Preparer:
Recap Schedules: B-1

Explanation: Provide a schedule of test year non-used and useful depreciation expense by primary account.

Line No.	(1) Account No. and Name	(2) Test Year Expense	(3) Utility Adjustments	(4) Adjusted Balance	(5) % Non-Used and Useful	(6) Future Use Amount
1	INTANGIBLE PLANT					
2	301.1 Organization					
3	302.1 Franchises					
4	339.1 Other Plant & Misc. Equipment					
5	SOURCE OF SUPPLY AND PUMPING PLANT					
6	304.2 Structures & Improvements					
7	305.2 Collect. & Impound. Reservoirs					
8	306.2 Lake, River & Other Intakes					
9	307.2 Wells & Springs					
10	308.2 Infiltration Galleries & Tunnels					
11	309.2 Supply Mains					
12	310.2 Power Generation Equipment					
13	311.2 Pumping Equipment					
14	339.2 Other Plant & Misc. Equipment					
15	WATER TREATMENT PLANT					
16	304.3 Structures & Improvements					
17	320.3 Water Treatment Equipment					
18	339.3 Other Plant & Misc. Equipment					
19	TRANSMISSION & DISTRIBUTION PLANT					
20	304.4 Structures & Improvements					
21	330.4 Distr. Reservoirs & Standpipes					
22	331.4 Transm. & Distribution Mains					
23	332.4 Services					
24	334.4 Meters & Meter Installations					
25	335.4 Hydrants					
26	339.4 Other Plant & Misc. Equipment					
27	GENERAL PLANT					
28	304.5 Structures & Improvements					
29	340.5 Office Furniture & Equipment					
30	341.5 Transportation Equipment					
31	342.5 Stores Equipment					
32	343.5 Tools, Shop & Garage Equipment					
33	344.5 Laboratory Equipment					
34	345.5 Power Operated Equipment					
35	346.5 Communication Equipment					
36	347.5 Miscellaneous Equipment					
37	348.5 Other Tangible Plant					
38	TOTAL DEPRECIATION EXPENSE	$	$	$		$
	LESS: AMORTIZATION OF CIAC					
	NET DEPRECIATION EXPENSE - WATER	$	$	$		$

Net Depreciation Expense - Sewer

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Historic [ ] or Projected [ ]

Schedule: B-14
Page __ of __
Preparer:
Recap Schedules: B-2

Explanation: Provide a schedule of test year non-used and useful depreciation expense by primary account.

Line No.	(1) Account No. and Name	(2) Test Year Expense	(3) Utility Adjustments	(4) Adjusted Balance	(5) % Non-Used and Useful	(6) Future Use Amount
1	INTANGIBLE PLANT					
2	351.1 Organization					
3	352.1 Franchises					
4	389.1 Other Plant & Misc. Equipment					
5	COLLECTION PLANT					
6	354.2 Structures & Improvements					
7	360.2 Collection Sewers - Force					
8	361.2 Collection Sewers - Gravity					
9	362.2 Special Collecting Structures					
10	363.2 Services to Customers					
11	364.2 Flow Measuring Devices					
12	365.2 Flow Measuring Installations					
13	389.2 Other Plant & Misc. Equipment					
14	SYSTEM PUMPING PLANT					
15	354.3 Structures & Improvements					
16	370.3 Receiving Wells					
17	371.3 Pumping Equipment					
18	389.3 Other Plant & Misc. Equipment					
19	TREATMENT AND DISPOSAL PLANT					
20	354.4 Structures & Improvements					
21	380.4 Treatment & Disposal Equipment					
22	381.4 Plant Sewers					
23	382.4 Outfall Sewer Lines					
24	389.4 Other Plant & Misc. Equipment					
25	GENERAL PLANT					
26	354.5 Structures & Improvements					
27	390.5 Office Furniture & Equipment					
28	391.5 Transportation Equipment					
29	392.5 Stores Equipment					
30	393.5 Tools, Shop & Garage Equipment					
31	394.5 Laboratory Equipment					
32	395.5 Power Operated Equipment					
33	396.5 Communication Equipment					
34	397.5 Miscellaneous Equipment					
35	398.5 Other Tangible Plant					
36	TOTAL DEPRECIATION EXPENSE	$	$	$		$
	LESS: AMORTIZATION OF CIAC					
	NET DEPRECIATION EXPENSE - SEWER	$	$	$		$

Taxes Other Than Income

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Schedule: B-15
Page __ of __
Preparer:
Recap Schedules: B-1,B-2

Explanation: Complete the following schedule of all taxes other than income. For all allocations, provide description of allocation and calculations.

Line No.	(1) Description	(2) Regulatory Assessment Fees (RAFs)	(3) Payroll Taxes	(4) Real Estate & Personal Property	(5) Other	(6) Total
WATER						
1	Test Year Per Books					
	Adjustments to Test Year (Explain)					
2						
3						
4						
5						
6	Total Test Year Adjustments					
7	Adjusted Test Year					
8	RAFs Assoc. with Revenue Increase					
9	Total Balance					
SEWER						
10	Test Year Per Books					
	Adjustments to Test Year (Explain)					
11						
12						
13						
14						
15	Total Test Year Adjustments					
16	Adjusted Test Year					
17	RAFs Assoc. with Revenue Increase					
18	Total Balance					

GENERAL INSTRUCTIONS FOR INCOME TAX SCHEDULES

1. Any utility that is not currently and never has been a C corporation may omit Section C in its entirety.

2. All utilities that are currently C corporations shall complete Schedules C-1 through C-7, C-9 and C-10.

3. All utilities that are not currently, but have been C corporations in the past, shall complete Schedules C-5 through C-7.

4. Only utilities that are C corporations and also participate in the filing of a consolidated return shall complete Schedule C-8.

5. If difficulty is experienced in completing any schedule, contact staff for clarification before the MFRs are due.

6. If production of any schedule is impractical or will impose an excessive economic burden upon the utility, a request for a waiver may be made in accordance with Rule 25-30.436(4), F.A.C.

Reconciliation of Total Income Tax Provision

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Historic [ ] or Projected [ ]

Schedule: C-1
Page 1 of 1
Preparer:

Explanation: Provide a reconcilation between the total operating income tax provision and the currently payable income taxes on operating income for the test year.

Line No.	Description	Ref.	Total Per Books	Utility Adjustments	Utility Adjusted	Water	Sewer
1	Current Tax Expense	C-2					
2	Deferred Income Tax Expense	C-5					
3	ITC Realized This Year	C-8					
4	ITC Amortization (3% ITC and IRC 46(f)(2))	C-8					
5	Parent Debt Adjustment	C-9					
6	Total Income Tax Expense						

Supporting Schedules: C-2,C-5,C-8,C-9
Recap Schedules: B-1,B-2

State and Federal Income Tax Calculation - Current

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Historic [ ] or Projected [ ]

Schedule: C-2
Page 1 of 1
Preparer:

Explanation: Provide the calculation of state and federal income taxes for the test year. Provide detail on adjustments to income taxes and investment tax credits generated.

		Total Per Books	Utility Adjustments	Utility Adjusted	Water	Sewer
1	Net Utility Operating Income (Sch. B-1)					
2	Add: Income Tax Expense Per Books (Sch. B-1)					
3	Subtotal					
4	Less: Interest Charges (Sch. C-3)					
5	Taxable Income Per Books					
	Schedule M Adjustments:					
6	Permanent Differences (From Sch. C-4)					
7	Timing Differences (From Sch. C-5)					
8	Total Schedule M Adjustments					
9	Taxable Income Before State Taxes					
10	Less: State Income Tax Exemption ($5,000)					
11	State Taxable Income					
12	State Income Tax (5.5% of Line 11)					
13	Emergency Excise Tax					
14	Credits					
15	Current State Income Taxes					
16	Federal Taxable Income (Line 9 - Line 15)					
17	Federal Income Tax Rate					
18	Federal Income Taxes (Line 16 x Line 17)					
19	Less: Investment Tax Credit Realized This Year (Sch. C-8)					
20	Current Federal Inc. Taxes (Line 18 - Line 19)					
	Summary:					
21	Current State Income Taxes (Line 15)					
22	Current Federal Income Taxes (Line 20)					
23	Total Current Income Tax Expense (To C-1)					

Supporting Schedules: B-1,B-2,C-3,C-4,C-5,C-8
Recap Schedules: C-1

Schedule of Interest In Tax Expense Calculation

Company:
Docket No.:
Test Year Ended:
Historic [ ] or Projected [ ]

Florida Public Service Commission
Schedule: C-3
Page 1 of 1
Preparer:
Supporting Schedules: D-1,C-8
Recap Schedules: C-2

Explanation: Provide the amount of interest expense used to calculate income taxes on Schedule No. C-2. Explain any changes in interest expense in detail giving amount of change and reason for change. If the basis for allocating interest used in the tax calculation differs from the basis used in allocating current income taxes payable, the differing bases should be clearly identified.

Line No.	Description	Total Per Books	Utility Adjustments	Utility Adjusted	Water	Sewer
1	Interest on Long-Term Debt					
2	Amortization of Debt Premium, Disc. and Expense Net					
3	Interest on Short-Term Debt					
4	Other Interest Expense					
5	AFUDC					
6	ITC Interest Synchronization (IRC 46(f)(2) only - See below)					
7	Total Used For Tax Calculation					

Calculation of ITC Interest Synchronization Adjustment
ONLY for Option 2 companies (See Sch. C-8, pg. 4)

	Balances From Schedule D-1	Amount	Ratio	Cost	Total Weighted Cost	Debt Only Weighted Cost
8	Long-Term Debt					
9	Short-Term Debt					
10	Preferred Stock					---
11	Common Equity					---
12	Total					
13	ITCs (from D-1, Line 7)					
14	Weighted Debt Cost (From Line 12)					
15	Interest Adjustment (To Line 6)					

Book/Tax Differences - Permanent

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Historic [ ] or Projected [ ]

Schedule: C-4

Preparer:

Explanation: Provide the description and amount of all book/tax differences accounted for as permanent differences. This would include any items accounted for on a flow through basis.

Supporting Schedules: None
Recap Schedules: C-2

Deferred Income Tax Expense

Company:
Docket No.:
Test Year Ended:
Historic [ ] or Projected [ ]

Florida Public Service Commission

Schedule: C-5
Page 1 of 1
Preparer:

Explanation: Provide the calculation of total deferred income tax expense for the test year. Provide detail on items resulting in tax deferrals other than accelerated depreciation.

Line No.	Description	Total Per Books	Utility Adjustments	Utility Adjusted	Water	Sewer
	Timing Differences:					
1	Tax Depreciation and Amortization					
2	Book Depreciation and Amortization					
3	Difference					
4	Other Timing Differences (Itemize):					
5	Total Timing Differences (To C-2)					
6	State Tax Rate					
7	State Deferred Taxes (Line 5 x Line 6)					
8	Timing Differences For Federal Taxes (Line 5 - Line 7)					
9	Federal Tax Rate					
10	Federal Deferred Taxes (Line 8 x Line 9)					
11	Add: State Deferred Taxes (Line 7)					
12	Total Deferred Tax Expense (To C-1)					

Supporting Schedules: None
Recap Schedules: C-2

Accumulated Deferred Income Taxes - Summary

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: C-6

Preparer:

Explanation: For each of the accumulated deferred tax accounts provide a summary of the ending balances as reported on pages 2 & 3 of this schedule. The same annual balances should be shown.

		Account No. ______			Account No. ______			Net Deferred Income Taxes		
Line No.	Year	State	Federal	Total	State	Federal	Total	State	Federal	Total

Supporting Schedules: C-7, Pg 2 & 3
Recap Schedules: A-18,A-19,D-2

Accumulated Deferred Income Taxes - State

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: C-6
Page 2 of 3
Preparer:

Explanation: For each of the accumulated deferred tax accounts provide annual balances beginning with the year of the last rate case and ending with the test year.

		Account No. ______					Account No. ______				
Line No.	Year	Beginning Balance	Current Year Deferral	Flowback To Curr. Year	Adjust. Debit (Credit)	Ending Balance	Beginning Balance	Current Year Deferral	Flowback To Curr. Year	Adjust. Debit (Credit)	Ending Balance

Supporting Schedules: None
Recap Schedules: C-6

Accumulated Deferred Income Taxes - Federal

Company:
Docket No.:
Test Year Ended:

Florida Public Service Commission

Schedule: C-6
Page 3 of 3
Preparer:

Explanation: For each of the accumulated deferred tax accounts provide annual balances beginning with the year of the last rate case and ending with the test year.

		Account No. ______					Account No. ______				
Line No.	Year	Beginning Balance	Current Year Deferral	Flowback To Curr. Year	Adjust. Debit (Credit)	Ending Balance	Beginning Balance	Current Year Deferral	Flowback To Curr. Year	Adjust. Debit (Credit)	Ending Balance

Supporting Schedules: None
Recap Schedules: C-6

Investment Tax Credits - Analysis

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: C-7

Preparer:

Explanation: Provide an analysis of accumulated tax credits generated and amortized on an annual basis beginning with the test year in the last rate case to the end of the current test year. Amounts provided by the Revenue Act of 1971 and subsequent acts should be shown separately from amounts applicable to prior laws. Identify progress payments separately.

		3% ITC						4% ITC					
			Amount Realized		Amortization				Amount Realized		Amortization		
Line No.	Year	Beginning Balance	Current Year	Prior Year Adjust.	Current Year	Prior Year Adjust.	Ending Balance	Beginning Balance	Current Year	Prior Year Adjust.	Current Year	Prior Year Adjust.	Ending Balance

Supporting Schedules: None
Recap Schedules: C-2,C-3,C-10,D-2,A-18,A-19

Investment Tax Credits - Analysis

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: C-7
Page 2 of 4
Preparer:

Explanation: Provide an analysis of accumulated tax credits generated and amortized on an annual basis beginning with the test year in the last rate case to the end of the current test year. Amounts provided by the Revenue Act of 1971 and subsequent acts should be shown separately from amounts applicable to prior laws. Identify progress payments separately.

		8% ITC						10% ITC					
			Amount Realized		Amortization				Amount Realized		Amortization		
Line No.	Year	Beginning Balance	Current Year	Prior Year Adjust.	Current Year	Prior Year Adjust.	Ending Balance	Beginning Balance	Current Year	Prior Year Adjust.	Current Year	Prior Year Adjust.	Ending Balance

63

Supporting Schedules: None
Recap Schedules: C-2,C-3,C-10,D-2,A-18,A-19

Investment Tax Credits - Company Policies

Company:
Docket No.:
Test Year Ended:

Florida Public Service Commission

Schedule: C-7

Preparer:

Explanation: Explain accounting policy as to method of amortization for both progress payment and other ITC. Explanation should include at least a description of how the time period for amortization is determined, when it begins, under what circumstances it changes, etc. If there are unused ITC, supply a schedule showing year generated, amount generated, total amount used and remaining unused portion.

Investment Tax Credits - Section 46(f) Election

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Historic [ ] or Projected [ ]

Schedule: C-7
Page 4 of 4
Preparer:

Explanation: Provide a copy of the election made under Section 46(f), Internal Revenue Code.

Parent(s) Debt Information

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: C-8
Page 1 of __
Preparer:

Explanation: Provide the information required to adjust income tax expense by by the interest expense of the parent(s) that may be invested in the equity of the applicant. If a year-end rate base is used, provide on both a year-end and and an average basis. Amounts should be parent only.

Parent's Name ______________

Line No.	Description	Amount	% of Total	Cost Rate	Weighted Cost
1	Long-Term Debt				
2	Short-Term Debt				
3	Preferred Stock				
4	Common Equity (State Retained Earnings Separately - Parent Only)				
5	Deferred Income Tax				
6	Other				
7	Total		100.00%		

8 Weighted Cost Parent Debt X 37.63% (or applicable consolidated tax rate) X Equity of Subsidiary (To C-1)

Supporting Schedules: None
Recap Schedules: C-3

Income Tax Returns

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: C-9
Page 1 of 1
Preparer:

Explanation: Provide a copy of the most recently filed federal income tax return, state income tax return and most recent final IRS revenue agent's report for the applicant or consolidated entity (whichever type of return is filed). A statement of when and where the returns and reports are available for review may be provided in lieu of providing the returns and reports.

Miscellaneous Tax Information

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: C-10
Page 1 of 1
Preparer:

Explanation: Provide answers to the following questions with respect to the applicant or its consolidated entity.

---

(1) What tax years are open with the Internal Revenue Service?

(2) Is the treatment of customer deposits at issue with the IRS?

(3) Is the treatment of contributions in aid of construction at issue with the IRS?

(4) Is the treatment of unbilled revenues at issue with the IRS?

Schedule of Requested Cost of Capital
Beginning and End of Year Average

Company:
Docket No.:
Test Year Ended:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Florida Public Service Commission

Schedule: D-1
Page __ of __
Preparer:

Subsidiary [ ] or Consolidated [ ]

Explanation: Provide a schedule which calculates the requested Cost of Capital on a ~~beginning and end of year~~ 13-month average basis. If a year-end basis is used submit an additional schedule reflecting year-end calculations.

Line No.	Class of Capital	(1) Reconciled To Requested Rate Base	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt				
2	Short-Term Debt				
3	Preferred Stock				
4	Customer Deposits				
5	Common Equity				
6	Tax Credits - Zero Cost				
7	Tax Credits - Wtd. Cost				
8	Accum. Deferred Income Taxes				
9	Other (Explain)				
10	Total		100.00%		

Supporting Schedules: D-2
Recap Schedules: A-1,A-2

Schedule of Requested Cost of Capital
13-Month Average Balance

Company:
Docket No.:
Test Year Ended:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Florida Public Service Commission

Schedule: D-1
Page __ of __
Preparer:

Subsidiary [ ] or Consolidated [ ]

Explanation: Provide a schedule which calculates the requested Cost of Capital on a 13-month average basis. If a year-end basis is used submit an additional schedule reflecting year-end calculations.

Line No.	Class of Capital	(1) Reconciled To Requested Rate Base	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt				
2	Short-Term Debt				
3	Preferred Stock				
4	Customer Deposits				
5	Common Equity				
6	Tax Credits - Zero Cost				
7	Tax Credits - Wtd. Cost				
8	Accum. Deferred Income Taxes				
9	Other (Explain)				
10	Total		100.00%		

Supporting Schedules: D-2
Recap Schedules: A-1,A-2

Reconciliation of Capital Structure to Requested Rate Base
13–Month Average Balance

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Schedule: D–2
Page __ of __
Preparer:

Explanation: Provide a reconciliation of the 13–month average capital structure to requested rate base.
Explain all adjustments. Submit an additional schedule if a year–end basis is used.

Line No.	(1) Class of Capital	(2) Test Year Per Books	(3) Reconciliation Adjustments Specific	(4) Reconciliation Adjustments (Explain)	(5) Prorata *	(6) Reconciled To Requested Rate Base
1	Long–Term Debt					
2	Short–Term Debt					
3	Preferred Stock					
4	Common Equity					
5	Customer Deposits					
6	Tax Credits – Zero Cost					
7	Tax Credits – Wtd. Cost					
8	Accum. Deferred Income Tax					
9	Other (Explain)					
10	Total					

* List corresponding adjustments to rate base below:

Description	Amount

Supporting Schedules: A–19,C–7,C–8,D–3,D–4,D–5,D–7
Recap Schedules: D–1

Preferred Stock Outstanding

Company:
Docket No:
Test Year Ended:
Utility [ ] or Parent [ ]
Historic [ ] or Projected [ ]

Explanation: Provide data as specified on preferred stock on a 13-month average basis. If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information for the parent level.

Florida Public Service Commission

Schedule: D-3
Page __ of __
Preparer:

Line No.	(1) Description, Coupon Rate, Years of Life	(2) Issue Date	(3) Call Provis., Special Restrict.	(4) Principal Amount Sold (Face Value)	(5) Principal Amount Outstanding	(6) (Discount) or Premium on Principal Amount Sold	(7) (Discount) or Premium Associated With Col (5)	(8) Issuing Expense Associated With Col(4)	(9) Issuing Expense Associated With Col(5)	(10) Net Proceeds (5)-(9)+(7)	(11) Rate (Contract Rate on Face Value)	(12) Dollar Dividend On Face Value (11)x(5)	(13) Effective Cost Rate (12)/(10)

Recap Schedules: A-19,D-2

17

13–Month Average Cost of Short–Term Debt

Florida Public Service Commission

Company:
Docket No:
Test Year Ended:
Utility [ ] or Parent [ ]
Historic [ ] or Projected [ ]

Schedule: D–4
Page __ of __
Preparer:

Explanation: Provide the following information on a 13–month average basis. If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information for the parent level.

Line No.	Lender	(1) Total Interest Expense	(2) Maturity Date	(3) Simple Average Amt. Outstanding	(4) Effective Cost Rate
	Total				

Recap Schedules: A–19,D–2

Cost of Long-Term Debt
13-Month Average Basis

Florida Public Service Commission

Schedule: D-5
Page __ of __
Preparer:

Company:
Docket No:
Test Year Ended:
Utility [ ] or Parent [ ]
Historic [ ] or Projected [ ]

Explanation: Provide the specified data on long-term debt issues on a 13-month average basis for the test year. Arrange by type of issue (i.e., first mortgage bonds). If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information on the parent level.

Line No.	(1) Description, Coupon Rate, Years of Life	(2) Issue Date-Maturity Date	(3) Principal Amount Sold (Face Value)	(4) Principal Amount Outstanding	(5) Amount Outstanding Within One Year	(6) Unamortized Discount (Premium) Associated With Col(4)	(7) Unamortized Issuing Expense Associated With Col(4)	(8) Annual Amortization of Discount (Premium) on Principal Outstanding	(9) Annual Amort. of Issuing Expense on Principal Outstanding	(10) Interest Cost (Coupon Rate) x Col (4)	(11) Total Interest Cost (8)+(9)+(10)	(12) Effective Cost Rate (11)/((4)-(6)-(7))
	Total											

Supporting Schedules: D-6
Recap Schedules: A-19,D-2

Cost of Varbie Rate Long-Term Debt
13-Month Average Basis

Company:
Docket No:
Test Year Ended:
Utility [ ] or Parent [ ]
Historic [ ] or Projected [ ]

Explanation: Provide the specified data on variable cost long-term debt issues on a 13-month basis. If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information for the parent level.

Florida Public Service Commission

Schedule: D-6
Page __ of __
Preparer:

Line No.	(1) Description, Coupon Rate, Years of Life	(2) Issue Date-Maturity Date	(3) Principal Amount Sold (Face Value)	(4) Principal Amount Outstanding	(5) Amount Outstanding Within One Year	(6) Unamortized Discount (Premium) Associated With Col(4)	(7) Unamortized Issuing Expense Associated With Col(4)	(8) Annual Amortization of Discount (Premium) on Principal Outstanding	(9) Annual Amort. of Issuing Expense on Principal Outstanding	(10) Basis of Variable Rate (i.e. Prime + 2%)	(11) Interest Cost (Test Year Cost Rate X Col. (4))	(12) Total Interest Cost (8)+(9)+(11)	(13) Effective Cost Rate (12)/((4)-(6)-(7))
	Total												

Supporting Schedules: None
Recap Schedules: A-19,D-2

Schedule of Customer Deposits

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Utility [ ] or Parent [ ]
Historic [ ] or Projected [ ]

Schedule: D-7
Page __ of __
Preparer:

Explanation: Provide a schedule of customer deposits on a 13-month average basis.

(1) For the Month Ended	(2) Beginning Balance	(3) Deposits Received	(4) Deposits Refunded	(5) Ending Balance (2+3-4)

Recap Schedules: A-19,D-2

Rate Schedule

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]

Schedule: E-1
Page___of___
Preparer:

Explanation: Provide a schedule of present and proposed rates. State residential sewer cap, if one exists.

(1) Class/Meter Size	(2) Present Rates	(3) Proposed Rates
	BFC	BFC
Residential		
5/8" x 3/4"		
1"		
1-1/2"		
2"		
Etc.		
Gallonage charge/MG		
General Service		
5/8" x 3/4"		
1"		
1-1/2"		
2"		
Etc.		
Gallonage charge/MG		
Other (list)		
5/8" x 3/4"		
1"		
1-1/2"		
2"		
Etc.		
Gallonage charge/MG		

Revenue Schedule at Present and Proposed Rates

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]

Schedule: E-2
Page___of___
Preparer:

Explanation: Provide a calculation of revenues at present and proposed rates using the billing analysis. Explain any differences between these revenues and booked revenues. If a rate change occurred during the test year, a revenue calculation must be made for each period.

(1) Class/Meter Size	(2) Number Bills	(3) Consumption in MG	(4) Present Rate	(5) Revenues at Present Rates	(6) Proposed Rate	(7) Revenues at Proposed Rates
Residential						
5/8" x 3/4"						
M Gallons						
1" Etc.						
M Gallons Etc.						
Total Residential						
Average Bill						
General Service						
5/8" x 3/4"						
M Gallons						
1" Etc.						
M Gallons Etc.						
Total Gen. Serv.						
Average Bill						
List Other Classes As Above						
Totals						
Unbilled Revenues						
Other Revenue						
Misc. Serv. Charges						
Total Revenue						
Booked Revenue						
Difference (Explain)						

Customer Monthly Billing Schedule

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]

Schedule: E-3
Page___of___
Preparer:

Explanation: Provide a schedule of monthly customers billed or served by class.

Line No.	(1) Month/ Year	(2) Residential	(3) General Service	(4) Multi-Family Dwelling	(5) Private Fire Protection	(6) Other (List)	(7) Total
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
	Total						

Miscellaneous Service Charges

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]

Schedule: E-4
Page__of__
Preparer:

Explanation: Provide a schedule of present and proposed miscellaneous service charges. If an increase is proposed (or new charges), provide a schedule of derivation of charges, unless the charges are pursuant to the latest Staff Advisory Bulletin #13.

(1)	(2) Present		(3) Proposed	
Type Charge	Bus. Hrs.	After Hrs.	Bus. Hrs.	After Hrs.
Initial Connection				
Normal Reconnection				
Violation Reconnection				
Premises Visit				
Other Charges (List)				

Miscellaneous Service Charge Revenues

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]

Schedule: E-5
Page___of___
Preparer:

Explanation: Provide a schedule of test year miscellaneous charges received by type. Provide an additional schedule for proposed charges, if applicable.

(1) Initial Connection	(2) Normal Reconnect	(3) Violation Reconnect	(4) Premises Visit	(5) Other Charges	(6) Total

Public Fire Hydrants Schedule

Company:
Docket No.:
Test Year Ended:

Florida Public Service Commission

Schedule: E-6
Page___of___
Preparer:

Explanation: Provide a schedule of public fire hydrants (including standpipes, etc.) by size. This schedule is not required for a sewer only rate application.

(1) Line No.	(2) Size	(3) Type	(4) Quantity
	Total		

Private Fire Protection Service

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: E-7
Page___of___
Preparer:

Explanation: Provide a schedule of private fire protection service by size of connection. This schedule is not required for a sewer only rate application.

(1) Line No.	(2) Size	(3) Type	(4) Quantity
	Total		

Contracts and Agreements Schedule

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: E-8
Page__of__
Preparer:

Explanation: Provide a list of all outstanding contracts or agreements having rates or conditions different from those on approved tariffs. Describe with whom, the purpose and the elements of each contract shown.

(1) Line No.	(2) Type	(3) Description

Tax or Franchise Fee Schedule

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: E-9
Page___of___
Preparer:

Explanation: Provide a schedule of state, municipal, city or county franchise taxes or fees paid (or payable). State the type of agreement (i.e. contract, tax).

(1) Line No.	(2) Type Tax or Fee	(3) To Whom Paid	(4) Amount	(5) How Collected From Customers	(6) Type Agreement

Service Availability Charges Schedule

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]

Schedule: E-10
Page___of___
Preparer:

Explanation: Provide a schedule of present and proposed service availability charges. (See Rule 25-20.580, F.A.C.) If no change is proposed, then this schedule is not required.

(1) Type Charge	(2) Present Charges	(3) Proposed Charges
System Capacity Charge		
Residential-per ERC (_____ GPD)		
All others-per Gallon/Day		
Plant Capacity Charge		
Residential-per ERC (_____ GPD)		
All others-per Gallon/Day		
Main Extension Charge		
Residential-per ERC (_____ GPD)		
or-per Lot (_____ Front Footage)		
All others-per Gallon/Day		
or-per Front Foot		
Meter Installation Charge		
5/8" x 3/4"		
1"		
1-1/2"		
2"		
Etc.		
Service (Lateral) Installation Charge		
5/8" x 3/4"		
1"		
1-1/2"		
2"		
Etc.		
Back Flow Preventor Installation Charge		
5/8" x 3/4"		
1"		
1-1/2"		
2"		
Etc.		
Plan Review Charge		
Inspection Charge		
Guaranteed Revenue Charge		
With prepayment of Serv. Avail. Charges		
Residential-per ERC (____ GPD)/Month		
All others-per Gallon/Month		
Without prepayment of Serv. Avail. Charges		
Residential-per ERC (____ GPD)/Month		
All others-per Gallon/Month		
Allowance for Funds Prudently Invested (AFPI)		
Provide a table of payments by month and years.		

Guaranteed Revenues Received

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]
Historic [ ] or Projected [ ]

Schedule: E-11
Page__of__
Preparer:

Explanation: Provide copies of all guaranteed revenue contracts with a schedule of billing and receipts on an annual basis by class.

(1) For the Year Ended	(2) Residental	(3) General Service	(4) Other	(5) Total

Class A Utility Cost of Service Study

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]

Schedule: E-12
Page___of___
Preparer:

Explanation: All Class A utilities whose service classes include industrial customers, whose utilization exceeds an average of 350,000 GPD, shall provide a fully allocated class cost of service study showing customer, base (commodity), and extra capacity (demand) components under present and proposed rates. This study shall include rate of return by by class and load (demand) research studies used in the cost allocation. The analysis shall be based upon the AWWA Manual No. 1 and shall comply with current AWWA procedures and standard industrial practices for utilities providing water and sewer service.

Projected Test Year Revenue Calculation

Florida Public Service Commission

Company:
Docket No.:
Projected Test Year Ended:
Water [ ] or Sewer [ ]

Schedule: E-13
Page__of__
Preparer:

Explanation: If a projected test year is used, provide a schedule of historical and projected bills and consumption by classification. Include a calculation of each projection factor on a separate schedule, if necessary. List other classes or meter sizes as applicable.

(1) Class/Meter Size	(2) Historical Year Bills	(3) Proj. Factor	(4) Proj. Test Year Bills	(5) Test Year Consumption	(6) Proj. Factor	(7) Project. TY Consumption	(8) Present Rates	(9) Projected TY Revenue	(10) Proposed Rates	(11) Proj. Rev. Requirement
Residential										
5/8" x 3/4"										
1"										
1-1/2", Etc.										
Gallonage Charge/MG										
	-----------		-----------	-----------		-----------		-----------		-----------
Total										
	-----------		-----------	-----------		-----------		-----------		-----------
General Service										
5/8" x 3/4"										
1"										
1-1/2", Etc.										
Gallonage Charge/MG										
	-----------		-----------	-----------		-----------		-----------		-----------
Total										
	-----------		-----------	-----------		-----------		-----------		-----------
Multi-Family Dwellings										
5/8" x 3/4"										
1"										
1-1/2", Etc.										
Gallonage Charge/MG										
	-----------		-----------	-----------		-----------		-----------		-----------
Total										
	-----------		-----------	-----------		-----------		-----------		-----------
Private Fire Protection										
2"										
4"										
6"										
Etc.										
	-----------		-----------	-----------		-----------		-----------		-----------
Total										
	-----------		-----------	-----------		-----------		-----------		-----------
Grand Total Bills										
	:::::::::::		:::::::::::	:::::::::::		:::::::::::		:::::::::::		:::::::::::

Billing Analysis Schedules

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]
Customer Class:
Meter Size:

Schedule: E-14
Page__of__
Preparer:

Explanation: Provide a billing analysis for each class of service by meter size. For applicants having master metered multiple dwellings, provide number of bills at each level by meter size or number of bills categorized by the number of units. Round consumption to nearest 1,000 gallons & begin at zero. If a rate change occurred during the test year, provide a separate billing analysis which coincides with each period.

(1) Consumpt. Level	(2) Number of Bills	(3) Cumulative Bills	(4) Gallons Consumed (1)x(2)	(5) Cumulative Gallons	(6) Reversed Bills	(7) Consolidated Factor [(1)x(6)]+(5)	(8) Percentage of Total
0							
1							
2							
3							

Gallons of Water Pumped, Sold and Unaccounted For
In Thousands of Gallons

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-1
Page 1 of __
Preparer:

Explanation: Provide a schedule of gallons of water pumped, sold and unaccounted for each month of the test year. The gallons pumped should match the flows shown on the monthly operating reports sent to DER. The other uses may include plant use, flushing of hydrants and water and sewer lines, line breakages and fire flows. Provide all calculations to substantiate the other uses. If unaccounted for water is greater than 10%, provide an explanation as to the reasons why; if less than 10%, Columns 4 & 5 may be omitted.

Month/ Year	(1) Total Gallons Pumped	(2) Gallons Purchased	(3) Gallons Sold	(4) Other Uses	(5) Unaccounted For Water (1)+(2)-(3)-(4)	(6) % Unaccounted For Water
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
Total						

Gallons of Wastewater Treated
In Thousands of Gallons

Company:
Docket No.:
Test Year Ended:

Florida Public Service Commission

Schedule F-2
Page 1 of __
Preparer:

Explanation: Provide a schedule of gallons of wastewater treated by individual plant for each month of the historical test year. Flow data should match the the monthly operating reports sent to DER.

Month/ Year	(1) (Name)	(2) Individual Plant Flows (Name)	(3) (Name)	(4) (Name)	(5) Total Plant Flows	(6) Total Purch. Sewage Treatment
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
Total						

Water Treatment Plant Data

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-3
Page 1 of __
Preparer:

Explanation: Provide the following information for each water treatment plant. If the system has water plants that are interconnected, the data for these plants may be combined. All flow data must be obtained from the monthly operating reports (MORs) sent to the Department of Environmental Regulation.

			DATE		GPD
			______		______
1.	Plant Capacity The hydraulic rated capacity. If different from that shown on the DER operating or construction permit, provide an explanation.				______
2.	Maximum Day The single day with the highest pumpage rate for the test year. Explain, on a separate page, if fire flow, line-breaks or other unusual occurances affected the flow this day.		______		______
3.	Five-Day Max Year The five days with the highest pumpage rate from any one month in the test year. Provide an explanation if fire flow, line-breaks or other unusual occurances affected the flows on these days.	(1)	______		______
		(2)	______		______
		(3)	______		______
		(4)	______		______
		(5)	______		______
				AVERAGE	______
4.	Average Daily Flow				______
5.	Required Fire Flow The standards will be those as set by the Insurance Service Organization or by a governmental agency ordinance. Provide documents to support this calculation.				______

Wastewater Treatment Plant Data

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-4
Page 1 of __
Preparer:

Explanation: Provide the following information for each wastewater treatment plant. All flow data must be obtained from the monthly operating reports (MORs) sent to the Department of Environmental Regulation.

		MONTH	GPD
1.	Plant Capacity The hydraulic rated capacity. If different from that shown on the DER operating or construction permit, provide an explanation.		________
2.	Average Daily Flow Max Month An average of the daily flows during the peak usage month during the test year. Explain, on a separate page, if this peak-month was influenced by abnormal infiltration due to rainfall periods.	________	________

Used and Useful Calculations
Water Treatment Plant

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-5
Page 1 of __
Preparer:

Explanation: Provide all calculations, analyses and governmental requirements used to determine the used and useful percentages for the water treatment plant(s) for the historical test year and the projected test year (if applicable).

Recap Schedules: A-5,A-9,B-13

Used and Useful Calculations
Wastewater Treatment Plant

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-6
Page 1 of __
Preparer:

Explanation: Provide all calculations, analyses and governmental requirements used to determine the used and useful percentages for the wastewater treatment plant(s) for the historical test year and the projected test year (if applicable).

Recap Schedules: A-6,A-10,B-14

Used and Useful Calculations
Water Distribution and Wastewater Collection Systems

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-7
Page 1 of __
Preparer:

Explanation: Provide all calculations, analyses and governmental requirements used to determine the used and useful percentages for the water distribution and wastewater collection systems for the historical and the projected test year (if applicable). The capacity should be in terms of ability to serve a designated number of connections. It should then be related to actual connected density for historical year calculations. Explain all assumptions for projected calculations. If the distribution and collection systems are entirely contributed or built-out, this schedule is not required.

Recap Schedules: A-5,A-6,A-9,A-10,B-13,B-14

Margin Reserve Calculations

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-8
Page 1 of __
Preparer:

Explanation: If a margin reserve is requested, provide all calculations and analyses used to determine the amount of margin reserve for each portion of used and useful plant.

Recap Schedules: F-5,F-6,F-7

Equivalent Residential Connections - Water

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-9
Page 1 of __
Preparer:

Explanation: Provide the following information in order to calculate the average growth in ERCs for the last five years, including the test year. If the utility does not have single-family residential (SFR) customers, the largest customer class should be used as a substitute.

Line No.	(1) Year	(2) SFR Customers Beginning	(3) SFR Customers Ending	(4) SFR Customers Average	(5) SFR Gallons Sold	(6) Gallons/ SFR (5)/(4)	(7) Total Gallons Sold	(8) Total ERCs (7)/(6)	(9) Annual % Incr. in ERCs
1	TY-4								- - -
2	TY-3								
3	TY-2								
4	TY-1								
5	TY								
	Average Growth Through 5-Year Period (Col. 8)								

Equivalent Residential Connections - Wastewater

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-10
Page 1 of __
Preparer:

Explanation: Provide the following information in order to calculate the average growth in ERCs for the last five years, including the test year. If the utility does not have single-family residential (SFR) customers, the largest customer class should be used as a substitute.

Line No.	(1) Year	(2) SFR Customers Beginning	(3) SFR Customers Ending	(4) SFR Customers Average	(5) SFR Gallons Treated	(6) Gallons/ SFR (5)/(4)	(7) Total Gallons Treated	(8) Total ERCs (7)/(6)	(9) Annual % Incr. in ERCs
1	TY-4								- - -
2	TY-3								
3	TY-2								
4	TY-1								
5	TY								---------
				Average Growth Through 5-Year Period (Col. 8)					=========

CERTIFICATION OF
PUBLIC SERVICE COMMISSION

FORM INCORPORATED BY REFERENCE IN RULE 25-30.437

FILED WITH THE DEPARTMENT OF STATE

Pursuant to Rule 1S-1.005, Florida Administrative Code, I hereby certify that the attached is a true and complete copy of Form PSC/WAS 20 (/), "Class B Water and/or Wastewater Utilities Financial, Rate and Engineering minimum Filing Requirements", which is incorporated by reference in Rule 25-30.437, Florida Administrative Code.

Under the provisions of paragraph 120.54(13)(a), F.S., the incorporated material takes effect 20 days from the date filed with the Department of State or a later date as set out below:

Effective:______________________________
(month) (day) (year)

FILED
93 NOV 10 PM 5:03
DEPARTMENT OF STATE
TALLAHASSEE, FLORIDA

STEVE TRIBBLE, Director
Division of Records & Reporting

____
Number of Pages Certified

(S E A L)

adp25-30.mrd

CLASS B
WATER AND/OR WASTEWATER UTILITIES

FINANCIAL, RATE AND ENGINEERING MINIMUM FILING REQUIREMENTS

OF

____

Exact Legal Name of Utility

FOR THE

TEST YEAR ENDED , 19

FORM PSC/WAW 20 (/)

FLORIDA PUBLIC SERVICE COMMISSION

CLASS B WATER AND/OR SEWER UTILITIES
FINANCIAL, RATE AND ENGINEERING
MINIMUM FILING REQUIREMENTS

INDEX

INSTRUCTIONS FOR COMPLETING THE MINIMUM FILING REQUIREMENTS FORMS FOR CLASS B UTILITIES

1. For all schedules which call for a simple average, provide the balance for the end of the year prior to the test year and the end of the test year. The simple average is thus the average between these two balances.

2. It should be noted that the working capital method to be used is the formula method (1/8 of O & M Expenses) without an allowance for deferred debits. If a utility submits a working capital allowance based on the balance sheet method, the cost incurred for this calculation will not be considered in rate case expense. When using the formula method, the exclusion of debits from working capital, for regulatory purposes, does not extend to deferred debits arising from the tax consequesnces of receiving CIAC previously exempt from income taxes by Section 118(b) of the Internal Revenue Code.

3. Be sure to include the date of the schedule at the top of each schedule where provided. This is especially important in cases where a projected test year is employed.

4. Be sure to read Rule Sections 25–30.436 to 25–30.442 for additional MFR requirements.

5. Complete all schedules as instructed. If you have specific questions regarding any schedule, please call the Division of Water and Wastewater for clarification.

6. It is the position of the Florida Public Service Commission that the NARUC system of accounts applicable to water and wastewater utilities requires a breakdown of revenues by customer class specified in the sub–accounts under NARUC account numbers 461, 521 and 522. However, the Commission will automatically grant a waiver of this requirement upon request for all rate cases filed on or before July 1, 1992. After July 1, 1992, a request for waiver of this requirement will have to be justified by the utility.

Schedule of Water Rate Base

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Interim [ ] Final [ ]
Historical [ ] Projected [ ]

Schedule: A-1
Page 1 of 1
Preparer:

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use. If method other than formula approach (1/8 O&M) is used to determine working capital, provide additional schedule showing detail calculation.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant in Service				A-5
2	Utility Land & Land Rights				A-5
3	Less: Non-Used & Useful Plant				A-7
4	Construction Work in Progress				-
5	Less: Accumulated Depreciation				A-9
6	Less: CIAC				A-12
7	Accumulated Amortization of CIAC				A-14
8	Acquisition Adjustments				-
9	Accum. Amort. of Acq. Adjustments				-
10	Advances For Construction				A-16
11	Working Capital Allowance				A-17
		-------------	-------------	-------------	
12	Total Rate Base				
		=============	=============	=============	

Schedule of Sewer Rate Base

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Interim [ ] Final [ ]
Historical [ ] Projected [ ]

Schedule: A-2
Page 1 of 1
Preparer:

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use. If method other than formula approach (1/8 O&M) is used to determine working capital, provide additional schedule showing detail calculation.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant in Service				A-6
2	Utility Land & Land Rights				A-6
3	Less: Non-Used & Useful Plant				A-7
4	Construction Work in Progress				-
5	Less: Accumulated Depreciation				A-10
6	Less: CIAC				A-12
7	Accumulated Amortization of CIAC				A-14
8	Acquisition Adjustments				-
9	Accum. Amort. of Acq. Adjustments				-
10	Advances For Construction				A-16
11	Working Capital Allowance				A-17
		-------------	-------------	-------------	
12	Total Rate Base				
		=============	=============	=============	

Schedule of Adjustments to Rate Base

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Interim [ ] Final [ ]
Historic [ ] or Projected [ ]

Schedule: A-3
Page __ of __
Preparer:

Explanation: Provide a detailed description of all adjustments to rate base per books, with a total for each rate base line item.

Line No.	Description	Water	Sewer

Schedule of Water and Sewer Plant in Service
Annual Balances Subsequent to Last Established Rate Base

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: A-4
Page __ of __
Preparer:

Explanation: Provide the annual balance of the original cost of plant in service, for water and sewer separately, for all years since either rate base was last established by this Commission, or the date of inception of utility service if rate base has not been established previously by this Commission; and yearly additions, retirements, and adjustments by dollar amount up to the end of the test year. Provide an additional page if necessary. If a projected test year is used, include the projected annual additions and/or retirements specifically identifying those amounts.

Line No.	Description	Year-End Balance Water	Year-End Balance Sewer
1	__/__/__ Balance		
		---------------	---------------
2	19__ Additions		
3	19__ Retirements		
4	19__ Adjustments		
		---------------	---------------
5	__/__/__ Balance		
6	19__ Additions		
7	19__ Retirements		
8	19__ Adjustments		
		---------------	---------------
9	__/__/__ Balance		
10	19__ Additions		
11	19__ Retirements		
12	19__ Adjustments		
		---------------	---------------
13	__/__/__ Balance		
14	19__ Additions		
15	19__ Retirements		
16	19__ Adjustments		
		---------------	---------------
17	__/__/__ Balance		
18	19__ Additions		
19	19__ Retirements		
20	19__ Adjustments		
		---------------	---------------
21	__/__/__ Balance		
		===============	===============

Supporting Schedules: A-5,A-6
Recap Schedules: A-18

Schedule of Water Plant in Service By Primary Account
Beginning and End of Year Average

Florida Public Service Commission

Schedule: A-5
Page __ of __
Preparer:

Recap Schedules: A-1,A-4

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide the ending balances and average of plant in service for the prior year and the test year by primary account. Also show non-used & useful amounts by account.

Line No.	(1) Account No. and Name	(2) Prior Year	(3) Test Year	(4) Average	(5) Non-Used & Useful %	(6) Non-Used & Amount
1	INTANGIBLE PLANT					
2	301.1 Organization					
3	302.1 Franchises					
4	339.1 Other Plant & Misc. Equipment					
5	SOURCE OF SUPPLY AND PUMPING PLANT					
6	303.2 Land & Land Rights					
7	304.2 Structures & Improvements					
8	305.2 Collect. & Impound. Reservoirs					
9	306.2 Lake, River & Other Intakes					
10	307.2 Wells & Springs					
11	308.2 Infiltration Galleries & Tunnels					
12	309.2 Supply Mains					
13	310.2 Power Generation Equipment					
14	311.2 Pumping Equipment					
15	339.2 Other Plant & Misc. Equipment					
16	WATER TREATMENT PLANT					
17	303.3 Land & Land Rights					
18	304.3 Structures & Improvements					
19	320.3 Water Treatment Equipment					
20	339.3 Other Plant & Misc. Equipment					
21	TRANSMISSION & DISTRIBUTION PLANT					
22	303.4 Land & Land Rights					
23	304.4 Structures & Improvements					
24	330.4 Distr. Reservoirs & Standpipes					
25	331.4 Transm. & Distribution Mains					
26	333.4 Services					
27	334.4 Meters & Meter Installations					
28	335.4 Hydrants					
29	339.4 Other Plant & Misc. Equipment					
30	GENERAL PLANT					
31	303.5 Land & Land Rights					
32	304.5 Structures & Improvements					
33	340.5 Office Furniture & Equipment					
34	341.5 Transportation Equipment					
35	342.5 Stores Equipment					
36	343.5 Tools, Shop & Garage Equipment					
37	344.5 Laboratory Equipment					
38	345.5 Power Operated Equipment					
39	346.5 Communication Equipment					
40	347.5 Miscellaneous Equipment					
41	348.5 Other Tangible Plant					
42	TOTAL	$	$	$		$

Schedule of Sewer Plant in Service By Primary Account
Beginning and End of Year Average

Florida Public Service Commission

Schedule: A-6
Page __ of __
Preparer:

Recap Schedules: A-2,A-4

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide the ending balances and average of plant in service for the prior year and the test year by primary account. Also show non-used & useful amounts by account.

Line No.	(1) Account No. and Name	(2) Prior Year	(3) Test Year	(4) Average	(5) Non-Used & Useful %	(6) Non-Used & Amount
1	INTANGIBLE PLANT					
2	351.1 Organization					
3	352.1 Franchises					
4	389.1 Other Plant & Misc. Equipment					
5	COLLECTION PLANT					
6	353.2 Land & Land Rights					
7	354.2 Structures & Improvements					
8	360.2 Collection Sewers - Force					
9	361.2 Collection Sewers - Gravity					
10	362.2 Special Collecting Structures					
11	363.2 Services to Customers					
12	364.2 Flow Measuring Devices					
13	365.2 Flow Measuring Installations					
14	389.2 Other Plant & Misc. Equipment					
15	SYSTEM PUMPING PLANT					
16	353.3 Land & Land Rights					
17	354.3 Structures & Improvements					
18	370.3 Receiving Wells					
19	371.3 Pumping Equipment					
20	389.3 Other Plant & Misc. Equipment					
21	TREATMENT AND DISPOSAL PLANT					
22	353.4 Land & Land Rights					
23	354.4 Structures & Improvements					
24	380.4 Treatment & Disposal Equipment					
25	381.4 Plant Sewers					
26	382.4 Outfall Sewer Lines					
27	389.4 Other Plant & Misc. Equipment					
28	GENERAL PLANT					
29	353.5 Land & Land Rights					
30	354.5 Structures & Improvements					
31	390.5 Office Furniture & Equipment					
32	391.5 Transportation Equipment					
33	392.5 Stores Equipment					
34	393.5 Tools, Shop & Garage Equipment					
35	394.5 Laboratory Equipment					
36	395.5 Power Operated Equipment					
37	396.5 Communication Equipment					
38	397.5 Miscellaneous Equipment					
39	398.5 Other Tangible Plant					
40	TOTAL	$	$	$		$

Company:
Docket No.:
Schedule Year Ended:

Explanation: Provide a summary of the items included in non-used and useful plant for the test year. Provide additional support schedules, if necessary.

Schedule: A-7
Page __ of __
Preparer:

Line No.	(1) Description	(2) Average Amount Per Books	(3) Utility Adjustments	(4) Balance Per Utility
	WATER			
1	Plant in Service			
2	Land			
3	Accumulated Depreciation			
4	Other (Explain)			
		-------------	-------------	-----------
5	Total			
		=============	=============	===========
	SEWER			
6	Plant in Service			
7	Land			
8	Accumulated Depreciation			
9	Other (Explain)			
		-------------	-------------	-----------
10	Total			
		=============	=============	===========

Supporting Schedules: A-5,A-6,A-9,A-10
Recap Schedules: A-1,A-2

Schedule of Water and Sewer Accumulated Depreciation
Annual Balances Subsequent to Last Established Rate Base

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: A-8
Page __ of __
Preparer:

Explanation: Provide the annual balance of accumulated depreciation, for water and sewer separately, for all years since either rate base was last established by this Commission, or the date of inception of utility service if rate base has not been established previously by this Commission; and yearly additions, retirements, and adjustments by dollar amount up to the end of the test year. Provide an additional page if necessary. If a projected test year is used, include the projected additions and/or retirments specifically identifying those amounts.

Line No.	Description	Year-End Balance Water	Year-End Balance Sewer
1	__/__/__ Balance		
		---------------	---------------
2	19__ Additions		
3	19__ Retirements		
4	19__ Adjustments		
		---------------	---------------
5	__/__/__ Balance		
6	19__ Additions		
7	19__ Retirements		
8	19__ Adjustments		
		---------------	---------------
9	__/__/__ Balance		
10	19__ Additions		
11	19__ Retirements		
12	19__ Adjustments		
		---------------	---------------
13	__/__/__ Balance		
14	19__ Additions		
15	19__ Retirements		
16	19__ Adjustments		
		---------------	---------------
17	__/__/__ Balance		
18	19__ Additions		
19	19__ Retirements		
20	19__ Adjustments		
		---------------	---------------
21	__/__/__ Balance		
		===============	===============

Supporting Schedules: A-9,A-10
Recap Schedules: A-18

Schedule of Water Accumulated Depreciation By Primary Account
Beginning and End of Year Average

Florida Public Service Commission

Schedule: A-9
Page __ of __
Preparer:

Recap Schedules: A-1,A-8

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide the ending balances and average of accumulated depreciation for the prior year and the test year by primary account. Also show non-used & useful amounts by account.

Line No.	(1) Account No. and Name	(2) Prior Year	(3) Test Year	(4) Average	(5) Non-Used & Useful %	(6) Non-Used & Amount
1	INTANGIBLE PLANT					
2	301.1 Organization					
3	302.1 Franchises					
4	339.1 Other Plant & Misc. Equipment					
5	SOURCE OF SUPPLY AND PUMPING PLANT					
6	304.2 Structures & Improvements					
7	305.2 Collect. & Impound. Reservoirs					
8	306.2 Lake, River & Other Intakes					
9	307.2 Wells & Springs					
10	308.2 Infiltration Galleries & Tunnels					
11	309.2 Supply Mains					
12	310.2 Power Generation Equipment					
13	311.2 Pumping Equipment					
14	339.2 Other Plant & Misc. Equipment					
15	WATER TREATMENT PLANT					
16	304.3 Structures & Improvements					
17	320.3 Water Treatment Equipment					
18	339.3 Other Plant & Misc. Equipment					
19	TRANSMISSION & DISTRIBUTION PLANT					
20	304.4 Structures & Improvements					
21	330.4 Distr. Reservoirs & Standpipes					
22	331.4 Transm. & Distribution Mains					
23	333.4 Services					
24	334.4 Meters & Meter Installations					
25	335.4 Hydrants					
26	339.4 Other Plant & Misc. Equipment					
27	GENERAL PLANT					
28	304.5 Structures & Improvements					
29	340.5 Office Furniture & Equipment					
30	341.5 Transportation Equipment					
31	342.5 Stores Equipment					
32	343.5 Tools, Shop & Garage Equipment					
33	344.5 Laboratory Equipment					
34	345.5 Power Operated Equipment					
35	346.5 Communication Equipment					
36	347.5 Miscellaneous Equipment					
37	348.5 Other Tangible Plant					
38	TOTAL	$	$	$		$

Schedule of Sewer Accumulated Depreciation By Primary Account
Beginning and End of Year Average

Florida Public Service Commission

Schedule: A-10
Page __ of __
Preparer:

Recap Schedules: A-2,A-8

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide the ending balances and average of accumulated depreciation for the prior year and the test year by primary account. Also show non-used & useful amounts by account.

Line No.	(1) Account No. and Name	(2) Prior Year	(3) Test Year	(4) Average	(5) Non-Used & Useful %	(6) Non-Used & Amount
1	INTANGIBLE PLANT					
2	351.1 Organization					
3	352.1 Franchises					
4	389.1 Other Plant & Misc. Equipment					
5	COLLECTION PLANT					
6	354.2 Structures & Improvements					
7	360.2 Collection Sewers - Force					
8	361.2 Collection Sewers - Gravity					
9	362.2 Special Collecting Structures					
10	363.2 Services to Customers					
11	364.2 Flow Measuring Devices					
12	365.2 Flow Measuring Installations					
13	389.2 Other Plant & Misc. Equipment					
14	SYSTEM PUMPING PLANT					
15	354.3 Structures & Improvements					
16	370.3 Receiving Wells					
17	371.3 Pumping Equipment					
18	389.3 Other Plant & Misc. Equipment					
19	TREATMENT AND DISPOSAL PLANT					
20	354.4 Structures & Improvements					
21	380.4 Treatment & Disposal Equipment					
22	381.4 Plant Sewers					
23	382.4 Outfall Sewer Lines					
24	389.4 Other Plant & Misc. Equipment					
25	GENERAL PLANT					
26	354.5 Structures & Improvements					
27	390.5 Office Furniture & Equipment					
28	391.5 Transportation Equipment					
29	392.5 Stores Equipment					
30	393.5 Tools, Shop & Garage Equipment					
31	394.5 Laboratory Equipment					
32	395.5 Power Operated Equipment					
33	396.5 Communication Equipment					
34	397.5 Miscellaneous Equipment					
35	398.5 Other Tangible Plant					
36	TOTAL	$	$	$		$

Schedule of Water and Sewer Contributions in Aid of Construction
Annual Balances Subsequent to Last Established Rate Base

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: A-11
Page __ of __
Preparer:

Explanation: Provide the annual balance of contributions in aid of construction, for water and sewer separately, for all years since either rate base was last established by this Commission, or the date of inception of utility service if rate base has not been established previously by this Commission; and yearly additions and adjustments by dollar amount up to the end of the test year. Provide an additional page if necessary. If a projected test year is used, include the projected additions and/or retirements specifically identifying those amounts. Show any retirements as adjustments.

Line No.	Description	Year-End Balance Water	Year-End Balance Sewer
1	__/__/__ Balance		
		---------------	---------------
2	19__ Additions		
3	19__ Adjustments		
		---------------	---------------
4	__/__/__ Balance		
5	19__ Additions		
6	19__ Adjustments		
		---------------	---------------
7	__/__/__ Balance		
8	19__ Additions		
9	19__ Adjustments		
		---------------	---------------
10	__/__/__ Balance		
11	19__ Additions		
12	19__ Adjustments		
		---------------	---------------
13	__/__/__ Balance		
14	19__ Additions		
15	19__ Adjustments		
		---------------	---------------
16	__/__/__ Balance		
17	19__ Additions		
18	19__ Adjustments		
		---------------	---------------
19	__/__/__ Balance		
		==============	==============

Supporting Schedules: A-12
Recap Schedules: A-19

Schedule of Contributions in Aid of Construction By Classification
Beginning and End of Year Average - Water and Sewer

Florida Public Service Commission

Schedule: A-12
Page __ of __
Preparer:

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide the ending balances and average of CIAC, by classification for the prior year and the test year. If a projected year is employed, provide breakdown for base year and intermediate year also.

Line No.	(1) Description	(2) Prior Year --/--/--	(3) Test Year --/--/--	(4) Average
	WATER			
1	Plant Capacity Fees			
2	Line/Main Extension Fees			
3	Meter Installation Fees			
4	Contributed Lines			
5	Other (Describe)			
6				
7	Total			
	SEWER			
8	Plant Capacity Fees			
9	Line/Main Extension Fees			
10	Contributed Lines			
11	Other (Describe)			
12				
13	Total			

Recap Schedules: A-1,A-2,A-11

Schedule of Water and Sewer Accumulated Amortization of CIAC
Annual Balances Subsequent to Last Established Rate Base

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: A-13
Page __ of __
Preparer:

Explanation: Provide the annual balance of accumulated amortization of CIAC, for water and sewer separately, for all years since either rate base was last established by this Commission, or the date of inception of utility service if rate base has not been established previously by this Commission; and yearly additions and adjustments by dollar amount up to the end of the test year. Provide an additional page if necessary. If a projected test year is used, include the projected additions and/or retirements specifically identifying those amounts. Show any retirements as adjustments.

Line No.	Description	Year-End Balance Water	Year-End Balance Sewer
1	__/__/__ Balance		
		---------------	---------------
2	19__ Additions		
3	19__ Adjustments		
		---------------	---------------
4	__/__/__ Balance		
5	19__ Additions		
6	19__ Adjustments		
		---------------	---------------
7	__/__/__ Balance		
8	19__ Additions		
9	19__ Adjustments		
		---------------	---------------
10	__/__/__ Balance		
11	19__ Additions		
12	19__ Adjustments		
		---------------	---------------
13	__/__/__ Balance		
14	19__ Additions		
15	19__ Adjustments		
		---------------	---------------
16	__/__/__ Balance		
17	19__ Additions		
18	19__ Adjustments		
		---------------	---------------
19	__/__/__ Balance		
		===============	===============

Supporting Schedules: A-14
Recap Schedules: A-19

Schedule of Accumulated Amortization of CIAC By Classification
Beginning and End of Year Average - Water and Sewer

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Schedule: A-14
Page __ of __
Preparer:

Explanation: Provide the ending balances and average of Accumulated Amortization of CIAC by classification, if possible, for the prior year and the test year. If a projected year is employed, provide breakdown for base year and intermediate year also.

Line No.	(1) Description	(2) Prior Year	(3) Test Year	(4) Average
	WATER			
1	Plant Capacity Fees			
2	Line/Main Extension Fees			
3	Meter Installation Fees			
4	Contributed Lines			
5	Other (Describe)			
6				
7	Total			
	SEWER			
8	Plant Capacity Fees			
9	Line/Main Extension Fees			
10	Contributed Lines			
11	Other (Describe)			
12				
13	Total			

Recap Schedules: A-1,A-2,A-13

Schedule of Annual AFUDC Rates Used

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: A-15
Page __ of __
Preparer:

Explanation: Provide the annual AFUDC rates used since either rate base was last established by this Commission, or the date of inception of utility service if rate base has not been established previously. Include a description of practices and authority of rate(s) used.

Schedule of Water and Sewer Advances For Construction
Annual Balances Subsequent to Last Established Rate Base

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: A-16
Page __ of __
Preparer:

Explanation: Provide the annual balance of Advances For Construction, for water and sewer separately, for all years since either rate base was last established by this Commission, or the date of inception of utility service if rate base has not been established previously by this Commission; and yearly additions and adjustments by dollar amount up to the end of the test year. Provide an additional page if necessary. If a projected test year is used, include the projected additions and/or retirements, specifically identifying those amounts. Also provide a brief description of the applicant's policy regarding advances.

Line No.	Description	Year-End Balance Water	Sewer
1	__/__/__ Balance	---------------	---------------
2	19__ Additions		
3	19__ Adjustments	---------------	---------------
4	__/__/__ Balance		
5	19__ Additions		
6	19__ Adjustments	---------------	---------------
7	__/__/__ Balance		
8	19__ Additions		
9	19__ Adjustments	---------------	---------------
10	__/__/__ Balance		
11	19__ Additions		
12	19__ Adjustments	---------------	---------------
13	__/__/__ Balance		
14	19__ Additions		
15	19__ Adjustments	---------------	---------------
16	__/__/__ Balance		
17	19__ Additions		
18	19__ Adjustments	---------------	---------------
19	__/__/__ Balance	===============	===============

Supporting Schedules: None
Recap Schedules: A-1,A-2,A-19

Schedule of Working Capital Allowance Calculation

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: A-17
Page __ of __
Preparer:
Recap Schedule: A-1, A-2

Explanation: Provide the calculation of working capital using the formula method. This is calculated by taking the balance of O&M Expenses divided by 8.

Comparative Balance Sheet - Assets

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Explanation: Provide a balance sheet for years requested. Provide same for historical base or intermediate years, if not already shown.

Schedule: A-18
Page __ of __
Preparer:

Line No.	(1) ASSETS	(2) Test Year Ended --/--/--	(3) Prior Year Ended --/--/--
1	Utility Plant in Service		
2	Construction Work in Progress		
3	Other Utility Plant Adjustments		
		--------------	--------------
4	GROSS UTILITY PLANT		
5	Less: Accumulated Depreciation		
		--------------	--------------
6	NET UTILITY PLANT		
		--------------	--------------
7	Cash		
8	Accounts Rec'b - Customer		
9	Notes & Accts. Rec'b - Assoc. Cos.		
10	Accounts Rec'b - Other		
11	Allowance for Bad Debts		
12	Materials & Supplies		
13	Miscellaneous Current & Accrued Assets		
		--------------	--------------
14	TOTAL CURRENT ASSETS		
		--------------	--------------
15	Unamortized Debt Discount & Exp.		
16	Prelim. Survey & Investigation Charges		
17	Clearing Accounts		
18	Deferred Rate Case Expense		
19	Other Miscellaneous Deferred Debits		
20	Accum. Deferred Income Taxes		
		--------------	--------------
21	TOTAL DEFERRED DEBITS		
		--------------	--------------
22	TOTAL ASSETS		
		==============	==============

Comparative Balance Sheet - Equity Capital & Liabilities

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Explanation: Provide a balance sheet for years requested. Provide same for historical base or intermediate years, if not already shown.

Schedule: A-19
Page __ of __
Preparer:

Line No.	(1) EQUITY CAPITAL & LIABILITIES	(2) Test Year Ended --/--/--	(3) Prior Year Ended --/--/--
1	Common Stock Issued		
2	Preferred Stock Issued		
3	Additional Paid in Capital		
4	Retained Earnings		
5	Other Equity Capital		
		--------------	--------------
6	TOTAL EQUITY CAPITAL		
		--------------	--------------
7	Bonds		
8	Reacquired Bonds		
9	Advances From Associated Companies		
10	Other Long-Term Debt		
		--------------	--------------
11	TOTAL LONG-TERM DEBT		
		--------------	--------------
7	Accounts Payable		
8	Notes Payable		
9	Notes & Accounts Payable - Assoc. Cos.		
10	Customer Deposits		
11	Accrued Taxes		
12	Accrued Interest		
13	Accrued Dividends		
14	Misc. Current & Accrued Liabilities		
		--------------	--------------
15	TOTAL CURRENT & ACCRUED LIABILITIES		
		--------------	--------------
16	Advances For Construction		
17	Other Deferred Credits		
18	Accum. Deferred ITCs		
19	Operating Reserves		
		--------------	--------------
20	TOTAL DEFERRED CREDITS & OPER. RESERVES		
		--------------	--------------
21	Contributions in Aid of Construction		
22	Less: Accum. Amortization of CIAC		
23	Accumulated Deferred Income Taxes		
		--------------	--------------
24	TOTAL EQUITY CAPITAL & LIABILITIES		
		==============	==============

Schedule of Water Net Operating Income

Company:
Schedule Year Ended:
Interim [ ] Final [ ]
Historic [ ] or Projected [ ]

Florida Public Service Commission

Schedule: B-1
Page __ of __
Docket No.:
Preparer:

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	(7) Supporting Schedule(s)
1	OPERATING REVENUES						B-4
2	Operation & Maintenance						B-5
3	Depreciation, net of CIAC Amort.						B-13
4	Amortization						
5	Taxes Other Than Income						B-15
6	Provision for Income Taxes						C-1
7	OPERATING EXPENSES						
8	NET OPERATING INCOME						
9	RATE BASE						
10	RATE OF RETURN						

Schedule of Sewer Net Operating Income

Florida Public Service Commission

Company:
Schedule Year Ended:
Interim [ ] Final [ ]
Historic [ ] or Projected [ ]

Schedule: B-2
Page __ of __
Docket No.:
Preparer:

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	(7) Supporting Schedule(s)
1	OPERATING REVENUES						B-4
		-------------	-------------	-------------	-------------	-------------	
2	Operation & Maintenance						B-6
3	Depreciation, net of CIAC Amort.						B-14
4	Amortization						
5	Taxes Other Than Income						B-15
6	Provision for Income Taxes						C-1
		-------------	-------------	-------------	-------------	-------------	
7	OPERATING EXPENSES						
		-------------	-------------	-------------	-------------	-------------	
8	NET OPERATING INCOME						
		=============	=============	=============	=============	=============	
9	RATE BASE						
		=============		=============		=============	
10	RATE OF RETURN						
		=============		=============		=============	

Schedule of Adjustments to Operating Income

Florida Public Service Commission

Company:
Schedule Year Ended:
Interim [ ] Final [ ]
Historic [ ] or Projected [ ]

Schedule: B-3
Page __ of __
Docket No.:
Preparer:

Explanation: Provide a detailed description of all adjustments to operating income per books, with a total for each line item shown on the net operating income statement.

Line No.	Description	Water	Sewer

Test Year Operating Revenues

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:

Explanation: Complete the following revenue schedule for the historical test year or base year. If general service revenue is not accounted for by sub-account, then show the total amount under metered-or measured-commercial and provide an explanation.

Schedule: B-4
Page __ of __
Preparer:
Recap Schedules: B-1,B-2

Line No.	WATER SALES Account No. and Description	Total Water	SEWER SALES Account No. and Description	(1) Total Sewer
1	460 Unmetered Water Revenue		521.1 Flat Rate - Residential	
2	461.1 Metered - Residential		521.2 Flat Rate - Commercial	
3	461.2 Metered - Commercial		521.3 Flat Rate - Industrial	
4	461.3 Metered - Industrial		521.4 Flat Rate - Public Authorities	
5	461.4 Metered - Public Authorities		521.5 Flat Rate - Multi-Family	
6	461.5 Metered - Multi-Family		521.6 Flat Rate - Other	
7	462.1 Public Fire Protection		522.1 Measured - Residential	
8	462.2 Private Fire Protection		522.2 Measured - Commercial	
9	464 Other Sales - Public Authorities		522.3 Measured - Industrial	
10	465 Irrigation Customers		522.4 Measured - Public Authority	
11	466 Sales for Resale		522.5 Measured - Multi-Family	
12	467 Interdepartmental Sales		523 Other Sales - Public Authorities	
13		--------------	524 Revenues from Other Systems	
14	TOTAL WATER SALES		525 Interdepartmental Sales	
15		--------------		--------------
16	OTHER WATER REVENUES		TOTAL SEWER SALES	
17	470 Forfeited Discounts			--------------
18	471 Misc. Service Revenues		OTHER SEWER REVENUES	
19	472 Rents From Water Property		531 Sale of Sludge	
20	473 Interdepartmental Rents		532 Forfeited Discounts	
21	474 Other Water Revenues		534 Rents From Sewer Property	
22		--------------	535 Interdepartmental Rents	
23	TOTAL OTHER WATER REVENUES		536 Other Sewer Revenues	
24		--------------		--------------
25	TOTAL WATER OPERATING REVENUES		TOTAL OTHER SEWER REVENUES	
26		==============		--------------
27			TOTAL SEWER OPERATING REVENUES	
				==============

Detail of Operation & Maintenance Expenses By Month - Water

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide a schedule of operation and maintenance expenses by primary account for each month of the test year. If schedule has to be continued on 2nd page, reprint the account titles and numbers.

Schedule: B-5
Page __ of __
Preparer:
Recap Schedules: B-1

Line No.	(1) Account No. and Name	(2) Month	(3) Month	(4) Month	(5) Month	(6) Month	(7) Month	(8) Month	(9) Month	(10) Month	(11) Month	(12) Month	(13) Month	(14) Total Annual
1	601 Salaries & Wages - Employees													
2	603 Salaries & Wages - Officers, Etc.													
3	604 Employee Pensions & Benefits													
4	610 Purchased Water													
5	615 Purchased Power													
6	616 Fuel for Power Purchased													
7	618 Chemicals													
8	620 Materials & Supplies													
9	631 Contractual Services - Engr.													
10	632 Contractual Services - Acct.													
11	633 Contractual Services - Legal													
12	634 Contractual Services - Mgmt. Fees													
13	635 Contractual Services - Other													
14	641 Rental of Building/Real Prop.													
15	642 Rental of Equipment													
16	650 Transportation Expenses													
17	656 Insurance - Vehicle													
18	657 Insurance - General Liability													
19	658 Insurance - Workman's Comp.													
20	659 Insurance - Other													
21	660 Advertising Expense													
22	666 Reg. Comm. Exp. - Rate Case Amort.													
23	667 Reg. Comm. Exp. - Other													
24	670 Bad Debt Expense													
25	675 Miscellaneous Expenses													
26	TOTAL	$	$	$	$	$	$	$	$	$	$	$	$	$

0028

Detail of Operation & Maintenance Expenses By Month - Sewer

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Explanation: Provide a schedule of operation and maintenance expenses by primary account for each month of the test year. If schedule has to be continued on 2nd page, reprint the account titles and numbers.

Schedule: B-6
Page __ of __
Preparer:
Recap Schedules: B-2

Line No.	(1) Account No. and Name	(2) Month	(3) Month	(4) Month	(5) Month	(6) Month	(7) Month	(8) Month	(9) Month	(10) Month	(11) Month	(12) Month	(13) Month	(14) Total Annual
1	701 Salaries & Wages - Employees													
2	703 Salaries & Wages - Officers, Etc.													
3	704 Employee Pensions & Benefits													
4	710 Purchased Sewage Treatment													
5	711 Sludge Removal Expense													
6	715 Purchased Power													
7	716 Fuel for Power Purchased													
8	718 Chemicals													
9	720 Materials & Supplies													
10	731 Contractual Services - Engr.													
11	732 Contractual Services - Acct.													
12	733 Contractual Services - Legal													
13	734 Contractual Services - Mgmt. Fees													
14	735 Contractual Services - Other													
15	741 Rental of Building/Real Prop.													
16	742 Rental of Equipment													
17	750 Transportation Expenses													
18	756 Insurance - Vehicle													
19	757 Insurance - General Liability													
20	758 Insurance - Workman's Comp.													
21	759 Insurance - Other													
22	760 Advertising Expense													
23	766 Reg. Comm. Exp. - Rate Case Amort.													
24	767 Reg. Comm. Exp. - Other													
25	770 Bad Debt Expense													
26	775 Miscellaneous Expenses													
27	TOTAL	$	$	$	$	$	$	$	$	$	$	$	$	$

Operation & Maintenance Expense Comparison - Water

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: B-7
Page __ of __
Preparer:

Explanation: Complete the following comparison of the applicant's current and prior test year O&M expenses before this Commission. Provide an explanation of all differences which are not attributable to the change in customer growth and the CPI-U. If the applicant has not had a previous rate case, use the year 5 years prior to the test year for comparison. Provide an additional schedule, if necessary, to explain differences.

Line No.	(1) Account No. and Name		(2) Prior TY _/_/_	(3) Current TY _/_/_	(4) $ Difference	(5) % Difference	(6) Explanation
1	601	Salaries & Wages - Employees					
2	603	Salaries & Wages - Officers, Etc.					
3	604	Employee Pensions & Benefits					
4	610	Purchased Water					
5	615	Purchased Power					
6	616	Fuel for Power Purchased					
7	618	Chemicals					
8	620	Materials & Supplies					
9	631	Contractual Services - Engr.					
10	632	Contractual Services - Acct.					
11	633	Contractual Services - Legal					
12	634	Contractual Services - Mgmt. Fees					
13	635	Contractual Services - Other					
14	641	Rental of Building/Real Prop.					
15	642	Rental of Equipment					
16	650	Transportation Expenses					
17	656	Insurance - Vehicle					
18	657	Insurance - General Liability					
19	658	Insurance - Workman's Comp.					
20	659	Insurance - Other					
21	660	Advertising Expense					
22	666	Reg. Comm. Exp. - Rate Case Amort.					
23	667	Reg. Comm. Exp. - Other					
24	670	Bad Debt Expense					
25	675	Miscellaneous Expenses					
26		TOTAL	$	$	$		
27	Total Customers						
28	Consumer Price Index - U						

Operation & Maintenance Expense Comparison - Sewer

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: B-8
Page __ of __
Preparer:

Explanation: Complete the following comparison of the applicant's current and prior test year O&M expenses before this Commission. Provide an explanation of all differences which are not attributable to the change in customer growth and the CPI-U. If the applicant has not had a previous rate case, use the year 5 years prior to the test year for comparison. Provide an additional schedule, if necessary, to explain differences.

Line No.	(1) Account No. and Name	(2) Prior TY __/__/__	(3) Current TY __/__/__	(4) $ Difference	(5) % Difference	(6) Explanation
1	701 Salaries & Wages - Employees					
2	703 Salaries & Wages - Officers, Etc.					
3	704 Employee Pensions & Benefits					
4	710 Purchased Sewage Treatment					
5	711 Sludge Removal Expense					
6	715 Purchased Power					
7	716 Fuel for Power Purchased					
8	718 Chemicals					
9	720 Materials & Supplies					
10	731 Contractual Services - Engr.					
11	732 Contractual Services - Acct.					
12	733 Contractual Services - Legal					
13	634 Contractual Services - Mgmt. Fees7					
14	735 Contractual Services - Other					
15	741 Rental of Building/Real Prop.					
16	742 Rental of Equipment					
17	750 Transportation Expenses					
18	756 Insurance - Vehicle					
19	757 Insurance - General Liability					
20	758 Insurance - Workman's Comp.					
21	759 Insurance - Other					
22	760 Advertising Expense					
23	766 Reg. Comm. Exp. - Rate Case Amort.					
24	767 Reg. Comm. Exp. - Other					
25	770 Bad Debt Expense					
26	775 Miscellaneous Expenses					
27	TOTAL	$	$	$		
28	Total Customers					
29	Consumer Price Index - U					

Contractual Services

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: B-9
Page __ of __
Preparer:

Explanation: Provide a complete list of outside services which were incurred during the test year. List by type of service, such as accounting, engineering or legal, and provide specific detail of work performed by each consultant and the associated cost breakdown by items. Provide amounts separated by system and method of allocation if appropriate. Specific detail is not necessary for charges which are less than 2% of the test year revenues for that system. Do not include rate case expense charges.

(1) Line No.	(2) Consultant	(3) Type of Service	(4) Amount	(5) Description of Work Performed

Analysis of Rate Case Expense

Company:
Docket No.:
Test Year Ended:

Florida Public Service Commission

Schedule: B-10
Page __ of __
Preparer:

Explanation: Provide the total amount of rate case expense requested in the application. State whether the total includes the amount up to proposed agency action or through a hearing before the Commission. Provide a list of each firm providing services for the applicant, the individuals for each firm assisting in the application, including each individual's hourly rate, and an estimate of the total charges to be incurred by each firm, as well as a description of the type of services provided. Also provide the additional information for amortization and allocation method, including support behind this determination.

Line No.	(1) Firm or Vendor Name	(2) Counsel, Consultant or Witness	(3) Hourly Rate Per Person	(4) Total Estimate Of Charges By Firm	(5) Type of Service Rendered
	Total				

Estimate Through
[ ] PAA
[ ] Commission Hearing

Amortization Period __ Years
Explanation if different from Section 367.0816, Florida Statutes:

Amortization of Rate Case Expense:

	(A) Water	(B) Sewer	(C) Total
Prior Unamortized Rate Case Expense			
Current Rate Case Expense			
Total Projected Rate Case Expense			
Annual Amortization			

Method of Allocation Between Systems:
(Provide Calculation)

Analysis of Major Maintenance Projects - Water & Sewer
For the Test Year and 2 Years Prior and 1 Year Subsequent

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: B-11
Page __ of __
Preparer:

Explanation: Provide an analysis of all maintenance projects greater than 2% of test year revenues per system which occurred during the 2 years prior to the test year, the test year, and the budgeted amount for 1 year subsequent to the test year. For each project, provide a description, the total cost or budgeted amount and how often the project should be repeated.

Allocation of Expenses

Florida Publice Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Schedule: B-12
Page __ of __
Preparer:

Explanation: Provide a schedule detailing expenses which are subject to allocation between systems (water, sewer & gas, etc.) showing allocation percentages, gross amounts, amounts allocated, and a detailed description of the method of allocation. Provide a description of all systems other than water and sewer.

			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			Allocation Percentages						Amounts Allocated		
Line No.	Acct. No.	Description	Water	Sewer	Other	Total	Description of Allocation Method	Water	Sewer	Other	Total

Net Depreciation Expense - Water

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: B-13
Page __ of __
Preparer:
Recap Schedules: B-1

Explanation: Provide a schedule of test year non-used and useful depreciation expense by primary account.

Line No.	(1) Account No. and Name	(2) Test Year Expense	(3) Utility Adjustments	(4) Adjusted Balance	(5) % Non-Used and Useful	(6) Future Use Amount
1	INTANGIBLE PLANT					
2	301.1 Organization					
3	302.1 Franchises					
4	339.1 Other Plant & Misc. Equipment					
5	SOURCE OF SUPPLY AND PUMPING PLANT					
6	304.2 Structures & Improvements					
7	305.2 Collect. & Impound. Reservoirs					
8	306.2 Lake, River & Other Intakes					
9	307.2 Wells & Springs					
10	308.2 Infiltration Galleries & Tunnels					
11	309.2 Supply Mains					
12	310.2 Power Generation Equipment					
13	311.2 Pumping Equipment					
14	339.2 Other Plant & Misc. Equipment					
15	WATER TREATMENT PLANT					
16	304.3 Structures & Improvements					
17	320.3 Water Treatment Equipment					
18	339.3 Other Plant & Misc. Equipment					
19	TRANSMISSION & DISTRIBUTION PLANT					
20	304.4 Structures & Improvements					
21	330.4 Distr. Reservoirs & Standpipes					
22	331.4 Transm. & Distribution Mains					
23	332.4 Services					
24	334.4 Meters & Meter Installations					
25	335.4 Hydrants					
26	339.4 Other Plant & Misc. Equipment					
27	GENERAL PLANT					
28	304.5 Structures & Improvements					
29	340.5 Office Furniture & Equipment					
30	341.5 Transportation Equipment					
31	342.5 Stores Equipment					
32	343.5 Tools, Shop & Garage Equipment					
33	344.5 Laboratory Equipment					
34	345.5 Power Operated Equipment					
35	346.5 Communication Equipment					
36	347.5 Miscellaneous Equipment					
37	348.5 Other Tangible Plant					
38	TOTAL DEPRECIATION EXPENSE	$	$	$		$
	LESS: AMORTIZATION OF CIAC					
	NET DEPRECIATION EXPENSE - WATER	$	$	$		$

Net Depreciation Expense - Sewer

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Historic [ ] or Projected [ ]

Schedule: B-14
Page __ of __
Preparer:
Recap Schedules: B-2

Explanation: Provide a schedule of test year non-used and useful depreciation expense by primary account.

Line No.	(1) Account No. and Name	(2) Test Year Expense	(3) Utility Adjustments	(4) Adjusted Balance	(5) % Non-Used and Useful	(6) Future Use Amount
1	INTANGIBLE PLANT					
2	351.1 Organization					
3	352.1 Franchises					
4	389.1 Other Plant & Misc. Equipment					
5	COLLECTION PLANT					
6	354.2 Structures & Improvements					
7	360.2 Collection Sewers - Force					
8	361.2 Collection Sewers - Gravity					
9	362.2 Special Collecting Structures					
10	363.2 Services to Customers					
11	364.2 Flow Measuring Devices					
12	365.2 Flow Measuring Installations					
13	389.2 Other Plant & Misc. Equipment					
14	SYSTEM PUMPING PLANT					
15	354.3 Structures & Improvements					
16	370.3 Receiving Wells					
17	371.3 Pumping Equipment					
18	389.3 Other Plant & Misc. Equipment					
19	TREATMENT AND DISPOSAL PLANT					
20	354.4 Structures & Improvements					
21	380.4 Treatment & Disposal Equipment					
22	381.4 Plant Sewers					
23	382.4 Outfall Sewer Lines					
24	389.4 Other Plant & Misc. Equipment					
25	GENERAL PLANT					
26	354.5 Structures & Improvements					
27	390.5 Office Furniture & Equipment					
28	391.5 Transportation Equipment					
29	392.5 Stores Equipment					
30	393.5 Tools, Shop & Garage Equipment					
31	394.5 Laboratory Equipment					
32	395.5 Power Operated Equipment					
33	396.5 Communication Equipment					
34	397.5 Miscellaneous Equipment					
35	398.5 Other Tangible Plant					
36	TOTAL DEPRECIATION EXPENSE	$	$	$		$
	LESS: AMORTIZATION OF CIAC					
	NET DEPRECIATION EXPENSE - SEWER	$	$	$		$

Taxes Other Than Income

Florida Public Service Commission

Company:
Docket No.:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Schedule: B-15
Page __ of __
Preparer:
Recap Schedules: B-1,B-2

Explanation: Complete the following schedule of all taxes other than income.
For all allocations, provide description of allocation and calculations.

Line No.	(1) Description	(2) Regulatory Assessment Fees (RAFs)	(3) Payroll Taxes	(4) Real Estate & Personal Property	(5) Other	(6) Total
WATER						
1	Test Year Per Books					
	Adjustments to Test Year (Explain)					
2						
3						
4						
5						
6	Total Test Year Adjustments					
7	Adjusted Test Year					
8	RAFs Assoc. with Revenue Increase					
9	Total Balance					
SEWER						
10	Test Year Per Books					
	Adjustments to Test Year (Explain)					
11						
12						
13						
14						
15	Total Test Year Adjustments					
16	Adjusted Test Year					
17	RAFs Assoc. with Revenue Increase					
18	Total Balance					

GENERAL INSTRUCTIONS FOR INCOME TAX SCHEDULES

1. Any utility that is not currently and never has been a C corporation may omit Section C in its entirety.

2. All utilities that are currently C corporations shall complete Schedules C-1 through C-7, C-9 and C-10.

3. All utilities that are not currently, but have been C corporations in the past, shall complete Schedules C-5 through C-7.

4. Only utilities that are C corporations and also participate in the filing of a consolidated return shall complete Schedule C-8.

5. If difficulty is experienced in completing any schedule, contact staff for clarification before the MFRs are due.

6. If production of any schedule is impractical or will impose an excessive economic burden upon the utility, a request for a waiver may be made in accordance with Rule 25-30.436(4), F.A.C.

Reconciliation of Total Income Tax Provision

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Historic [ ] or Projected [ ]

Schedule: C-1
Page 1 of 1
Preparer:

Explanation: Provide a reconcilation between the total operating income tax provision and the currently payable income taxes on operating income for the test year.

Line No.	Description	Ref.	Total Per Books	Utility Adjustments	Utility Adjusted	Water	Sewer
1	Current Tax Expense	C-2					
2	Deferred Income Tax Expense	C-5					
3	ITC Realized This Year	C-8					
4	ITC Amortization (3% ITC and IRC 46(f)(2))	C-8					
5	Parent Debt Adjustment	C-9					
6	Total Income Tax Expense						

Supporting Schedules: C-2,C-5,C-8,C-9
Recap Schedules: B-1,B-2

State and Federal Income Tax Calculation - Current

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Historic [ ] or Projected [ ]

Schedule: C-2

Preparer:

Explanation: Provide the calculation of state and federal income taxes for the test year. Provide detail on adjustments to income taxes and investment tax credits generated.

		Total Per Books	Utility Adjustments	Utility Adjusted	Water	Sewer
1	Net Utility Operating Income (Sch. B-1)					
2	Add: Income Tax Expense Per Books (Sch. B-1)					
3	Subtotal					
4	Less: Interest Charges (Sch. C-3)					
5	Taxable Income Per Books					
	Schedule M Adjustments:					
6	Permanent Differences (From Sch. C-4)					
7	Timing Differences (From Sch. C-5)					
8	Total Schedule M Adjustments					
9	Taxable Income Before State Taxes					
10	Less: State Income Tax Exemption ($5,000)					
11	State Taxable Income					
12	State Income Tax (5.5% of Line 11)					
13	Emergency Excise Tax					
14	Credits					
15	Current State Income Taxes					
16	Federal Taxable Income (Line 9 - Line 15)					
17	Federal Income Tax Rate					
18	Federal Income Taxes (Line 16 x Line 17)					
19	Less: Investment Tax Credit Realized This Year (Sch. C-8)					
20	Current Federal Inc. Taxes (Line 18 - Line 19)					
	Summary:					
21	Current State Income Taxes (Line 15)					
22	Current Federal Income Taxes (Line 20)					
23	Total Current Income Tax Expense (To C-1)					

Supporting Schedules: B-1,B-2,C-3,C-4,C-5,C-8
Recap Schedules: C-1

Schedule of Interest In Tax Expense Calculation

Company:
Docket No.:
Test Year Ended:
Historic [ ] or Projected [ ]

Florida Public Service Commission
Schedule: C-3
Page 1 of 1
Preparer:
Supporting Schedules: D-1,C-8
Recap Schedules: C-2

Explanation: Provide the amount of interest expense used to calculate income taxes on Schedule No. C-2. Explain any changes in interest expense in detail giving amount of change and reason for change. If the basis for allocating interest used in the tax calculation differs from the basis used in allocating current income taxes payable, the differing bases should be clearly identified.

Line No.	Description	Total Per Books	Utility Adjustments	Utility Adjusted	Water	Sewer
1	Interest on Long-Term Debt					
2	Amortization of Debt Premium, Disc. and Expense Net					
3	Interest on Short-Term Debt					
4	Other Interest Expense					
5	AFUDC					
6	ITC Interest Synchronization (IRC 46(f)(2) only - See below)					
7	Total Used For Tax Calculation					

Calculation of ITC Interest Synchronization Adjustment
ONLY for Option 2 companies (See Sch. C-8, pg. 4)

Line No.	Balances From Schedule D-1	Amount	Ratio	Cost	Total Weighted Cost	Debt Only Weighted Cost
8	Long-Term Debt					
9	Short-Term Debt					
10	Preferred Stock					---
11	Common Equity					---
12	Total					
13	ITCs (from D-1, Line 7)					
14	Weighted Debt Cost (From Line 12)					
15	Interest Adjustment (To Line 6)					

Book/Tax Differences - Permanent

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Historic [ ] or Projected [ ]

Schedule: C-4
Page 1 of 1
Preparer:

Explanation: Provide the description and amount of all book/tax differences accounted for as permanent differences. This would include any items accounted for on a flow through basis.

Supporting Schedules: None
Recap Schedules: C-2

Deferred Income Tax Expense

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Historic [ ] or Projected [ ]

Schedule: C-5
Page 1 of 1
Preparer:

Explanation: Provide the calculation of total deferred income tax expense for the test year. Provide detail on items resulting in tax deferrals other than accelerated depreciation.

Line No.	Description	Total Per Books	Utility Adjustments	Utility Adjusted	Water	Sewer
	Timing Differences:					
1	Tax Depreciation and Amortization					
2	Book Depreciation and Amortization					
		-------------	-----------	-----------	-----------	-----------
3	Difference					
4	Other Timing Differences (Itemize):					
		-------------	-----------	-----------	-----------	-----------
5	Total Timing Differences (To C-2)					
		-------------	-----------	-----------	-----------	-----------
6	State Tax Rate					
7	State Deferred Taxes (Line 5 x Line 6)					
		-------------	-----------	-----------	-----------	-----------
8	Timing Differences For Federal Taxes (Line 5 - Line 7)					
9	Federal Tax Rate					
		-------------	-----------	-----------	-----------	-----------
10	Federal Deferred Taxes (Line 8 x Line 9)					
11	Add: State Deferred Taxes (Line 7)					
		-------------	-----------	-----------	-----------	-----------
12	Total Deferred Tax Expense (To C-1)					
		=============	===========	===========	===========	===========

Supporting Schedules: None
Recap Schedules: C-2

Accumulated Deferred Income Taxes - Summary

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: C-6

Preparer:

Explanation: For each of the accumulated deferred tax accounts provide a summary of the ending balances as reported on pages 2 & 3 of this schedule. The same annual balances should be shown.

		Account No. ______			Account No. ______			Net Deferred Income Taxes		
Line No.	Year	State	Federal	Total	State	Federal	Total	State	Federal	Total

Supporting Schedules: C-7, Pg 2 & 3
Recap Schedules: A-18,A-19,D-2

Accumulated Deferred Income Taxes - State

Company:
Docket No.:
Test Year Ended:

Florida Public Service Commission

Schedule: C-6

Preparer:

Explanation: For each of the accumulated deferred tax accounts provide annual balances beginning with the year of the last rate case and ending with the test year.

		Account No. ______					Account No. ______				
Line No.	Year	Beginning Balance	Current Year Deferral	Flowback To Curr. Year	Adjust. Debit (Credit)	Ending Balance	Beginning Balance	Current Year Deferral	Flowback To Curr. Year	Adjust. Debit (Credit)	Ending Balance

Supporting Schedules: None
Recap Schedules: C-6

Accumulated Deferred Income Taxes - Federal

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: C-6
Page 3 of 3
Preparer:

Explanation: For each of the accumulated deferred tax accounts provide annual balances beginning with the year of the last rate case and ending with the test year.

		Account No. ______					Account No. ______				
Line No.	Year	Beginning Balance	Current Year Deferral	Flowback To Curr. Year	Adjust. Debit (Credit)	Ending Balance	Beginning Balance	Current Year Deferral	Flowback To Curr. Year	Adjust. Debit (Credit)	Ending Balance

Supporting Schedules: None
Recap Schedules: C-6

Investment Tax Credits - Analysis

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: C-7
Page 1 of 4
Preparer:

Explanation: Provide an analysis of accumulated tax credits generated and amortized on an annual basis beginning with the test year in the last rate case to the end of the current test year. Amounts provided by the Revenue Act of 1971 and subsequent acts should be shown separately from amounts applicable to prior laws. Identify progress payments separately.

		3% ITC						4% ITC					
			Amount Realized		Amortization				Amount Realized		Amortization		
Line No.	Year	Beginning Balance	Current Year	Prior Year Adjust.	Current Year	Prior Year Adjust.	Ending Balance	Beginning Balance	Current Year	Prior Year Adjust.	Current Year	Prior Year Adjust.	Ending Balance

Supporting Schedules: None
Recap Schedules: C-2,C-3,C-10,D-2,A-18,A-19

Investment Tax Credits - Analysis

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: C-7
Page 2 of 4
Preparer:

Explanation: Provide an analysis of accumulated tax credits generated and amortized on an annual basis beginning with the test year in the last rate case to the end of the current test year. Amounts provided by the Revenue Act of 1971 and subsequent acts should be shown separately from amounts applicable to prior laws. Identify progress payments separately.

		8% ITC						10% ITC					
			Amount Realized		Amortization				Amount Realized		Amortization		
Line No.	Year	Beginning Balance	Current Year	Prior Year Adjust.	Current Year	Prior Year Adjust.	Ending Balance	Beginning Balance	Current Year	Prior Year Adjust.	Current Year	Prior Year Adjust.	Ending Balance

0049

Supporting Schedules: None
Recap Schedules: C-2,C-3,C-10,D-2,A-18,A-19

Investment Tax Credits - Company Policies

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Preparer:

Explanation: Explain accounting policy as to method of amortization for both progress payment and other ITC. Explanation should include at least a description of how the time period for amortization is determined, when it begins, under what circumstances it changes, etc. If there are unused ITC, supply a schedule showing year generated, amount generated, total amount used and remaining unused portion.

Investment Tax Credits - Section 46(f) Election

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Historic [ ] or Projected [ ]

Schedule: C-7
Page 4 of 4
Preparer:

Explanation: Provide a copy of the election made under Section 46(f), Internal Revenue Code.

Parent(s) Debt Information

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: C-8
Page 1 of __
Preparer:

Explanation: Provide the information required to adjust income tax expense by by the interest expense of the parent(s) that may be invested in the equity of the applicant. If a year-end rate base is used, provide on both a year-end and and an average basis. Amounts should be parent only.

		Parent's Name			
Line No.	Description	Amount	% of Total	Cost Rate	Weighted Cost
1	Long-Term Debt				
2	Short-Term Debt				
3	Preferred Stock				
4	Common Equity (State Retained Earnings Separately - Parent Only)				
5	Deferred Income Tax				
6	Other				
7	Total		100.00%		

8 Weighted Cost Parent Debt X 37.63% (or applicable consolidated tax rate) X Equity of Subsidiary (To C-1)

Supporting Schedules: None
Recap Schedules: C-3

Income Tax Returns

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: C-9
Page 1 of 1
Preparer:

Explanation: Provide a copy of the most recently filed federal income tax return, state income tax return and most recent final IRS revenue agent's report for the applicant or consolidated entity (whichever type of return is filed). A statement of when and where the returns and reports are available for review may be provided in lieu of providing the returns and reports.

Miscellaneous Tax Information

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: C-10
Page 1 of 1
Preparer:

Explanation: Provide answers to the following questions with respect to the applicant or its consolidated entity.

---

(1) What tax years are open with the Internal Revenue Service?

(2) Is the treatment of customer deposits at issue with the IRS?

(3) Is the treatment of contributions in aid of construction at issue with the IRS?

(4) Is the treatment of unbilled revenues at issue with the IRS?

Schedule of Requested Cost of Capital
Beginning and End of Year Average

Company:
Docket No.:
Test Year Ended:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Florida Public Service Commission

Schedule: D-1
Page __ of __
Preparer:

Subsidiary [ ] or Consolidated [ ]

Explanation: Provide a schedule which calculates the requested Cost of Capital on a beginning and end of year average basis. If a year-end basis is used submit an additional schedule reflecting year-end calculations.

Line No.	Class of Capital	(1) Reconciled To Requested Rate Base	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt				
2	Short-Term Debt				
3	Preferred Stock				
4	Customer Deposits				
5	Common Equity				
6	Tax Credits - Zero Cost				
7	Tax Credits - Wtd. Cost				
8	Accum. Deferred Income Taxes				
9	Other (Explain)				
10	Total		100.00%		

Supporting Schedules: D-2
Recap Schedules: A-1,A-2

Reconciliation of Capital Structure to Requested Rate Base
Beginning and End of Year Average

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Schedule Year Ended:
Historic [ ] or Projected [ ]

Schedule: D-2
Page __ of __
Preparer:

Explanation: Provide a reconciliation of the simple average capital structure to requested rate base. Explain all adjustments. Submit an additional schedule if a year-end basis is used.

Line No.	(1) Class of Capital	(2) Test Year Per Books	(3) Reconciliation Adjustments Specific	(4) Reconciliation Adjustments (Explain)	(5) Reconciliation Adjustments Prorata *	(6) Reconciled To Requested Rate Base
1	Long-Term Debt					
2	Short-Term Debt					
3	Preferred Stock					
4	Common Equity					
5	Customer Deposits					
6	Tax Credits - Zero Cost					
7	Tax Credits - Wtd. Cost					
8	Accum. Deferred Income Tax					
9	Other (Explain)					
10	Total					

* List corresponding adjustments to rate base below:

Description	Amount

Supporting Schedules: A-19,C-7,C-8,D-3,D-4,D-5,D-7
Recap Schedules: D-1

Preferred Stock Outstanding

Florida Public Service Commission

Company:
Docket No:
Test Year Ended:
Utility [ ] or Parent [ ]
Historic [ ] or Projected [ ]

Explanation: Provide data as specified on preferred stock on a simple average basis. If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information for the parent level.

Schedule: D-3
Page __ of __
Preparer:

Line No.	(1) Description, Coupon Rate, Years of Life	(2) Issue Date	(3) Call Provis., Special Restrict.	(4) Principal Amount Sold (Face Value)	(5) Principal Amount Outstanding	(6) (Discount) or Premium on Principal Amount Sold	(7) (Discount) or Premium Associated With Col (5)	(8) Issuing Expense Associated With Col(4)	(9) Issuing Expense Associated With Col(5)	(10) Net Proceeds (5)-(9)+(7)	(11) Rate (Contract Rate on Face Value)	(12) Dollar Dividend On Face Value (11)x(5)	(13) Effective Cost Rate (12)/(10)

Recap Schedules: A-19,D-2

Simple Average Cost of Short-Term Debt

Florida Public Service Commission

Company:
Docket No:
Test Year Ended:
Utility [ ] or Parent [ ]
Historic [ ] or Projected [ ]

Schedule: D-4
Page __ of __
Preparer:

Explanation: Provide the following information on a beginning and end of year average basis. If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information for the parent level.

Line No.	Lender	(1) Total Interest Expense	(2) Maturity Date	(3) Simple Average Amt. Outstanding	(4) Effective Cost Rate
	Total				

Recap Schedules: A-19,D-2

Cost of Long-Term Debt
Beginning and End of Year Average

Florida Public Service Commission

Schedule: D-5
Page __ of __
Preparer:

Company:
Docket No:
Test Year Ended:
Utility [ ] or Parent [ ]
Historic [ ] or Projected [ ]

Explanation: Provide the specified data on long-term debt issues on a simple average basis for the test year. Arrange by type of issue (i.e., first mortgage bonds). If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information on the parent level.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line No.	Description, Coupon Rate, Years of Life	Issue Date-Maturity Date	Principal Amount Sold (Face Value)	Principal Amount Outstanding	Amount Outstanding Within One Year	Unamortized Discount (Premium) Associated With Col(4)	Unamortized Issuing Expense Associated With Col(4)	Annual Amortization of Discount (Premium) on Principal Outstanding	Annual Amort. of Issuing Expense on Principal Outstanding	Interest Cost (Coupon Rate) x Col (4)	Total Interest Cost (8)+(9)+(10)	Effective Cost Rate (11)/((4)-(6)-(7))

Total

Supporting Schedules: D-6
Recap Schedules: A-19,D-2

Cost of Varible Rate Long-Term Debt
Beginning and End of Year Average

Florida Public Service Commission

Schedule: D-6
Page __ of __
Preparer:

Company:
Docket No:
Test Year Ended:
Utility [ ] or Parent [ ]
Historic [ ] or Projected [ ]

Explanation: Provide the specified data on variable cost long-term debt issues on a simple average basis. If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information for the parent level.

Line No.	(1) Description, Coupon Rate, Years of Life	(2) Issue Date-Maturity Date	(3) Principal Amount Sold (Face Value)	(4) Principal Amount Outstanding	(5) Amount Outstanding Within One Year	(6) Unamortized Discount (Premium) Associated With Col(4)	(7) Unamortized Issuing Expense Associated With Col(4)	(8) Annual Amortization of Discount (Premium) on Principal Outstanding	(9) Annual Amort. of Issuing Expense on Principal Outstanding	(10) Basis of Variable Rate (i.e. Prime + 2%)	(11) Interest Cost (Test Year Cost Rate X Col. (4))	(12) Total Interest Cost (8)+(9)+(11)	(13) Effective Cost Rate (12)/((4)-(6)-(7))
	Total												

0060

Supporting Schedules: None
Recap Schedules: A-19,D-2

Schedule of Customer Deposits

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Utility [ ] or Parent [ ]
Historic [ ] or Projected [ ]

Schedule: D-7
Page __ of __
Preparer:

Explanation: Provide a schedule of customer deposits as shown.

(1) For the Year Ended	(2) Beginning Balance	(3) Deposits Received	(4) Deposits Refunded	(5) Ending Balance (2+3-4)

Recap Schedules: A-19,D-2

Rate Schedule

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]

Florida Public Service Commission

Schedule: E-1
Page___of___
Preparer:

Explanation: Provide a schedule of present and proposed rates. State residential sewer cap, if one exists.

(1) Class/Meter Size	(2) Present Rates	(3) Proposed Rates
	BFC	BFC
Residential		
5/8" x 3/4"		
1"		
1-1/2"		
2"		
Etc.		
Gallonage charge/MG		
General Service		
5/8" x 3/4"		
1"		
1-1/2"		
2"		
Etc.		
Gallonage charge/MG		
Other (list)		
5/8" x 3/4"		
1"		
1-1/2"		
2"		
Etc.		
Gallonage charge/MG		

Revenue Schedule at Present and Proposed Rates

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]

Schedule: E-2
Page___of___
Preparer:

Explanation: Provide a calculation of revenues at present and proposed rates using the billing analysis. Explain any differences between these revenues and booked revenues. If a rate change occurred during the test year, a revenue calculation must be made for each period.

(1) Class/Meter Size	(2) Number Bills	(3) Consumption in MG	(4) Present Rate	(5) Revenues at Present Rates	(6) Proposed Rate	(7) Revenues at Proposed Rates
Residential						
5/8" x 3/4"						
M Gallons						
1" Etc.						
M Gallons Etc.						
	-----------	-----------		-------------		-------------
Total Residential						
	===========	===========		=============		=============
Average Bill						
				=============		=============
General Service						
5/8" x 3/4"						
M Gallons						
1" Etc.						
M Gallons Etc.						
	-----------	-----------		-------------		-------------
Total Gen. Serv.						
	===========	===========		=============		=============
Average Bill						
				=============		=============
List Other Classes As Above						
	-----------	-----------		-------------		-------------
Totals						
	===========	===========		-------------		-------------
Unbilled Revenues						
Other Revenue						
Misc. Serv. Charges						
				-------------		-------------
Total Revenue						
Booked Revenue						
				-------------		-------------
Difference (Explain)						
				=============		=============

Customer Monthly Billing Schedule

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]

Schedule: E-3
Page___of___
Preparer:

Explanation: Provide a schedule of monthly customers billed or served by class.

Line No.	(1) Month/ Year	(2) Residential	(3) General Service	(4) Multi-Family Dwelling	(5) Private Fire Protection	(6) Other (List)	(7) Total
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
	Total						

Miscellaneous Service Charges

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]

Schedule: E-4
Page___of___
Preparer:

Explanation: Provide a schedule of present and proposed miscellaneous service charges. If an increase is proposed (or new charges), provide a schedule of derivation of charges, unless the charges are pursuant to the latest Staff Advisory Bulletin #13.

(1)	(2) Present		(3) Proposed	
Type Charge	Bus. Hrs.	After Hrs.	Bus. Hrs.	After Hrs.
Initial Connection				
Normal Reconnection				
Violation Reconnection				
Premises Visit				
Other Charges (List)				

Miscellaneous Service Charge Revenues

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]

Schedule: E-5
Page___of___
Preparer:

Explanation: Provide a schedule of test year miscellaneous charges received by type. Provide an additional schedule for proposed charges, if applicable.

(1) Initial Connection	(2) Normal Reconnect	(3) Violation Reconnect	(4) Premises Visit	(5) Other Charges	(6) Total

Public Fire Hydrants Schedule

Company:
Docket No.:
Test Year Ended:

Florida Public Service Commission

Schedule: E-6
Page__of__
Preparer:

Explanation: Provide a schedule of public fire hydrants (including standpipes, etc.) by size. This schedule is not required for a sewer only rate application.

(1) Line No.	(2) Size	(3) Type	(4) Quantity
	Total		---------
			=========

Private Fire Protection Service

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: E-7
Page___of___
Preparer:

Explanation: Provide a schedule of private fire protection service by size of connection. This schedule is not required for a sewer only rate application.

(1) Line No.	(2) Size	(3) Type	(4) Quantity
	Total		

Contracts and Agreements Schedule

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: E-8
Page___of___
Preparer:

Explanation: Provide a list of all outstanding contracts or agreements having rates or conditions different from those on approved tariffs. Describe with whom, the purpose and the elements of each contract shown.

(1) Line No.	(2) Type	(3) Description

Tax or Franchise Fee Schedule

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule: E-9
Page__of__
Preparer:

Explanation: Provide a schedule of state, municipal, city or county franchise taxes or fees paid (or payable). State the type of agreement (i.e. contract, tax).

(1) Line No.	(2) Type Tax or Fee	(3) To Whom Paid	(4) Amount	(5) How Collected From Customers	(6) Type Agreement

Service Availability Charges Schedule

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]

Schedule: E-10
Page___of___
Preparer:

Explanation: Provide a schedule of present and proposed service availability charges. (See Rule 25-20.580, F.A.C.) If no change is proposed, then this schedule is not required.

(1) Type Charge	(2) Present Charges	(3) Proposed Charges
System Capacity Charge		
Residential-per ERC (_____ GPD)		
All others-per Gallon/Day		
Plant Capacity Charge		
Residential-per ERC (_____ GPD)		
All others-per Gallon/Day		
Main Extension Charge		
Residential-per ERC (_____ GPD)		
or-per Lot (_____ Front Footage)		
All others-per Gallon/Day		
or-per Front Foot		
Meter Installation Charge		
5/8" x 3/4"		
1"		
1-1/2"		
2"		
Etc.		
Service (Lateral) Installation Charge		
5/8" x 3/4"		
1"		
1-1/2"		
2"		
Etc.		
Back Flow Preventor Installation Charge		
5/8" x 3/4"		
1"		
1-1/2"		
2"		
Etc.		
Plan Review Charge		
Inspection Charge		
Guaranteed Revenue Charge		
With prepayment of Serv. Avail. Charges		
Residential-per ERC (____ GPD)/Month		
All others-per Gallon/Month		
Without prepayment of Serv. Avail. Charges		
Residential-per ERC (____ GPD)/Month		
All others-per Gallon/Month		
Allowance for Funds Prudently Invested (AFPI)		
Provide a table of payments by month and years.		

Guaranteed Revenues Received

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]
Historic [ ] or Projected [ ]

Schedule: E-11
Page___of___
Preparer:

Explanation: Provide copies of all guaranteed revenue contracts with a schedule of billing and receipts on an annual basis by class.

(1) For the Year Ended	(2) Residental	(3) General Service	(4) Other	(5) Total

Class A Utility Cost of Service Study

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]

Schedule: E-12
Page___of___
Preparer:

Explanation: All Class A utilities whose service classes include industrial customers, whose utilization exceeds an average of 350,000 GPD, shall provide a fully allocated class cost of service study showing customer, base (commodity), and extra capacity (demand) components under present and proposed rates. This study shall include rate of return by by class and load (demand) research studies used in the cost allocation. The analysis shall be based upon the AWWA Manual No. 1 and shall comply with current AWWA procedures and standard industrial practices for utilities providing water and sewer service.

Projected Test Year Revenue Calculation

Company:
Docket No.:
Projected Test Year Ended:
Water [ ] or Sewer [ ]

Florida Public Service Commission

Schedule: E-13
Page__of__
Preparer:

Explanation: If a projected test year is used, provide a schedule of historical and projected bills and consumption by classification. Include a calculation of each projection factor on a separate schedule, if necessary. List other classes or meter sizes as applicable.

(1) Class/Meter Size	(2) Historical Year Bills	(3) Proj. Factor	(4) Proj. Test Year Bills	(5) Test Year Consumption	(6) Proj. Factor	(7) Project. TY Consumption	(8) Present Rates	(9) Projected TY Revenue	(10) Proposed Rates	(11) Proj. Rev. Requirement
Residential										
5/8" x 3/4"										
1"										
1-1/2", Etc.										
Gallonage Charge/MG										
	-----------		-----------	-----------		-----------		-----------		-----------
Total										
	-----------		-----------	-----------		-----------		-----------		-----------
General Service										
5/8" x 3/4"										
1"										
1-1/2", Etc.										
Gallonage Charge/MG										
	-----------		-----------	-----------		-----------		-----------		-----------
Total										
	-----------		-----------	-----------		-----------		-----------		-----------
Multi-Family Dwellings										
5/8" x 3/4"										
1"										
1-1/2", Etc.										
Gallonage Charge/MG										
	-----------		-----------	-----------		-----------		-----------		-----------
Total										
	-----------		-----------	-----------		-----------		-----------		-----------
Private Fire Protection										
2"										
4"										
6"										
Etc.										
	-----------		-----------	-----------		-----------		-----------		-----------
Total										
	-----------		-----------	-----------		-----------		-----------		-----------
Grand Total Bills										
	===========		===========	===========		===========		===========		===========

Billing Analysis Schedules

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:
Water [ ] or Sewer [ ]
Customer Class:
Meter Size:

Schedule: E-14
Page__of__
Preparer:

Explanation: Provide a billing analysis for each class of service by meter size. For applicants having master metered multiple dwellings, provide number of bills at each level by meter size or number of bills categorized by the number of units. Round consumption to nearest 1,000 gallons & begin at zero. If a rate change occurred during the test year, provide a separate billing analysis which coincides with each period.

(1) Consumpt. Level	(2) Number of Bills	(3) Cumulative Bills	(4) Gallons Consumed (1)x(2)	(5) Cumulative Gallons	(6) Reversed Bills	(7) Consolidated Factor [(1)x(6)]+(5)	(8) Percentage of Total
0							
1							
2							
3							

Gallons of Water Pumped, Sold and Unaccounted For
In Thousands of Gallons

Florida Public Service Commission

Schedule F-1
Page 1 of __
Preparer:

Company:
Docket No.:
Test Year Ended:

Explanation: Provide a schedule of gallons of water pumped, sold and unaccounted for each month of the test year. The gallons pumped should match the flows shown on the monthly operating reports sent to DER. The other uses may include plant use, flushing of hydrants and water and sewer lines, line breakages and fire flows. Provide all calculations to substantiate the other uses. If unaccounted for water is greater than 10%, provide an explanation as to the reasons why; if less than 10%, Columns 4 & 5 may be omitted.

Month/ Year	(1) Total Gallons Pumped	(2) Gallons Purchased	(3) Gallons Sold	(4) Other Uses	(5) Unaccounted For Water (1)+(2)-(3)-(4)	(6) % Unaccounted For Water
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
Total						

Gallons of Wastewater Treated
In Thousands of Gallons

Florida Public Service Commission

Schedule F-2
Page 1 of __
Preparer:

Company:
Docket No.:
Test Year Ended:

Explanation: Provide a schedule of gallons of wastewater treated by individual plant for each month of the historical test year. Flow data should match the the monthly operating reports sent to DER.

Month/ Year	(1)	(2) Individual Plant Flows	(3)	(4)	(5) Total Plant Flows	(6) Total Purch. Sewage Treatment
	(Name)	(Name)	(Name)	(Name)		
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
Total						

Water Treatment Plant Data

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-3
Page 1 of __
Preparer:

Explanation: Provide the following information for each water treatment plant. If the system has water plants that are interconnected, the data for these plants may be combined. All flow data must be obtained from the monthly operating reports (MORs) sent to the Department of Environmental Regulation.

			DATE		GPD
			______		______
1.	Plant Capacity The hydraulic rated capacity. If different from that shown on the DER operating or construction permit, provide an explanation.				______
2.	Maximum Day The single day with the highest pumpage rate for the test year. Explain, on a separate page, if fire flow, linc-breaks or other unusual occurances affected the flow this day.		______		______
3.	Five-Day Max Year The five days with the highest pumpage rate from any one month in the test year. Provide an explanation if fire flow, line-breaks or other unusual occurances affected the flows on these days.	(1) (2) (3) (4) (5)	______ ______ ______ ______ ______		______ ______ ______ ______ ______
				AVERAGE	______
4.	Average Daily Flow				______
5.	Required Fire Flow The standards will be those as set by the Insurance Service Organization or by a governmental agency ordinance. Provide documents to support this calculation.				______

Wastewater Treatment Plant Data

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-4

Preparer:

Explanation: Provide the following information for each wastewater treatment plant. All flow data must be obtained from the monthly operating reports (MORs) sent to the Department of Environmental Regulation.

	MONTH	GPD
	______	______
1. Plant Capacity		______
The hydraulic rated capacity. If different from that shown on the DER operating or construction permit, provide an explanation.		
2. Average Daily Flow Max Month	______	______
An average of the daily flows during the peak usage month during the test year. Explain, on a separate page, if this peak-month was influenced by abnormal infiltration due to rainfall periods.		

Used and Useful Calculations
Water Treatment Plant

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-5
Page 1 of __
Preparer:

Explanation: Provide all calculations, analyses and governmental requirements used to determine the used and useful percentages for the water treatment plant(s) for the historical test year and the projected test year (if applicable).

Recap Schedules: A-5,A-9,B-13

Used and Useful Calculations
Wastewater Treatment Plant

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-6
Page 1 of __
Preparer:

Explanation: Provide all calculations, analyses and governmental requirements used to determine the used and useful percentages for the wastewater treatment plant(s) for the historical test year and the projected test year (if applicable).

Recap Schedules: A-6,A-10,B-14

Used and Useful Calculations
Water Distribution and Wastewater Collection Systems

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-7
Page 1 of __
Preparer:

Explanation: Provide all calculations, analyses and governmental requirements used to determine the used and useful percentages for the water distribution and wastewater collection systems for the historical and the projected test year (if applicable). The capacity should be in terms of ability to serve a designated number of connections. It should then be related to actual connected density for historical year calculations. Explain all assumptions for projected calculations. If the distribution and collection systems are entireiy contributed or built-out, this schedule is not required.

Recap Schedules: A-5,A-6,A-9,A-10,B-13,B-14

Margin Reserve Calculations

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-8
Page 1 of __
Preparer:

Explanation: If a margin reserve is requested, provide all calculations and analyses used to determine the amount of margin reserve for each portion of used and useful plant.

Recap Schedules: F-5,F-6,F-7

Equivalent Residential Connections - Water

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-9
Page 1 of __
Preparer:

Explanation: Provide the following information in order to calculate the average growth in ERCs for the last five years, including the test year. If the utility does not have single-family residential (SFR) customers, the largest customer class should be used as a substitute.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		SFR Customers			SFR	Gallons/	Total	Total	Annual
Line					Gallons	SFR	Gallons	ERCs	% Incr.
No.	Year	Beginning	Ending	Average	Sold	(5)/(4)	Sold	(7)/(6)	in ERCs
1	TY-4								- - -
2	TY-3								
3	TY-2								
4	TY-1								
5	TY								
				Average Growth Through 5-Year Period (Col. 8)					

Equivalent Residential Connections - Wastewater

Florida Public Service Commission

Company:
Docket No.:
Test Year Ended:

Schedule F-10
Page 1 of __
Preparer:

Explanation: Provide the following information in order to calculate the average growth in ERCs for the last five years, including the test year. If the utility does not have single-family residential (SFR) customers, the largest customer class should be used as a substitute.

Line No.	(1) Year	(2) SFR Customers Beginning	(3) SFR Customers Ending	(4) SFR Customers Average	(5) SFR Gallons Treated	(6) Gallons/ SFR (5)/(4)	(7) Total Gallons Treated	(8) Total ERCs (7)/(6)	(9) Annual % Incr. in ERCs
1	TY-4								- - -
2	TY-3								
3	TY-2								
4	TY-1								
5	TY								---------
	Average Growth Through 5-Year Period (Col. 8)								=========

CERTIFICATION OF
PUBLIC SERVICE COMMISSION

FORM INCORPORATED BY REFERENCE IN RULE 25-30.456

FILED WITH THE DEPARTMENT OF STATE

Pursuant to Rule 1S-1.005, Florida Administrative Code, I hereby certify that the attached is a true and complete copy of Form PSC/WAS 25 (/), "Application for Staff Assistance for Alternative Rate Setting", which is incorporated by reference in Rule 25-30.456, Florida Administrative Code.

Under the provisions of paragraph 120.54(13)(a), F.S., the incorporated material takes effect 20 days from the date filed with the Department of State or a later date as set out below:

Effective: ______________________
(month) (day) (year)

Steve Tribble

STEVE TRIBBLE, Director
Division of Records & Reporting

____
Number of Pages Certified

(S E A L)

adp25-30.mrd

FILED
93 NOV 10 PM 5:01
DEPARTMENT OF STATE
TALLAHASSEE, FLORIDA

FLORIDA PUBLIC SERVICE COMMISSION

APPLICATION FOR STAFF ASSISTANCE
FOR ALTERNATIVE RATE SETTING

I. General Data

A. Name of utility ____________________

B. Address ____________________

____

1. Telephone Nos. (___)____________________

2. County ____________________ Nearest city ____________

3. General area served ____________________

____

1. ____________ ____________ ____________
2. ____________ ____________ ____________
3. ____________ ____________ ____________
4. ____________ ____________ ____________

II. Accounting Data

A. Outside Accountant

1. Name ____________________

2. Firm ____________________

3. Address ____________________

4. Telephone (___)____________________

B. Individual to contact on accounting matters:

1. Name ____________________

2. Telephone (___)____________________

C. Location of books and records ____________________

D. Have you filed an Annual Report with the Commission? ____________

Date last filed ____________

G. Basic Income Statement (Most recent two years):

1. Water

	19__	19__
Revenues (By Class):		
a. ____________________	$ ________	$ ________
b. ____________________	________	________
c. ____________________	________	________
Total Operating Revenues:	$ ________	$ ________
Less Expenses:		
a. Salaries & Wages - Employees	$ ________	$ ________
b. Salaries & Wages - Officers, Directors, & Majority Stockholders	________	________
c. Employee Pensions & Benefits	________	________
d. Purchased Water	________	________
e. Purchased Power	________	________
f. Fuel for Power Production	________	________
g. Chemicals	________	________
h. Materials & Supplies	________	________
i. Contractual Services	________	________
j. Rents	________	________
k. Transportation Expenses	________	________
l. Insurance Expense	________	________
m. Regulatory Commission Expense	________	________
n. Bad Debt Expense	________	________
o. Miscellaneous Expense	________	________
p. Depreciation Expense	________	________
q. Property Taxes	________	________
r. Other Taxes	________	________
s. Income Taxes	________	________
Operating Income (Loss)	$ ________	$ ________

III. Engineering Information

A. Operator Contracted/Inhouse Services

1. Name ____________________

2. Firm ____________________

3. Address ____________________

4. Telephone (___)____________________

B. Individual to contact on operational matters:

1. Name ____________________

2. Telephone (___)____________________

C. Is the utility under citation by the Department of Environmental Regulation (DER) or county health department? If yes, explain.______

____

____

D. List any known service deficiencies and steps taken to remedy problems. ____________________

E. Name of plant operator(s) and DER operator certificate number(s) held: W____________________ S____________________

F. Is the utility serving customers outside of its certificated area? __________ If yes, explain. ____________________

____

G. Wastewater:

1. How do you measure treatment plant effluent? ____________

2. Note DER Operating Permit Number, date of expiration: Number __________ Expiration Date __________

H. Water

1. How do you measure treatment plant production? ____________

2. Note any fire flow requirements and imposing government agency ____________________

3. Number of fire hydrants in service ____________________

4. DER ID No. ______________

IV. Rate Data

CERTIFICATION OF
PUBLIC SERVICE COMMISSION

FORM INCORPORATED BY REFERENCE IN RULE 25-30.434

FILED WITH THE DEPARTMENT OF STATE

Pursuant to Rule 1S-1.005, Florida Administrative Code, I hereby certify that the attached is a true and complete copy of Form PSC/WAS 26 (/), "AFPI Filing Schedules", which is incorporated by reference in Rule 25-30.434, Florida Administrative Code.

Under the provisions of paragraph 120.54(13)(a), F.S., the incorporated material takes effect 20 days from the date filed with the Department of State or a later date as set out below:

Effective:______________________________
(month) (day) (year)

____
STEVE TRIBBLE, Director
Division of Records & Reporting

____
Number of Pages Certified

FILED
98 NOV 10 PM 5:01
DEPARTMENT OF STATE
TALLAHASSEE, FLORIDA

(S E A L)

adp25-30.mrd

FLORIDA PUBLIC SERVICE COMMISSION

APPLICATION FOR STAFF ASSISTANCE
FOR ALTERNATIVE RATE SETTING

I. General Data

A. Name of utility ______________________________

B. Address ______________________________

____

1. Telephone Nos. (___)______________________________

2. County ______________ Nearest city ______________

3. General area served ______________________________

____

1. ______________ ______________ ______________
2. ______________ ______________ ______________
3. ______________ ______________ ______________
4. ______________ ______________ ______________

II. Accounting Data

A. Outside Accountant

1. Name ______________________________

2. Firm ______________________________

3. Address ______________________________

4. Telephone (___)______________________________

B. Individual to contact on accounting matters:

1. Name ______________________________

2. Telephone (___)______________________________

C. Location of books and records ______________________________

D. Have you filed an Annual Report with the Commission? ______________

Date last filed ______________

PSC/WAS 25 (Rev. /)

E. Has your latest semiannual regulatory assessment fee payment been made (January 30 or July 30 whichever is applicable)? ____________

F. Basic Rate Base Data (Most recent two years)

1. Water

	19__	19__
Cost of Plant In Service:	$ ________	$ ________
Less Accumulated Depreciation:	________	________
Less Contributed Plant:	________	________
Net Owner's Investment:	$ ________	$ ________

2. Sewer

	19__	19__
Cost of Plant In Service:	$ ________	$ ________
Less Accumulated Depreciation:	________	________
Less Contributed Plant:	________	________
Net Owner's Investment:	$ ________	$ ________

G. Basic Income Statement (Most recent two years):

1. Water

	19__	19__
Revenues (By Class):		
a. ____________________	$ ________	$ ________
b. ____________________	________	________
c. ____________________	________	________
Total Operating Revenues:	$ ________	$ ________
Less Expenses:		
a. Salaries & Wages - Employees	$ ________	$ ________
b. Salaries & Wages - Officers, Directors, & Majority Stockholders	________	________
c. Employee Pensions & Benefits	________	________
d. Purchased Water	________	________
e. Purchased Power	________	________
f. Fuel for Power Production	________	________
g. Chemicals	________	________
h. Materials & Supplies	________	________
i. Contractual Services	________	________
j. Rents	________	________
k. Transportation Expenses	________	________
l. Insurance Expense	________	________
m. Regulatory Commission Expense	________	________
n. Bad Debt Expense	________	________
o. Miscellaneous Expense	________	________
p. Depreciation Expense	________	________
q. Property Taxes	________	________
r. Other Taxes	________	________
s. Income Taxes	________	________
Operating Income (Loss)	$ ________	$ ________

2. Sewer

		19__	19__
Revenues (By Class):			
a. ____________		$ ______	$ ______
b. ____________		______	______
c. ____________		______	______
Total Operating Revenues:		$ ______	$ ______
Less Expenses:			
a.	Salaries & Wages - Employees	$ ______	$ ______
b.	Salaries & Wages - Officers, Directors, & Majority Stockholders	______	______
c.	Employee Pensions & Benefits	______	______
d.	Purchased Sewage Treatment	______	______
e.	Sludge Removal Expense	______	______
f.	Purchased Power	______	______
g.	Fuel for Power Production	______	______
h.	Chemicals	______	______
i.	Materials & Supplies	______	______
j.	Contractual Services	______	______
k.	Rents	______	______
l.	Transportation Expenses	______	______
m.	Insurance Expense	______	______
n.	Regulatory Commission Expense	______	______
o.	Bad Debt Expense	______	______
p.	Miscellaneous Expense	______	______
q.	Depreciation Expense	______	______
r.	Property Taxes	______	______
s.	Other Taxes	______	______
t.	Income Taxes	______	______
Operating Income (Loss)		$ ______	$ ______

H. Outstanding Debt:

	Creditor	Date Borrowed	Balance Due	Interest Rate	Expiration Date
1.	______	______	______	______	______
2.	______	______	______	______	______
3.	______	______	______	______	______
4.	______	______	______	______	______

I. Indicate Type of Tax Return Filed:

______ Form 1120 - Corporation
______ Form 1120S - Subchapter S Corporation
______ Form 1065 - Partnership
______ Form 1040 - Schedule C - Individual (Proprietorship)

III. Engineering Information

A. Operator Contracted/Inhouse Services

1. Name ______________________________

2. Firm ______________________________

3. Address ______________________________

4. Telephone (___)______________________________

B. Individual to contact on operational matters:

1. Name ______________________________

2. Telephone (___)______________________________

C. Is the utility under citation by the Department of Environmental Regulation (DER) or county health department? If yes, explain.______

____

____

D. List any known service deficiencies and steps taken to remedy problems. ______________________________

E. Name of plant operator(s) and DER operator certificate number(s) held: W______________________ S______________________

F. Is the utility serving customers outside of its certificated area? __________ If yes, explain. ______________________________

____

G. Wastewater:

1. How do you measure treatment plant effluent? ______________

2. Note DER Operating Permit Number, date of expiration: Number __________ Expiration Date ____________

H. Water

1. How do you measure treatment plant production? ____________

2. Note any fire flow requirements and imposing government agency

____

3. Number of fire hydrants in service ______________________

4. DER ID No. ______________

IV. Rate Data

V Affirmation

I, ______________________________ the undersigned owner, officer, or partner of the above named public utility, doing business in the State of Florida and subject to the control and jurisdiction of the Florida Public Service Commission, certify that the statements set forth herein are true and correct to the best of my information, knowledge and belief.

Signed ______________________________

Title ______________________________

Notice: Section 837.06, Florida Statutes, provides that any person who knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his duty shall be guilty of a misdemeanor of the second degree.

CERTIFICATION OF
PUBLIC SERVICE COMMISSION

FORM INCORPORATED BY REFERENCE IN RULE 25-30.434

FILED WITH THE DEPARTMENT OF STATE

Pursuant to Rule 1S-1.005, Florida Administrative Code, I hereby certify that the attached is a true and complete copy of Form PSC/WAS 26 (/), "AFPI Filing Schedules", which is incorporated by reference in Rule 25-30.434, Florida Administrative Code.

Under the provisions of paragraph 120.54(13)(a), F.S., the incorporated material takes effect 20 days from the date filed with the Department of State or a later date as set out below:

Effective: ______________________________
(month) (day) (year)

____
STEVE TRIBBLE, Director
Division of Records & Reporting

____
Number of Pages Certified

FILED
93 NOV 10 PM 5:01
DEPARTMENT OF STATE
TALLAHASSEE, FLORIDA

(S E A L)

adp25-30.mrd

RULE 25-30.434

APPLICATION FOR ALLOWANCE FOR FUNDS PRUDENTLY INVESTED (AFPI) CHARGES

AFPI FILING SCHEDULES

COMMISSION FORM PSC/WAW 26 (/)

COMPANY NAME
DOCKET NO.

SCHEDULE NO. 1
TEST YEAR

Allowance for Funds Prudently Invested
Calculation of Carrying Costs for Each ERC
Information Needed

1.	Cost of Qualifying Assets	$ __________
2.	Capacity of Qualifying Assets	__________ GPD
3.	Number of Future Customers	__________ ERC
4.	Annual Depreciation Expense	$ __________
5.	Rate of Return	__________ %
6.	Weighted Cost of Equity	__________ %
7.	Federal Income Tax Rate	__________ %
8.	State Income Tax Rate	__________ %
9.	Annual Property Tax	$ __________
10.	Other Costs	$ __________
11.	Depreciation Rate of Assets	__________ %
12.	Test Year	__________

COMPANY NAME:		SCHEDULE NO. 2
DOCKET NO:		TEST YEAR

Allowance for Funds Prudently Invested
Calculation of Carrying Costs for Each ERC:

Cost of Qualifying Assets:		Annual Depreciation	$
Divided By Future ERC:	$	Future ERC's:	
Cost/ERC:		Annual Depr. Cost p	$
Multiply By Rate of Return:	$		
Annual Return Per ERC:	$	Annual Propery Tax	$
		Future ERC's:	
Annual Reduction in Return: (Annaul Depreciation Expense per ERC Times Rate of Return)	$	Annual Prop. Tax pe	$
Federal Tax Rate:	%	Weighted Cost of Equ	%
Effective State Tax Rate:	%	Divided by Rate of Re	$
Total Tax Rate:	%	% of Equity in Return:	%
Effective Tax on Return: (Equity % Times Tax Rate)		Other Costs:	$
		Future ERC's:	
Provision For Tax: (Tax on Return/(1 – Total Tax Rate))		Cost per ERC:	$

COMPANY NAME	SCHEDULE 3
DOCKET NO.	TEST YEAR

Allowance for Funds Prudently Invested
Calculation of Carrying Cost Per ERC Per Year:

Unfunded Other Costs:	$	$	$	$	$
Unfunded Annual Depreciation:	$	$	$	$	$
Unfunded Property Tax:	$	$	$	$	$
Subtotal Unfunded Annual Expense:	$	$	$	$	$
Unfunded Expenses Prior Year:	$	$	$	$	$
Total Unfunded Expenses:	$	$	$	$	$
Return on Expenses Current Year:	$	$	$	$	$
Return on Expenses Prior Year:	$	$	$	$	$
Return on Expenses Current Year:	$	$	$	$	$
Earnings Prior Year:	$	$	$	$	$
Compound Earnings from Prior Year:	$	$	$	$	$
Total Compounded Earnings:	$	$	$	$	$
Earnings Expansion Factor for Tax:					
Revenue Required to Fund Earnings:	$	$	$	$	$
Revenue Required to Fund Expenses:					
Subtotal:	$	$	$	$	$
Divided by Factor for Gross Receipts Tax:					
ERC Carrying Cost for 1 Year:	$	$	$	$	$

COMPANY NAME
DOCKET NO.

SCHEDULE NO. 4
TEST YEAR

Allowance for Funds Prudently Invested
Calculation of Carrying Cost Per ERC Per Month:

YEAR						
January						
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						

CERTIFICATION OF
PUBLIC SERVICE COMMISSION

OF MATERIAL INCORPORATED BY REFERENCE IN RULE 25-30.117

FILED WITH THE DEPARTMENT OF STATE

I hereby certify that the attached is a true and complete copy of Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions, issued December 1985, and incorporated by reference in Rule 25-30.117, Accounting for Pension Costs.

Under the provisions of paragraph 120.54(13)(a), F.S., the incorporated material takes effect 20 days from the date filed with the Department of State or a later date as set out below:

Effective: ______________________________
(month) (day) (year)

Steve Tribble
____
STEVE TRIBBLE, Director
Division of Records & Reporting

____
Number of Pages Certified

FILED
93 NOV 10 PM 5:01
DEPARTMENT OF STATE
TALLAHASSEE, FLORIDA

(S E A L)

adp25-30.mrd

NO. 012 | DECEMBER 1985

Financial Accounting Series

Statement of Financial Accounting Standards No. 87

Employers' Accounting for Pensions

Financial Accounting Standards Board
of the Financial Accounting Foundation

For additional copies of this Statement
and information on applicable prices and
discount rates contact:

Order Department
Financial Accounting Standards Board
High Ridge Park
P.O. Box 3821
Stamford, Connecticut 06905-0821

FINANCIAL ACCOUNTING SERIES (ISSN 0885-9051/0746-7486) is published monthly except for occasional special issues by the Financial Accounting Foundation. Second-class postage paid at Stamford, CT and at additional mailing offices. The full subscription rate is $115 per year. POSTMASTER: Send address changes to Financial Accounting Series, High Ridge Park, P.O. Box 3821, Stamford, CT 06905-0821.

Summary

This Statement supersedes previous standards for employers' accounting for pensions. The most significant changes to past practice affect an employer's accounting for a single-employer defined benefit pension plan, although some provisions also apply to an employer that participates in a multiemployer plan or sponsors a defined contribution plan.

Measuring cost and reporting liabilities resulting from defined benefit pension plans have been sources of accounting controversy for many years. Both the Committee on Accounting Procedure, in 1956, and the Accounting Principles Board (APB), in 1966, concluded that improvements in pension accounting were necessary beyond what was considered practical at those times.

After 1966, the importance of information about pensions grew with increases in the number of plans and amounts of pension assets and obligations. There were significant changes in both the legal environment (for example, the enactment of ERISA) and the economic environment (for example, higher inflation and interest rates). Critics of prior accounting requirements, including users of financial statements, became aware that reported pension cost was not comparable from one company to another and often was not consistent from period to period for the same company. They also became aware that significant pension-related obligations and assets were not recognized in financial statements.

Funding and Accrual Accounting

This Statement reaffirms the usefulness of information based on accrual accounting. Accrual accounting goes beyond cash transactions to provide information about assets, liabilities, and earnings. The Board has concluded, as did the APB in 1966, that net pension cost for a period is not necessarily determined by the amount the employer decides to contribute to the plan for that period. Many factors (including tax considerations and availability of both cash and alternative investment opportunities) that affect funding decisions should not be allowed to dictate accounting results if the accounting is to provide the most useful information.

The conclusion that accounting information on an accrual basis is needed does not mean that accounting information and funding decisions are unrelated. In pensions, as in other areas, managers may use accounting information along with other factors in making financial decisions. Some employers may decide to change their pension funding policies based in part on the new accounting information. Financial statements should provide information that is useful to those who make economic decisions, and the decision to fund a pension plan to a greater or lesser extent is an economic decision. The Board, however, does not have as an objective either an increase or a decrease in the funding level of any particular plan or plans. Neither does the Board believe that the information required by this Statement is the only information needed to make a funding decision or that net periodic pension cost, as defined, is necessarily the appropriate amount for any particular employer's periodic contribution.

Fundamentals of Pension Accounting

In applying accrual accounting to pensions, this Statement retains three fundamental aspects of past pension accounting: *delaying recognition* of certain events, reporting *net cost,* and *offsetting* liabilities and assets. Those three features of practice have shaped financial reporting for pensions for many years, although they have been neither explicitly addressed nor widely understood, and they conflict in some respects with accounting principles applied elsewhere.

The *delayed recognition* feature means that changes in the pension obligation (including those resulting from plan amendments) and changes in the value of assets set aside to meet those obligations are not recognized as they occur but are recognized systematically and gradually over subsequent periods. All changes are ultimately recognized except to the extent they may be offset by subsequent changes, but at any point changes that have been identified and quantified await subsequent accounting recognition as net cost components and as liabilities or assets.

The *net cost* feature means that the recognized consequences of events and transactions affecting a pension plan are reported as a single net amount in the employer's financial statements. That approach aggregates at least three items that might be reported separately for any other part of an employer's operations: the compensation cost of benefits promised, interest cost resulting from deferred payment of those benefits, and the results of investing what are often significant amounts of assets.

The *offsetting* feature means that recognized values of assets contributed to a plan and liabilities for pensions recognized as net pension cost of past periods are shown net in the employer's statement of financial position, even though the liability has not been settled, the assets may be still largely controlled, and substantial risks and rewards associated with both of those amounts are clearly borne by the employer.

Within those three features of practice that are retained by this Statement, the Board has sought to achieve more useful financial reporting through three changes:

a. This Statement requires a standardized method for measuring net periodic pension cost that is intended to improve comparability and understandability by recognizing the compensation cost of an employee's pension over that employee's approximate service period and by relating that cost more directly to the terms of the plan.
b. This Statement requires immediate recognition of a liability (the minimum liability) when the accumulated benefit obligation exceeds the fair value of plan assets,

although it continues to delay recognition of the offsetting amount as an increase in net periodic pension cost.

c. This Statement requires expanded disclosures intended to provide more complete and more current information than can be practically incorporated in financial statements at the present time.

Cost Recognition and Measurement

A fundamental objective of this Statement is to recognize the compensation cost of an employee's pension benefits (including prior service cost) over that employee's approximate service period. Many respondents to *Preliminary Views* and the Exposure Draft on employers' accounting for pensions agreed with that objective, which conflicts with some aspects of past practice under APB Opinion No. 8, *Accounting for the Cost of Pension Plans.*

The Board believes that the understandability, comparability, and usefulness of pension information will be improved by narrowing the past range of methods for allocating or attributing the cost of an employee's pension to individual periods of service. The Board was unable to identify differences in circumstances that would make it appropriate for different employers to use fundamentally different accounting methods or for a single employer to use different methods for different plans.

The Board believes that the terms of the plan that define the benefits an employee will receive (the plan's benefit formula) provide the most relevant and reliable indication of how pension cost and pension obligations are incurred. In the absence of convincing evidence that the substance of an exchange is different from that indicated by the agreement between the parties, accounting has traditionally looked to the terms of the agreement as a basis for recording the exchange. Unlike some other methods previously used for pension accounting, the method required by this Statement focuses more directly on the plan's benefit formula as the basis for determining the benefit earned, and therefore the cost incurred, in each individual period.

Statement of Financial Position

The Board believes that this Statement represents an improvement in past practices for the reporting of financial position in two ways. First, recognition of the cost of pensions over employees' service periods will result in earlier (but still gradual) recognition of significant liabilities that were reflected more slowly in the past financial statements of some employers. Second, the requirement to recognize a minimum liability limits the extent to which the delayed recognition of plan amendments and losses in net periodic pension cost can result in omission of certain liabilities from statements of financial position.

Recognition of a measure of at least the minimum pension obligation as a liability is not a new idea. Accounting Research Bulletin No. 47, *Accounting for Costs of Pension Plans,* published in 1956, stated that "as a minimum, the accounts and financial statements should reflect accruals which equal the present worth, actuarially calculated, of pension commitments to employees to the extent that pension rights have vested in the employees, reduced, in the case of the balance sheet, by any accumulated trusteed funds or annuity contracts purchased." Opinion 8 required that "if the company has a legal obligation for pension cost in excess of amounts paid or accrued, the excess should be shown in the balance sheet as both a liability and a deferred charge."

The Board believes that an employer with an unfunded pension obligation has a liability and an employer with an overfunded pension obligation has an asset. The most relevant and reliable information available about that liability or asset is based on the fair value of plan assets and a measure of the present value of the obligation using current, explicit assumptions. The Board concluded, however, that recognition in financial statements of those amounts in their entirety would be too great a change from past practice. Some Board members were also influenced by concerns about the reliability of measures of the obligation.

The delayed recognition included in this Statement results in excluding the most current and most relevant information from the statement of financial position. That information, however, is included in the required disclosures.

Information Needed

The Board believes that users of financial reports need information beyond that previously disclosed to be able to assess the status of an employer's pension arrangements and their effects on the employer's financial position and results of operations. Most respondents agreed, and this Statement requires certain disclosures not previously required.

This Statement requires disclosure of the components of net pension cost and of the projected benefit obligation. One of the factors that has made pension information difficult to understand is that past practice and terminology combined elements that are different in substance and effect into net amounts. Although the Board agreed to retain from past pension accounting practice the basic features of reporting net cost and offsetting liabilities and assets, the Board believes that disclosure of the components will significantly assist users in understanding the economic events that have occurred. Those disclosures also make it easier to understand why reported amounts change from period to period, especially when a large cost or asset is offset by a large revenue or liability to produce a relatively small net reported amount.

* * *

After considering the range of comments on *Preliminary Views* and the Exposure Draft, the Board concluded that this Statement represents a worthwhile improvement in financial reporting. Opinion 8 noted in 1966 that "accounting for pension cost is in a transitional stage." The Board believes that is still true in 1985. FASB Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises,* paragraph 2, indicates that "the Board intends future change [in practice] to occur in the gradual, evolutionary way that has characterized past change."

Statement of Financial Accounting Standards No. 87

Employers' Accounting for Pensions

December 1985

Financial Accounting Standards Board
of the Financial Accounting Foundation
HIGH RIDGE PARK, PO BOX 3821, STAMFORD, CONNECTICUT 06905-0821

Statement of Financial Accounting Standards No. 87

Employers' Accounting for Pensions

December 1985

CONTENTS

Statement of Financial Accounting Standards No. 87

Employers' Accounting for Pensions

December 1985

INTRODUCTION

1. This Statement establishes standards of financial reporting and accounting for an employer that offers **pension benefits**[1] to its employees. The FASB added two pension projects to its agenda in 1974: (a) accounting and reporting by employee benefit plans and (b) employers' accounting for pensions. The first of those projects led to the issuance in 1980 of FASB Statement No. 35, *Accounting and Reporting by Defined Benefit Pension Plans;* this Statement is a result of the second project.

2. Measurement of cost and reporting of liabilities resulting from **defined benefit pension plans** have been a source of accounting controversy for many years. In 1956, the Committee on Accounting Procedure in Accounting Research Bulletin (ARB) No. 47, *Accounting for Costs of Pension Plans,* expressed a preference for accounting in which cost would be "systematically accrued during the expected period of active **service** of the covered employees . . ." (paragraph 5). The committee went on to state:

> However, the committee believes that opinion as to the accounting for pension costs has not yet crystallized sufficiently to make it possible at this time to assure agreement on any one method, and that differences in accounting for pension costs are likely to continue for a time. Accordingly, for the present, the committee believes that, as a minimum, the accounts and financial statements should reflect accruals which equal the present worth, actuarially calculated, of pension commitments to employees to the extent that pension rights have vested in the employees, reduced, in the case of the balance sheet, by any accumulated trusteed **funds** or **annuity contracts** purchased. [paragraph 7]

3. The Accounting Principles Board (APB) issued Opinion No. 8, *Accounting for the Cost of Pension Plans,* in 1966. Opinion 8 described several views of pension cost supported by members of the APB. It concluded that "in the light of such dif-

[1] Words that appear in the glossary are set in **boldface type** the first time that they appear.

ferences in views and of the fact that accounting for pension cost is in a transitional stage, . . . the range of practices would be significantly narrowed if pension cost were accounted for at the present time within limits . . ." (paragraph 17).

4. After 1966, the importance of information about pensions grew with increases in the number of plans and the amounts of pension assets and obligations. There were significant changes in both the legal environment (for example, the enactment of **ERISA**) and the economic environment (for example, higher inflation and **interest rates**). Critics of past accounting, including users of financial statements, became aware that reported pension cost was not comparable from one company to another and often was not consistent from period to period for the same company. They also became aware that significant pension-related obligations and assets were not recognized in financial statements.

5. This Statement continues the evolutionary search for more meaningful and more useful pension accounting. The FASB believes that the conclusions it has reached are a worthwhile and significant step in that direction, but it also believes that those conclusions are not likely to be the final step in that evolution. Pension accounting in 1985 is still in a transitional stage. It has not yet fully crystallized, but the Board believes this Statement represents significant progress, especially in the measurement of **net periodic pension cost** and in the disclosure of useful information.

6. The Board's objectives for this Statement, in broad terms, are as follows:

a. To provide a measure of net periodic pension cost[2] that is more representationally faithful than those used in past practice because it reflects the terms of the underlying plan and because it better approximates the recognition of the cost of an employee's pension over that employee's service period
b. To provide a measure of net periodic pension cost that is more understandable and comparable and is, therefore, more useful than those in past practice
c. To provide disclosures that will allow users to understand better the extent and effect of an employer's undertaking to provide employee pensions and related financial arrangements
d. To improve reporting of financial position.

[2]This Statement uses the term *net periodic pension cost* rather than *net pension expense* because part of the cost recognized in a period may be capitalized along with other costs as part of an asset such as inventory.

STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING

Scope

7. This Statement establishes standards of financial accounting and reporting for an employer that offers pension benefits to its employees. Ordinarily, such benefits are periodic pension payments to retired employees or their survivors, but they may also include benefits payable as a single lump sum and, except as noted in the following paragraph, other types of benefits such as death benefits provided through a pension plan. An employer's arrangement to provide pension benefits may take a variety of forms and may be financed in different ways. This Statement applies to any arrangement that is similar in substance to a pension plan regardless of the form or means of financing. This Statement applies to a written plan and to a plan whose existence may be implied from a well-defined, although perhaps unwritten, practice of paying postretirement benefits.

8. This Statement does not apply to a plan that provides only life insurance benefits or health insurance benefits, or both, to retirees; employers are also not required to apply this Statement to postemployment health care benefits provided through a pension plan.[3] If the provisions of this Statement are not applied to postemployment health care benefits provided through a pension plan, obligations and assets related to such benefits shall not be considered to be pension obligations or **plan assets** for purposes of this Statement. This Statement does not change or supersede any of the requirements set forth in Statement 35 for the financial statements of a pension plan.

9. This Statement supersedes Opinion 8, as amended; FASB Statement No. 36, *Disclosure of Pension Information;* and FASB Interpretation No. 3, *Accounting for the Cost of Pension Plans Subject to the Employee Retirement Income Security Act of 1974*. Paragraphs 70 and 75 of this Statement amend FASB Statement No. 5, *Accounting for Contingencies* and APB Opinion No. 16, *Business Combinations*.

Use of Reasonable Approximations

10. This Statement is intended to specify accounting objectives and results rather than specific computational means of obtaining those results. If estimates, averages,

[3]The Board has a separate project on its agenda to address accounting for postemployment benefits other than pensions. The fact that this Statement does not apply to postemployment health care benefits does not mean that the Board is proscribing or discouraging accrual of the cost of those benefits.

or computational shortcuts can reduce the cost of applying this Statement, their use is appropriate, provided the results are reasonably expected not to be materially different from the results of a detailed application.

Single-Employer Defined Benefit Pension Plans

11. The most significant parts of this Statement involve an employer's accounting for a single-employer defined benefit pension plan. For purposes of this Statement, a defined benefit pension plan is one that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service, or compensation.

12. A pension benefit is part of the compensation paid to an employee for services. In a defined benefit pension plan, the employer promises to provide, in addition to current wages, retirement income payments in future years after the employee retires or terminates service. Generally, the amount of benefit to be paid depends on a number of future events that are incorporated in the **plan's benefit formula,** often including how long the employee and any survivors live, how many years of service the employee renders, and the employee's compensation in the years immediately before retirement or termination. In most cases, services are rendered over a number of years before an employee retires and begins collecting the pension. Even though the services rendered by an employee are complete and the employee has retired, the total amount of benefit that the employer has promised and the cost to the employer of the services rendered are not precisely determinable but can only be estimated using the **benefit formula** and estimates of the relevant future events, many of which the employer cannot control.

13. Any method of pension accounting that recognizes cost before the payment of benefits to retirees must deal with two problems stemming from the nature of the defined benefit pension contract. First, estimates or **assumptions** must be made concerning the future events that will determine the amount and timing of the benefit payments. Second, some approach to attributing the cost of pension benefits to individual years of service must be selected.

14. This Statement requires use of explicit assumptions, each of which individually represents the best estimate of a particular future event. This Statement also requires use of the terms of the pension plan itself, specifically the plan's benefit formula, as a basis for attributing benefits earned and their cost to periods of employee service.

Basic Elements of Pension Accounting

15. The assumptions and the **attribution** of cost to periods of employee service are fundamental to the measurements of net periodic pension cost and pension obligations required by this Statement. The basic elements of pension accounting are described in paragraphs 16-19; they are the foundation of the accounting and reporting requirements set forth in this Statement.

16. Net periodic pension cost has often been viewed as a single homogeneous amount, but in fact it is made up of several *components* that reflect different aspects of the employer's financial arrangements as well as the cost of benefits earned by employees. The cost of a benefit can be determined without regard to how the employer decides to finance the plan. The **service cost component** of net periodic pension cost is the **actuarial present value** of benefits attributed by the plan's benefit formula to services rendered by employees during the period. The service cost component is conceptually the same for an unfunded plan, a plan with minimal funding, and a well-funded plan. The other components of net periodic pension cost are **interest cost**[4] (interest on the **projected benefit obligation**, which is a discounted amount), **actual return on plan assets, amortization** of **unrecognized prior service cost,** and **gain or loss.** Both the return on plan assets and interest cost components are in substance financial items rather than employee compensation costs.

17. The projected benefit obligation as of a date is the actuarial present value of all benefits attributed by the plan's benefit formula to employee service rendered prior to that date. The projected benefit obligation is measured using an assumption as to future compensation levels if the **pension benefit formula** is based on those future compensation levels. Plans for which the pension benefit formula is based on future compensation are sometimes called pay-related, **final-pay,** final-average-pay, or **career-average-pay plans.** Plans for which the pension benefit formula is not based on future compensation levels are called non-pay-related or **flat-benefit plans.** The projected benefit obligation is a measure of benefits attributed to service to date assuming that the plan continues in effect and that estimated future events (including compensation increases, **turnover,** and **mortality**) occur.

18. The **accumulated benefit obligation** as of a date is the actuarial present value of benefits attributed by the pension benefit formula to employee service rendered prior to that date and based on current and past compensation levels. The accumu-

[4]The interest cost component of net periodic pension cost shall not be considered to be interest for purposes of applying FASB Statement No. 34, *Capitalization of Interest Cost.*

lated benefit obligation differs from the projected benefit obligation in that it includes no assumption about future compensation levels. For plans with flat-benefit or non-pay-related pension benefit formulas, the accumulated benefit obligation and the projected benefit obligation are the same. The accumulated benefit obligation and the **vested benefit obligation** provide information about the obligation the employer would have if the plan were discontinued.

19. Plan assets are assets—usually stocks, bonds, and other investments—that have been segregated and restricted (usually in a trust) to provide for pension benefits. The amount of plan assets includes amounts contributed by the employer (and by employees for a **contributory plan**) and amounts earned from investing the contributions, less benefits paid. Plan assets ordinarily cannot be withdrawn by the employer except under certain circumstances when a plan has assets in excess of obligations and the employer has taken certain steps to satisfy existing obligations. Assets not segregated in a trust or otherwise effectively restricted so that they cannot be used by the employer for other purposes are not plan assets for purposes of this Statement even though it may be intended that such assets be used to provide pensions. Amounts accrued by the employer but not yet paid to the plan are not plan assets for purposes of this Statement. Securities of the employer held by the plan are includable in plan assets provided they are transferable.

Recognition of Net Periodic Pension Cost

20. The following components shall be included in the net pension cost recognized for a period by an employer **sponsoring** a defined benefit pension plan:

a. Service cost
b. Interest cost
c. Actual return on plan assets, if any
d. Amortization of unrecognized prior service cost, if any
e. Gain or loss (including the effects of changes in assumptions) to the extent recognized (paragraph 34)
f. Amortization of the unrecognized net obligation (and loss or cost) or unrecognized net asset (and gain) existing at the date of initial application of this Statement (paragraph 77).

Service Cost

21. The service cost component recognized in a period shall be determined as the actuarial present value of benefits attributed by the pension benefit formula to

employee service during that period. The measurement of the service cost component requires use of an attribution method and assumptions. That measurement is discussed in paragraphs 39-48 of this Statement.

Interest Cost

22. The interest cost component recognized in a period shall be determined as the increase in the projected benefit obligation due to the passage of time. Measuring the projected benefit obligation as a present value requires accrual of an interest cost at rates equal to the assumed discount rates.

Actual Return on Plan Assets

23. For a funded plan, the actual return on plan assets shall be determined based on the **fair value** of plan assets at the beginning and the end of the period, adjusted for contributions and benefit payments.

Prior Service Cost

24. **Plan amendments** (including initiation of a plan) often include provisions that grant increased benefits based on services rendered in prior periods. Because plan amendments are granted with the expectation that the employer will realize economic benefits in future periods, this Statement does not require the cost of providing such **retroactive benefits** (that is, **prior service cost**) to be included in net periodic pension cost entirely in the year of the amendment but provides for recognition during the future service periods of those employees active at the date of the amendment who are expected to receive benefits under the plan.

25. The cost of retroactive benefits (including benefits that are granted to retirees) is the increase in the projected benefit obligation at the date of the amendment. Except as specified in paragraphs 26 and 27, that prior service cost shall be amortized by assigning an equal amount to each future period of service of each employee active at the date of the amendment who is expected to receive benefits under the plan. If all or almost all of a plan's **participants** are inactive, the cost of retroactive plan amendments affecting benefits of inactive participants shall be amortized based on the remaining life expectancy of those participants instead of based on the remaining service period.

26. To reduce the complexity and detail of the computations required, consistent use of an alternative amortization approach that more rapidly reduces the unrecognized cost of retroactive amendments is acceptable. For example, a straight-line amortiza-

tion of the cost over the average remaining service period of employees expected to receive benefits under the plan is acceptable. The alternative method used shall be disclosed.

27. In some situations a history of regular plan amendments and other evidence may indicate that the period during which the employer expects to realize economic benefits from an amendment granting retroactive benefits is shorter than the entire remaining service period of the active employees. Identification of such situations requires an assessment of the individual circumstances and the substance of the particular plan situation. In those circumstances, the amortization of prior service cost shall be accelerated to reflect the more rapid expiration of the employer's economic benefits and to recognize the cost in the periods benefited.

28. A plan amendment can reduce, rather than increase, the projected benefit obligation. Such a reduction shall be used to reduce any existing unrecognized prior service cost, and the excess, if any, shall be amortized on the same basis as the cost of benefit increases.

Gains and Losses

29. **Gains and losses** are changes in the amount of either the projected benefit obligation or plan assets resulting from experience different from that assumed and from changes in assumptions. This Statement does not distinguish between those sources of gains and losses. Gains and losses include amounts that have been realized, for example by sale of a security, as well as amounts that are unrealized. Because gains and losses may reflect refinements in estimates as well as real changes in economic values and because some gains in one period may be offset by losses in another or vice versa, this Statement does not require recognition of gains and losses as components of net pension cost of the period in which they arise.[5]

30. The **expected return on plan assets** shall be determined based on the **expected long-term rate of return on plan assets** and the **market-related value of plan assets.** The market-related value of plan assets shall be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years. Different ways of calculating market-related value may be used for different classes of assets (for example, an employer might use fair value for

[5]Accounting for **plan terminations** and **curtailments** and other circumstances in which recognition of gains and losses might not be delayed is addressed in FASB Statement No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits.*

bonds and a five-year-moving-average value for equities), but the manner of determining market-related value shall be applied consistently from year to year for each asset class.

31. Asset gains and losses are differences between the actual return on assets during a period and the expected return on assets for that period. Asset gains and losses include both (a) changes reflected in the market-related value of assets and (b) changes not yet reflected in the market-related value (that is, the difference between the fair value of assets and the market-related value). Asset gains and losses not yet reflected in market-related value are not required to be amortized under paragraphs 32 and 33.

32. As a minimum, amortization of an **unrecognized net gain or loss** (excluding asset gains and losses not yet reflected in market-related value) shall be included as a component of net pension cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If amortization is required, the minimum amortization[6] shall be that excess divided by the average remaining service period of active employees expected to receive benefits under the plan. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants shall be used instead of average remaining service.

33. Any systematic method of amortization of unrecognized gains and losses may be used in lieu of the minimum specified in the previous paragraph provided that (a) the minimum is used in any period in which the minimum amortization is greater (reduces the net balance by more), (b) the method is applied consistently, (c) the method is applied similarly to both gains and losses, and (d) the method used is disclosed.

34. The gain or loss component of net periodic pension cost shall consist of (a) the difference between the actual return on plan assets and the expected return on plan assets and (b) amortization of the unrecognized net gain or loss from previous periods.

---

[6]The amortization must always reduce the beginning-of-the-year balance. Amortization of a net unrecognized gain results in a decrease in net periodic pension cost; amortization of a net unrecognized loss results in an increase in net periodic pension cost.

Recognition of Liabilities and Assets

35. A liability (**unfunded accrued pension cost**) is recognized if net periodic pension cost recognized pursuant to this Statement exceeds amounts the employer has contributed to the plan. An asset (**prepaid pension cost**) is recognized if net periodic pension cost is less than amounts the employer has contributed to the plan.

36. If the accumulated benefit obligation exceeds the fair value of plan assets, the employer shall recognize in the statement of financial position a liability (including unfunded accrued pension cost) that is at least equal to the **unfunded accumulated benefit obligation**. Recognition of an additional minimum liability is required if an unfunded accumulated benefit obligation exists and (a) an asset has been recognized as prepaid pension cost, (b) the liability already recognized as unfunded accrued pension cost is less than the unfunded accumulated benefit obligation, or (c) no accrued or prepaid pension cost has been recognized.

37. If an additional minimum liability is recognized pursuant to paragraph 36, an equal amount shall be recognized as an intangible asset, provided that the asset recognized shall not exceed the amount of unrecognized prior service cost.[7] If an additional liability required to be recognized exceeds unrecognized prior service cost, the excess (which would represent a net loss not yet recognized as net periodic pension cost) shall be reported as a separate component (that is, a reduction) of equity, net of any tax benefits that result from considering such losses as timing differences for purposes of applying the provisions of APB Opinion No. 11, *Accounting for Income Taxes*.

38. When a new determination of the amount of additional liability is made to prepare a statement of financial position, the related intangible asset and separate component of equity shall be eliminated or adjusted as necessary.

Measurement of Cost and Obligations

39. The service component of net periodic pension cost, the projected benefit obligation, and the accumulated benefit obligation are based on an attribution of pension benefits to periods of employee service and on the use of actuarial assumptions to calculate the actuarial present value of those benefits. Actuarial assumptions reflect the time value of money (**discount rate**) and the probability of payment (assumptions as to mortality, turnover, early retirement, and so forth).

[7]For purposes of this paragraph, an unrecognized net obligation existing at the date of initial application of this Statement (paragraph 77) shall be treated as unrecognized prior service cost.

ttribution

). For purposes of this Statement, pension benefits ordinarily shall be attributed to eriods of employee service based on the plan's benefit formula to the extent that the ormula states or implies an attribution. For example, if a plan's formula provides or a pension benefit of $10 per month for life for each year of service, the benefit ttributed to each year of an employee's service is $10 times the number of months of fe expectancy after retirement, and the cost attributable to each year is the actuarial resent value of that benefit. For plan benefit formulas that define benefits similarly or all years of service, that attribution is a **"benefit/years-of-service" approach** ecause it attributes the same amount of the pension benefit to each year of service.[8] or final-pay and career-average-pay plans, that attribution is also the same as the projected unit credit" or "unit credit with service prorate" actuarial cost method. or a flat-benefit plan, it is the same as the "unit credit" actuarial cost method.

1. In some situations a history of regular increases in non-pay-related benefits or enefits under a career-average-pay plan and other evidence may indicate that an nployer has a present commitment to make future amendments and that the sub-ance of the plan is to provide benefits attributable to prior service that are greater ian the benefits defined by the written terms of the plan. In those situations, the ibstantive commitment shall be the basis for the accounting, and the existence and ature of the commitment to make future amendments shall be disclosed.

2. Some plans may have benefit formulas that attribute all or a disproportionate iare of the total benefits provided to later years of service, thereby achieving in sub-ance a delayed vesting of benefits. For example, a plan that provides no benefits or the first 19 years of service and a vested benefit of $10,000 for the 20th year is ibstantively the same as a plan that provides $500 per year for each of 20 years and equires 20 years of service before benefits vest. For such plans the total projected enefit shall be considered to accumulate in proportion to the ratio of the number of ompleted years of service to the number that will have been completed when the

Some plans define different benefits for different years of service. For example, a step-rate plan night provide a benefit of 1 percent of final pay for each year of service up to 20 years and 1½ per-ent of final pay for years of service in excess of 20. Another plan might provide 1 percent of final ay for each year of service but limit the total benefit to no more than 20 percent of final pay. For uch plans the attribution called for by this Statement will not assign the same amount of pension enefit to each year of service.

benefit is first fully vested. If a plan's benefit formula does not specify how a particular benefit relates to services rendered, the benefit shall be considered to accumulate as follows:

a. For benefits of a type includable in **vested benefits**,[9] in proportion to the ratio of the number of completed years of service to the number that will have been completed when the benefit is first fully vested
b. For benefits of a type not includable in vested benefits,[10] in proportion to the ratio of completed years of service to total projected years of service.

Assumptions

43. Each significant assumption used shall reflect the best estimate solely with respect to that individual assumption. All assumptions shall presume that the plan will continue in effect in the absence of evidence that it will not continue.

44. Assumed discount rates shall reflect the rates at which the pension benefits could be effectively settled. It is appropriate in estimating those rates to look to available information about rates implicit in current prices of annuity contracts that could be used to effect settlement of the obligation (including information about available annuity rates currently published by the Pension Benefit Guaranty Corporation). In making those estimates, employers may also look to rates of return on high-quality fixed-income investments currently available and expected to be available during the period to maturity of the pension benefits. Assumed discount rates are used in measurements of the projected, accumulated, and vested benefit obligations and the service and interest cost components of net periodic pension cost.

45. The expected long-term rate of return on plan assets shall reflect the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. In estimating that rate, appropriate consideration should be given to the returns being earned by the plan assets in the fund and the rates of return expected to be available for reinvestment. The expected long-term rate of return on plan assets is used (with the market-related value of assets) to compute the expected return on assets.

---

[9]For example, a supplemental early retirement benefit that is a vested benefit after a stated number of years.

[10]For example, a death or disability benefit that is payable only if death or disability occurs during active service.

46. The service cost component of net periodic pension cost and the projected benefit obligation shall reflect future compensation levels to the extent that the pension benefit formula defines pension benefits wholly or partially as a function of future compensation levels (that is, for a final-pay plan or a career-average-pay plan). Future increases for which a present commitment exists as described in paragraph 41 shall be similarly considered. Assumed compensation levels shall reflect an estimate of the actual future compensation levels of the individual employees involved, including future changes attributed to general price levels, productivity, seniority, promotion, and other factors. All assumptions shall be consistent to the extent that each reflects expectations of the same future economic conditions, such as future rates of inflation. Measuring service cost and the projected benefit obligation based on estimated future compensation levels entails considering indirect effects, such as changes under existing law in social security benefits or benefit limitations[11] that would affect benefits provided by the plan.

47. The accumulated benefit obligation shall be measured based on employees' *history* of service and *compensation* without an estimate of future compensation levels. Excluding estimated future compensation levels also means excluding indirect effects of future changes such as increases in the social security wage base. In measuring the accumulated benefit obligation, projected years of service shall be a factor only in determining employees' expected eligibility for particular benefits, such as:

a. Increased benefits that are granted provided a specified number of years of service are rendered (for example, a pension benefit that is increased from $9 per month to $10 per month for each year of service if 20 or more years of service are rendered)
b. Early retirement benefits
c. Death benefits
d. Disability benefits.

48. Automatic benefit increases specified by the plan (for example, automatic cost-of-living increases) that are expected to occur shall be included in measurements of the projected, accumulated, and vested benefit obligations, and the service cost component required by this Statement. Also, retroactive plan amendments shall be included in the computation of the projected and accumulated benefit obligations once they have been contractually agreed to, even if some provisions take effect only in future periods. For example, if a plan amendment grants a higher benefit level for employees retiring after a future date, the higher benefit level shall be included in current-period measurements for employees expected to retire after that date.

[11]For example, those currently imposed by Section 415 of the Internal Revenue Code.

Measurement of Plan Assets

49. For purposes of measuring the minimum liability required by the provisions of paragraph 36 and for purposes of the disclosures required by paragraph 54, plan investments, whether equity or debt securities, real estate, or other, shall be measured at their fair value as of the **measurement date.** The fair value of an investment is the amount that the plan could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Fair value shall be measured by the market price if an active market exists for the investment. If no active market exists for an investment but such a market exists for similar investments, selling prices in that market may be helpful in estimating fair value. If a market price is not available, a forecast of expected cash flows may aid in estimating fair value, provided the expected cash flows are discounted at a current rate commensurate with the risk involved.[12]

50. For purposes of determining the expected return on plan assets and accounting for asset gains and losses pursuant to paragraphs 29-34, a market-related asset value, defined in paragraph 30, is used.

51. Plan assets used in plan operations (for example, buildings, equipment, furniture and fixtures, and leasehold improvements) shall be measured at cost less accumulated depreciation or amortization for all purposes.

Measurement Dates

52. The measurements of plan assets and obligations required by this Statement shall be as of the date of the financial statements or, if used consistently from year to year, as of a date not more than three months prior to that date. Requiring that the pension measurements be as of a particular date is not intended to require that all procedures be performed after that date. As with other financial statement items requiring estimates, much of the information can be prepared as of an earlier date and projected forward to account for subsequent events (for example, employee service). The additional minimum liability reported in interim financial statements shall be the same additional minimum liability (paragraph 36) recognized in the previous year-end statement of financial position, adjusted for subsequent accruals and contributions, unless measures of both the obligation and plan assets are available as of a more current date or a significant event occurs, such as a plan amendment, that would ordinarily call for such measurements.

[12]For an indication of factors to be considered in determining the discount rate, refer to paragraphs 13 and 14 of APB Opinion No. 21, *Interest on Receivables and Payables.* If significant, the fair value of an investment shall reflect the brokerage commissions and other costs normally incurred in a sale.

53. Measurements of net periodic pension cost for both interim and annual financial statements shall be based on the assumptions used for the previous year-end measurements unless more recent measurements of both plan assets and obligations are available or a significant event occurs, such as a plan amendment, that would ordinarily call for such measurements.

Disclosures

54. An employer sponsoring a defined benefit pension plan shall disclose the following:

a. A description of the plan including employee groups covered, type of benefit formula, **funding policy**, types of assets held and significant nonbenefit liabilities, if any, and the nature and effect of significant matters affecting comparability of information for all periods presented
b. The amount of net periodic pension cost for the period showing separately the service cost component, the interest cost component, the actual return on assets for the period, and the net total of other components[13]
c. A schedule reconciling the funded status of the plan with amounts reported in the employer's statement of financial position, showing separately:
   (1) The fair value of plan assets
   (2) The projected benefit obligation identifying the accumulated benefit obligation and the vested benefit obligation
   (3) The amount of unrecognized prior service cost
   (4) The amount of unrecognized net gain or loss (including asset gains and losses not yet reflected in market-related value)
   (5) The amount of any remaining unrecognized net obligation or net asset existing at the date of initial application of this Statement
   (6) The amount of any additional liability recognized pursuant to paragraph 36
   (7) The amount of net pension asset or liability recognized in the statement of financial position pursuant to paragraphs 35 and 36 (which is the net result of combining the preceding six items)

[13]The net total of other components is the net effect during the period of certain delayed recognition provisions of this Statement. That net total includes:
a. The net asset gain or loss during the period deferred for later recognition (in effect, an offset or a supplement to the actual return on assets)
b. Amortization of the net gain or loss from earlier periods
c. Amortization of unrecognized prior service cost
d. Amortization of the unrecognized net obligation or net asset existing at the date of initial application of this Statement.

d. The weighted-average assumed discount rate and rate of compensation increase (if applicable) used to measure the projected benefit obligation and the weighted-average expected long-term rate of return on plan assets
e. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, and the approximate amount of annual benefits of employees and retirees covered by annuity contracts issued by the employer and related parties. Also, if applicable, the alternative amortization methods used pursuant to paragraphs 26 and 33, and the existence and nature of the commitment discussed in paragraph 41.

Employers with Two or More Plans

55. An employer that sponsors two or more separate defined benefit pension plans shall determine net periodic pension cost, liabilities, and assets by separately applying the provisions of this Statement to each plan. In particular, unless an employer clearly has a right to use the assets of one plan to pay benefits of another, a liability required to be recognized pursuant to paragraph 35 or 36 for one plan shall not be reduced or eliminated because another plan has assets in excess of its accumulated benefit obligation or because the employer has prepaid pension cost related to another plan.

56. Except as noted below, disclosures required by this Statement may be aggregated for all of an employer's single-employer defined benefit plans, or plans may be disaggregated in groups so as to provide the most useful information. For purposes of the disclosures required by paragraph 54(c), plans with assets in excess of the accumulated benefit obligation shall not be aggregated with plans that have accumulated benefit obligations that exceed plan assets. Disclosures for plans outside the U.S. shall not be combined with those for U.S. plans unless those plans use similar economic assumptions.

Annuity Contracts

57. An annuity contract is a contract in which an insurance company[14] unconditionally undertakes a legal obligation to provide specified benefits to specific individuals in return for a fixed consideration or premium. An annuity contract is

[14]If the insurance company does business primarily with the employer and related parties (a **captive insurer**), or if there is any reasonable doubt that the insurance company will meet its obligations under the contract, the contract is not an annuity contract for purposes of this Statement. Some contracts provide for a refund of premiums if an employee for whom an annuity is purchased does not render sufficient service for the benefit to vest under the terms of the plan. Such a provision shall not by itself preclude a contract from being treated as an annuity contract for purposes of this Statement.

irrevocable and involves the transfer of significant risk from the employer to the insurance company. Some annuity contracts (participating annuity contracts) provide that the purchaser (either the plan or the employer) may participate in the experience of the insurance company. Under those contracts, the insurance company ordinarily pays dividends to the purchaser. If the substance of a participating contract is such that the employer remains subject to all or most of the risks and rewards associated with the benefit obligation covered and the assets transferred to the insurance company, that contract is not an annuity contract for purposes of this Statement.

58. To the extent that benefits currently earned are covered by annuity contracts, the cost of those benefits shall be the cost of purchasing the contracts, except as provided in paragraph 61. That is, if all the benefits attributed by the plan's benefit formula to service in the current period are covered by **nonparticipating annuity contracts,** the cost of the contracts determines the service cost component of net pension cost for that period.

59. Benefits provided by the pension benefit formula beyond benefits provided by annuity contracts (for example, benefits related to future compensation levels) shall be accounted for according to the provisions of this Statement applicable to plans not involving insurance contracts.

60. Benefits covered by annuity contracts shall be excluded from the projected benefit obligation and the accumulated benefit obligation. Except as provided in paragraph 61, annuity contracts shall be excluded from plan assets.

61. Some annuity contracts provide that the purchaser (either the plan or the employer) may participate in the experience of the insurance company. Under those contracts, the insurance company ordinarily pays dividends to the purchaser, the effect of which is to reduce the cost of the plan. The purchase price of a **participating annuity contract** ordinarily is higher than the price of an equivalent contract without **participation rights.** The difference is the cost of the participation right. The cost of the participation right shall be recognized at the date of purchase as an asset. In subsequent periods, the participation right shall be measured at its fair value if the contract is such that fair value is reasonably estimable. Otherwise, the participation right shall be measured at its amortized cost (not in excess of its net realizable value), and the cost shall be amortized systematically over the expected dividend period under the contract.

Other Contracts with Insurance Companies

62. Insurance contracts that are in substance equivalent to the purchase of annuities shall be accounted for as such. Other contracts with insurance companies shall be accounted for as investments and measured at fair value. For some contracts, the best available evidence of fair value may be contract value. If a contract has a determinable cash surrender value or conversion value, that is presumed to be its fair value.

Defined Contribution Plans

63. For purposes of this Statement, a **defined contribution pension plan** is a plan that provides pension benefits in return for services rendered, provides an individual account for each participant, and has terms that specify how contributions to the individual's account are to be determined rather than the amount of pension benefits the individual is to receive. Under a defined contribution plan, the pension benefits a participant will receive depend only on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to the participant's account.

64. To the extent that a plan's defined contributions to an individual's account are to be made for periods in which that individual renders services, the net pension cost for a period shall be the contribution called for in that period. If a plan calls for contributions for periods after an individual retires or terminates, the estimated cost shall be accrued during the employee's service period.

65. An employer that sponsors one or more defined contribution plans shall disclose the following separately from its defined benefit plan disclosures:

a. A description of the plan(s) including employee groups covered, the basis for determining contributions, and the nature and effect of significant matters affecting comparability of information for all periods presented
b. The amount of cost recognized during the period.

66. A pension plan having characteristics of both a defined benefit plan and a defined contribution plan requires careful analysis. If the *substance* of the plan is to provide a defined benefit, as may be the case with some "target benefit" plans, the accounting and disclosure requirements shall be determined in accordance with the provisions of this Statement applicable to a defined benefit plan.

Multiemployer Plans

67. For purposes of this Statement, a **multiemployer plan** is a pension plan to which two or more unrelated employers contribute, usually pursuant to one or more collective-bargaining agreements. A characteristic of multiemployer plans is that assets contributed by one participating employer may be used to provide benefits to employees of other participating employers since assets contributed by an employer are not segregated in a separate account or restricted to provide benefits only to employees of that employer. A multiemployer plan usually is administered by a board of trustees composed of management and labor representatives and may also be referred to as a "joint trust" or "union" plan. Generally, many employers participate in a multiemployer plan, and an employer may participate in more than one plan. The employers participating in multiemployer plans usually have a common industry bond, but for some plans the employers are in different industries, and the labor union may be their only common bond. Some multiemployer plans do not involve a union. For example, local chapters of a not-for-profit organization may participate in a plan established by the related national organization.

58. An employer participating in a multiemployer plan shall recognize as net pension cost the required contribution for the period and shall recognize as a liability ıny contributions due and unpaid.

59. An employer that participates in one or more multiemployer plans shall disclose he following separately from disclosures for a **single-employer plan:**

. A description of the multiemployer plan(s) including the employee groups covered, the type of benefits provided (defined benefit or defined contribution), and the nature and effect of significant matters affecting comparability of information for all periods presented
. The amount of cost recognized during the period.

). In some situations, withdrawal from a multiemployer plan may result in an nployer's having an obligation to the plan for a portion of its unfunded benefit bligations. If withdrawal under circumstances that would give rise to an obligation either probable or reasonably possible, the provisions of FASB Statement No. 5, *ccounting for Contingencies,* shall apply. Paragraph 7 of Statement 5 is amended delete the references to accounting for pension cost and Opinion 8.

Multiple-Employer Plans

71. Some pension plans to which two or more unrelated employers contribute are not multiemployer plans. Rather, they are in substance aggregations of single-employer plans combined to allow participating employers to pool their assets for investment purposes and to reduce the costs of plan administration. Those plans ordinarily do not involve collective-bargaining agreements. They may also have features that allow participating employers to have different benefit formulas, with the employer's contributions to the plan based on the benefit formula selected by the employer. Such plans shall be considered single-employer plans rather than multiemployer plans for purposes of this Statement, and each employer's accounting shall be based on its respective interest in the plan.

Non-U.S. Pension Plans

72. Except for its effective date (paragraph 76), this Statement includes no special provisions applicable to pension arrangements outside the United States. To the extent that those arrangements are in substance similar to pension plans in the United States, they are subject to the provisions of this Statement for purposes of preparing financial statements in accordance with accounting principles generally accepted in the United States. The substance of an arrangement is determined by the nature of the obligation and by the terms or conditions that define the amount of benefits to be paid, not by whether (or how) a plan is funded, whether benefits are payable at intervals or as a single amount, or whether the benefits are required by law or custom or are provided under a plan the employer has elected to sponsor.

73. It is customary or required in some countries to provide benefits in the event of a voluntary or involuntary severance of employment (also called termination indemnities). If such an arrangement is in substance a pension plan (for example, if the benefits are paid for virtually all terminations), it is subject to the provisions of this Statement.

Business Combinations

74. When an employer is acquired in a business combination that is accounted for by the purchase method under Opinion 16 and that employer sponsors a single-employer defined benefit pension plan, the assignment of the purchase price to individual assets acquired and liabilities assumed shall include a liability for the projected benefit obligation in excess of plan assets or an asset for plan assets in excess of the projected benefit obligation, thereby eliminating any previously existing unrecognized net gain or loss, unrecognized prior service cost, or unrecognized net obliga-

remaining life expectancy period. That same amortization shall also be used to recognize any unrecognized net obligation related to a defined contribution plan.

The provisions of this Statement need not be applied to immaterial items.

This Statement was adopted by the affirmative votes of four members of the Financial Accounting Standards Board. Messrs. Brown, Sprouse, and Wyatt dissented.

Mr. Brown does not support either the pension cost determination or the minimum liability recognition provisions of this Statement. He supports the Board's conclusion that pension costs constitute employee compensation and that pension costs should be recognized over employee service lives. He also agrees that the disclosures called for will be helpful in fostering user understanding of the nature and status of employer pension obligations and of employer progress in providing for these obligations. In his view, however, the evidence available to the Board is insufficient to sustain the argument that a benefit/years-of-service method should be the sole required expense attribution method or that recognition of liabilities and assets beyond unfunded accrued or prepaid pension costs should be required.

Mr. Brown believes that considerations of comparability and understandability argue for a narrowing of accounting methods now used to allocate pension costs to accounting periods but observes that neither the benefit family nor the cost family of attribution methods is inherently and demonstrably superior. He believes, however, that the cost/compensation family of attribution methods has considerable appeal as a solution to the difficult problem of allocating the estimated lifetime cost of an employee's defined benefit pension to years of service. Cost/compensation methods allocate net pension cost to periods based on direct compensation—in his view, a reasonable and understandable allocation method—producing a net pension cost that is a constant percentage of compensation over the years of an employee's career. Mr. Brown also notes that cost/compensation methods are more commonly used for both pension cost determination and for funding in the United States than are benefit methods.

Despite the appeal of cost/compensation methods, Mr. Brown would not specify a single actuarial calculation method to be used for periodic attribution of pension costs. Rather, he would establish an objective that net pension cost be charged over

: service lives of the existing work force such that the net pension cost would be a el percentage of current and expected compensation of this work force. (He notes ıt the aggregate method—a cost/compensation approach—is one practical way to ɛet that objective.)

He believes that stating the accounting objective rather than specifying a single mputational method would be cost beneficial. Comparability and understandabil- would be improved if methods used aimed at a common objective. Attaining mparability of end result does not require standardization of the calculation ɛthod as evidenced by the fact that different actuarial calculation methods can pro- ıce very similar cost results and cost patterns for the same plan, depending on plan- ecific circumstances. Mr. Brown notes that both the actuarial method and the sumptions used are critical in determining periodic pension costs. Differences in sumptions arise both because of different plan circumstances and because judg- ents are required in developing assumptions. Thus, standardization in method rep- sents only one step, of undeterminable size, in achieving comparability in end sult. Available evidence does not support a conclusion that the comparability :hieved by method change alone is worth the costs inevitably involved in making ıe change.

Permitting flexibility in the specific calculations to be used in achieving the ccounting objective would avoid the need for specifying detailed methods for mortizing prior service cost and unrecognized actuarial gains and losses, as is done ı this Statement. Those detailed methods are necessarily arbitrary and produce a omplex accounting standard. The detailed methodology and the insistence on using ettlement rates to measure the service and interest cost components of net periodic ension cost are both, in his view, examples of the pursuit of a level of precision or xactness that is realistically unattainable in this case. Mr. Brown would leave imple- nentation details to those who are aware of and can consider the circumstances of ach plan situation.

Mr. Brown believes that an employer has an obligation under a defined benefit plan and that information about that obligation and the resources accumulated to neet it should be included in financial reports. In his view, however, the nature of point-in-time value measures of plan assets and of plan obligations (whether neasured in terms of vested benefits, accumulated benefits, or projected benefit obligations) is such that they do not fall meaningfully and readily within the present structure of financial statements. Delayed recognition of price changes and of actuarial gains and losses is embodied in the methodology of this Statement for pension cost determination. To require balance sheet recognition of selected point-in-time market values and actuarial liability estimates—and this only when liabilities exceed assets—is inconsistent both internally and with expense recognition methodology. It would also, in Mr. Brown's view, be confusing to users. He does not believe that the proposed intangible assets and separate components of equity that would be recorded in tandem with additional liability recognition would add meaningful or understandable information. For these reasons, he believes that plan asset and pension obligation information is better presented in disclosures to financial statements.

Mr. Sprouse believes that, although this Statement provides some improvements in employers' accounting for pensions, those improvements are more than offset by certain important deficiencies. As explained below, he would support the requirements for determining net periodic pension cost and for disclosure, if those deficiencies were eliminated.

He starts from the basic position that only unfunded accumulated benefits qualify for accounting recognition as an employer's liability and that plan assets in excess of accumulated benefits qualify for accounting recognition as an employer's asset.

In Mr. Sprouse's view, an employer cannot have a present obligation for pension benefits related to salary increases that are contingent upon future events—future inflation, future promotions, future improved productivity. He believes that the decision to grant increases in wages and salaries, whatever the reason, is an event that has directly related consequences, including increases in employers' social security taxes and pension costs, as well as the wages and salaries themselves. Accounting should recognize all of those directly related consequences at the time the event occurs—when wages and salaries are increased because inflation has reduced the purchasing power of the dollars being paid, when wages and salaries are increased because the more valuable services recognized by promotion are being received, when wages and salaries are increased because the benefits of improved productivity are being realized. Anticipating the effects of those future events on pension cost in accounting for the current period before dollars have lost their purchasing power and before the more valuable services related to promotion and productivity have been received is no more appropriate than anticipating the future higher wages and salaries themselves in accounting for the current period.

Mr. Sprouse believes that past practices in accounting for employers' pension cost that rely on forecasts of nominal salary levels were largely the product of certain actuarial methods that were designed for funding purposes to conform to the provisions of the Internal Revenue Code; those methods are not appropriate for financial accounting purposes. Nevertheless, he recognizes that those practices are firmly embedded in financial accounting and drastic changes in them could be disruptive. Accordingly, he would support the requirements for determining net periodic pension cost and for disclosure as significant improvements in practice. Considering the practical limits within which practice can be changed without undue disruption, he could also support the alternative approach described in paragraph 155.

Mr. Sprouse objects, however, to the unique recognition practices this Statement establishes for an "intangible asset." In certain situations, this Statement calls for an employer to recognize an intangible asset to offset the result of a loss on plan assets or to eliminate an intangible asset to offset the result of a gain on plan assets. Similar

:ognition or elimination of an intangible asset is required to offset the effects of anges in actuarial assumptions related to the accumulated benefit obligation. .ose features are unacceptable to him. In his view, those recognition practices can neither reconciled with the Board's conceptual framework nor readily understood financial statement users. He believes they seriously diminish the credibility of ıployers' accounting for pension costs.

Mr. Sprouse also objects to this Statement's accounting for a business combina-ın under the purchase method that calls for recognition of an asset or liability sed on the projected benefit obligation as of the date of the combination. For the asons given above, he holds that the excess of the *projected* benefit obligation over an assets does not qualify for recognition as an employer's liability, and plan assets excess of *accumulated* benefits do qualify for recognition as an employer's asset. his view, the fallacy of the Statement's requirement is demonstrated by the need to cognize a different net pension obligation or asset if the acquirer plans to terminate e plan than is recognized if the acquirer plans to continue it.

Mr. Wyatt believes the projected benefit obligation, as defined in this Statement, ıould be the measure of the pension obligation reported in the financial statements. e believes that neither the excess of net periodic pension cost over amounts contrib-:ed (unfunded accrued cost) nor the accumulated benefit obligation is an appropri-e measure of an entity's pension obligation. He also believes that the use of a ıarket-related asset value base for effecting the delayed recognition of actuarial ains and losses unnecessarily perpetuates an unsound measure for plan assets. As a :sult, this Statement falls short of achieving the degree of improvement in account-ıg for pension costs that was attainable and that users of financial statements could ıstifiably expect from this project.

A majority of the Board concluded that the pension liability is not properly ıeasured by the unfunded accrued cost. Mr. Wyatt agrees with that conclusion. He elieves, however, that the accumulated benefit obligation cannot be a faithful pre-:ntation of the pension obligation because its determination involves a fundamental ıconsistency. The scheduled future pension benefits under this notion exclude any stimates of salary progression, whether based on estimated inflation or other fac-ɔrs. As a result, the amounts that provide the basis for the measure of the obligation ɩo not represent the actual estimated cash flows in future periods. The interest rate ısed to reduce those scheduled future pension benefits to a present value is a rate at vhich the pension benefits could effectively be settled. Such a rate incorporates an xisting anticipation of future inflation. Thus, the discounting process effectively emoves an estimated inflation factor from a series of scheduled future payments hat have been measured by specifically excluding any estimate for future inflation. The resulting amount has estimated future inflation removed twice and therefore is ıot a faithful measure of a liability; in fact, it understates the appropriate measure of he liability, grossly so in some cases.

Mr. Wyatt believes that the use of a market-related asset value as a basis for delayed recognition of gains and losses compromises the rationale that supports use of fair value to measure assets for other aspects of this Statement. It perpetuates a notion ("actuarial asset value") that has no basis as an accounting concept. Furthermore, other approaches to implement the delayed recognition of unamortized gains and losses are available that could only be perceived as practical in nature and that would not carry over into future considerations of pension accounting a concept that persists in spite of its conceptual defects.

The use of a market-related asset value and an expected rate of return on assets to measure the amortization of unrecognized gains and losses introduces unnecessary flexibility into a process that could justifiably be made uniform because it is inherently a practical mechanism to mitigate volatility. Such flexibility diminishes the improvements in comparability, as related to practice under Opinion 8, achieved by adoption of a single attribution method and an assumed discount rate that reflects the rates at which pension benefits could effectively be settled.

Mr. Wyatt agrees with the assenters that, on an overall basis, the conclusions in this Statement will lead to improvements in accounting for and understanding of pension costs. He believes, however, that the degree of improvement is modest when related to the improvement that he believes should have been achieved. Thus, in his view the Statement's deficiencies represent a lost opportunity for improvement in financial reporting.

Members of the Financial Accounting Standards Board:

Donald J. Kirk, *Chairman*
Frank E. Block
Victor H. Brown
Raymond C. Lauver
David Mosso
Robert T. Sprouse
Arthur R. Wyatt

pendix A

SIS FOR CONCLUSIONS

NTENTS

:ndix A

IS FOR CONCLUSIONS

lamental Conclusions—Single-Employer Defined Benefit Pension Plans

This appendix summarizes considerations that were deemed significant by mem- of the Board in reaching the conclusions in this Statement. It includes reasons accepting certain views and rejecting others. Individual Board members gave :er weight to some factors than to others. The most significant changes to past tice resulting from the Board's conclusions in this Statement relate to accounting ι single-employer defined benefit pension plan.

Exchange

The Board's conclusions in this Statement derive from the basic idea that a ıed benefit pension is an exchange between the employer and the employee. In ange for services provided by the employee, the employer promises to provide, ıdition to current wages and other benefits, an amount of retirement income. It ›ws from that basic view that pension benefits are not gratuities but instead are of an employee's compensation, and since payment is deferred, the pension is a of deferred compensation. It also follows that the employer's obligation for that pensation is incurred when the services are rendered.

ling and Accrual Accounting

In this Statement the Board reaffirms the usefulness of information based on ual accounting. That does not negate the importance of information about cash vs or the funding of the plan. Accounting recognition of transactions in which ı is disbursed is not controversial. Accrual accounting, however, goes beyond ı transactions to provide information about assets, liabilities, and earnings.

Opinion 8 stated, ". . . it is important to keep in mind that the annual pension : to be charged to expense . . . is not necessarily the same as the amount to be ded for the year" (paragraph 9). However, Opinion 8 allowed any of a range of ding methods to serve as the basis for determining net periodic pension cost, with result that annual net pension cost and the amount to be funded for the year were ımonly the same. This Statement reaffirms the APB's conclusion that funding isions should not necessarily be used as the basis for accounting recognition of t. The amount funded (however determined) is, of course, given accounting recognition as a use of cash, but the Board believes this is one of many areas in which information about cash flows alone is not sufficient, and information on an accrual basis is also needed. The question of when to fund the obligation is not an accounting issue. It is a financing question that is properly influenced by many factors (such as tax considerations and the availability of attractive alternative investments) that are unrelated to how the pension obligation is incurred.

82. Any accrual basis of accounting for a defined benefit pension plan inevitably requires estimates of future events because those events determine the amounts of benefits that will be paid. The Board is convinced that information based on such estimates is useful along with information about cash flows, and notes that similar estimates are required for all presently acceptable funding methods and previously permitted accounting methods.

83. The Board's conclusion that accounting information on an accrual basis is needed does not mean accounting information and funding decisions are unrelated. In pensions, as in other areas, managers may use accounting information along with other factors in making financial decisions. Some employers may decide to change their pension funding policies based in part on the new accounting information. The Board believes that financial statements should provide information that is useful to those who make economic decisions, and the decision to fund a pension plan to a greater or lesser extent is an economic decision. The Board, however, does not have as an objective either an increase or a decrease in the funding level of any particular plan or plans. Neither does the Board believe that the information required by this Statement is the only information needed to make a funding decision or that net periodic pension cost, as defined, is necessarily the appropriate amount for any particular employer's periodic contribution.

Fundamentals of Pension Accounting

84. In applying accrual accounting to pensions, this Statement retains three fundamental aspects of past pension accounting: *delaying recognition* of certain events, reporting *net cost,* and *offsetting* liabilities and assets. Those three features of practice have shaped financial reporting for pensions for many years even though they have been neither explicitly addressed nor widely understood and they conflict in some respects with accounting principles applied elsewhere.

85. The *delayed recognition* feature means that certain changes in the pension obligation (including those resulting from plan amendments) and changes in the value of assets set aside to meet those obligations are not recognized as they occur but are recognized systematically and gradually over subsequent periods. All changes are ulti-

nately recognized except to the extent that they may be offset by subsequent hanges, but at any point changes that have been identified and quantified await ubsequent accounting recognition as net cost components and as liabilities or assets.

6. The *net cost* feature means that the recognized consequences of events and ransactions affecting a pension plan are reported as a single net amount (net eriodic pension cost) in the employer's financial statements. That approach aggreates at least three items that might be reported separately for any other part of an mployer's operations: the compensation cost of benefits promised, interest cost esulting from deferred payment of those benefits, and the results of investing what re often significant amounts of assets.

7. The *offsetting* feature means that recognized values of assets contributed to a lan and liabilities for pensions recognized as net pension cost of past periods are hown net in the employer's statement of financial position, even though the liability as not been settled, the assets may be still largely controlled, and substantial risks nd rewards associated with both of those amounts are clearly borne by the mployer.

8. Within those three features of practice that are retained by this Statement, the Board has sought to achieve more useful financial reporting through three changes:

. This Statement requires a standardized method for measuring net periodic pension cost that is intended to improve comparability and understandability by recognizing the compensation cost of an employee's pension (including prior service cost) over that employee's approximate service period and by relating cost more directly to the terms of the plan.
. This Statement requires immediate recognition of a liability (the minimum liability) in certain circumstances when the accumulated benefit obligation exceeds the fair value of plan assets, although it continues to delay recognition of the offsetting amount as an increase in net periodic pension cost.
. This Statement requires expanded disclosures intended to provide more complete and more current information than can be practically incorporated in financial statements at the present time.

omponents of Net Periodic Pension Cost

9. The Board concluded that an understanding of pension accounting is facilitated y considering the components of net periodic pension cost separately. The same omponents were included in net periodic pension cost in prior practice, but they vere seldom explicitly or separately addressed. Those components are service cost,

interest cost, actual return on plan assets, amortization of unrecognized prior service cost, and gain or loss. An additional component, temporarily, is the amortization of the unrecognized net obligation or asset existing at the date of initial application of this Statement.

90. A plan with no plan assets, no plan amendments, and no gains or losses would still have two components of cost. First, as employees work during the year and earn added benefits, a *service cost* (or compensation cost) accrues. Measurement of that component is difficult and is discussed below. If the service component and the related obligation are measured on a present value basis, a second component—*interest cost*—must also be accounted for. Measurement of that component is less difficult. The primary issue is the selection of appropriate discount rates.

91. A third component is required for a funded plan. The employer must recognize the *return* (or possibly loss) *on plan assets*. That component ordinarily reduces the net cost of providing a pension. If the amount of assets is relatively great and the return on assets is high, the result can be net pension income for a period instead of net pension cost. The interest cost and return-on-plan-asset components represent financial items rather than employee compensation cost. They can be changed or even eliminated by changes in the employer's financing arrangements. For example, an employer can increase return on assets by adding more assets to the fund and can decrease interest cost (and return on assets) by purchasing annuity contracts to settle part of the obligation.

92. The next two components arise from plan amendments and gains or losses, both of which are to be recognized as part of net periodic pension cost over a number of periods. The *amortization of unrecognized prior service cost* resulting from plan amendments (including initiation of a plan) ordinarily increases the net cost. This component reflects the compensation cost of pension benefits granted in amendments and attributed by the plan's benefit formula to periods prior to the amendment.

93. The *gain or loss component* may either decrease or increase net periodic pension cost depending on whether the net unrecognized amount is a gain or a loss and whether actual return on assets for a particular period is greater or less than expected return on assets. This component combines gains and losses of various types and therefore includes both compensation and financial items that are not readily separable.

The Principal Issues

94. Among the many issues considered by the Board in this project, three stand out as central to the Board's extensive deliberations and to the public debate. Those issues concern (a) the periods in which net periodic pension cost should be recognized, (b) the method(s) that should be used to allocate or attribute that cost to individual periods, and (c) whether current information about the funded status of a defined benefit pension plan should be included in the employer's statement of financial position.

Cost Recognition Period

95. The Board concluded that, conceptually, compensation cost should be recognized in the period in which the employee renders services. Although the complexity and uncertainty of the pension arrangement may preclude complete achievement of that goal, a fundamental objective of this Statement is to approximate more closely the recognition of the compensation cost of an employee's pension benefits over that employee's service period. Many of the respondents to previous documents issued as part of this project agreed with that objective, which conflicts with some aspects of past practice under Opinion 8.

Attribution Method

96. The Board concluded that the understandability, comparability, and usefulness of pension information could be improved by narrowing the range of different methods for allocating or attributing the cost of an employee's pension to individual periods of service. The Board was significantly aided in its consideration of alternative attribution approaches by the work of several committees of the American Academy of Actuaries and by research conducted by that organization. The Board appreciates the efforts of the individuals and firms involved in those efforts and recognizes that most of them continue to prefer that accounting be based on any of several approaches. However, the Board was unable to identify differences in circumstances that would make it appropriate for different employers to use fundamentally different accounting methods or for a single employer to use different methods for different plans. Many respondents agreed that the number of acceptable methods at least should be reduced.

97. The Board concluded that the terms of the plan that define the benefits an employee will receive (the plan's benefit formula) provide the most relevant and reliable indication of how pension cost and pension obligations are incurred. In the absence of convincing evidence that the substance of an exchange is different from

that indicated by the agreement between the parties, accounting has traditionally looked to the terms of the agreement as a basis for recording the exchange. All attribution methods used in the past consider the plan's benefit formula in estimating the benefit an employee will receive at retirement. However, unlike some other methods previously used for pension accounting, the method required by this Statement focuses more directly on the plan's benefit formula as the basis for determining the benefit earned, and therefore the cost incurred, in each individual period.

Statement of Financial Position

98. The Board believes that an employer with an unfunded pension obligation has a liability and an employer with an overfunded pension obligation has an asset. The most relevant and reliable information available about that liability or asset is based on the fair value of plan assets and a measure of the present value of the obligation using current, explicit assumptions.

99. Many respondents to the Preliminary Views, *Employers' Accounting for Pensions and Other Postemployment Benefits (Preliminary Views)*, and the Exposure Draft, *Employers' Accounting for Pensions*, agreed that at least the obligation for unfunded vested benefits, or the obligation for unfunded accumulated benefits, conceptually represents a recognizable liability. Most respondents, however, did not agree with recognition of any liability in the statement of financial position beyond the amount of accrued but unfunded net periodic pension cost. Most also objected to recognition of any liability based on estimates of future compensation levels. Respondents also objected to recognizing an asset in the case of an overfunded plan, and views differed about how to recognize changes in both the fair value of plan assets and the present value of the obligation.

100. Some argued that the uncertainties inherent in predicting future interest rates and salary levels are sufficiently great that available measures of the projected benefit obligation fail to achieve the level of reliability needed for recognition in financial statements. They would prefer to disclose rather than recognize the obligation. Some Board members were sympathetic to that view.

101. This Statement requires recognition of net periodic pension cost based on the present value of the obligation (with consideration of future compensation levels for pay-related plans). This Statement also requires recognition of a liability or an asset (unfunded accrued or prepaid pension cost) when the amount of that net periodic pension cost is different from the amount of the employer's contribution to the plan. Over time, therefore, this Statement requires recognition of a liability for the employer's unfunded obligation, including that portion based on estimated future

ɔmpensation levels for plans with pay-related benefit formulas. Most respondents ʼho argued that a present liability could not include amounts based on future com- ensation nevertheless argued strongly that the measure of net periodic pension cost ıust not ignore that factor.

02. This Statement provides for delayed recognition, in net periodic pension cost nd in the related liability (accrued unfunded pension cost) or asset (prepaid pension ost), of certain changes in the present value of the obligation and the fair value of ılan assets. Those changes (that is, gains and losses and the effects of plan amend- nents) are recognized in net periodic pension cost on a systematic basis over future ɔeriods. The Board concluded that it is not practical at this time to require acceler- ıted recognition of those changes in financial statements as they occur, although cer- ain of those changes are recognized in the statement of financial position through he minimum liability requirement of this Statement.

103. This Statement accepts the unfunded accrued or prepaid pension cost as the ecognized liability or asset except when the accumulated benefit obligation measured without considering future compensation levels) exceeds the fair value of ɔlan assets. In that situation, the Board concluded that the recognized liability ;hould be adjusted so that the statement of financial position would reflect at least :he unfunded accumulated benefit obligation.

104. The Board acknowledges that the delayed recognition included in this State- ment results in excluding the most current and most relevant information from the employer's statement of financial position. That information is, however, included in the disclosures required, and, as noted above, certain liabilities previously omitted will be recognized.

Information Needed

105. The Board concluded that users of financial reports need additional informa- tion to be able to assess the status of an employer's pension arrangements and their effect on the employer's financial position and results of operations. Most respon- dents agreed, and this Statement requires certain disclosures not previously required.

106. The components of net periodic pension cost and the net funded status of the obligation are among the more significant disclosure requirements of this Statement. One of the factors that made pension information difficult to understand was that past practice and terminology combined elements that are different in substance into net amounts (assets with liabilities and revenues and gains with expenses and losses). Although the Board agreed to retain from past practice the basic features of report-

ing net cost and offsetting liabilities and assets, the Board believes that disclosure of the components will significantly assist users in understanding the economic events that have occurred. Those disclosures also make it easier to understand why reported amounts change from period to period, especially when a large cost or asset is offset by a large revenue or liability to produce a relatively small net reported amount.

Evolutionary Changes in Accounting Principles

107. After considering the range of comments on *Preliminary Views* and the Exposure Draft, the Board concluded that the changes required by this Statement represent a worthwhile improvement in financial reporting. Opinion 8 noted in 1966 that "accounting for pension cost is in a transitional stage" (paragraph 17). The Board believes that is still true in 1985. FASB Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises,* paragraph 2, indicates that "the Board intends future change [in practice] to occur in the gradual, evolutionary way that has characterized past change." The Board realizes that the evolutionary change in some areas may have to be slower than in others. The Board believes that it would be conceptually appropriate and preferable to recognize a net pension liability or asset measured as the difference between the projected benefit obligation and plan assets, either with no delay in recognition of gains and losses, or perhaps with gains and losses reported currently in comprehensive income but not in earnings. However, it concluded that those approaches would be too great a change from past practice to be adopted at the present time. In light of the differences in respondents' views and the practical considerations noted, the Board concluded that the provisions of this Statement as a whole represent an improvement in financial reporting.

Other Conclusions—Single-Employer Defined Benefit Pension Plans

108. This section discusses additional reasons for the Board's conclusions and some of the positions advocated by respondents.

The Nature of the Exchange

109. Some respondents disagreed with the Board's basic view of the nature of the employer's obligation under a defined benefit pension plan. They argued that the employer's only obligation is to make periodic contributions sufficient to support the plan. In this view, it is the plan—as a distinct legal entity—that has an obligation for benefits promised to employees. They concluded that the schedule or budget for making contributions determines the amount of the present obligation and current

eriod cost and that contributions scheduled for future periods, although based pon past events, are future obligations.

10. The Board concluded that viewing the obligation and the cost only in terms of :heduled contributions does not reflect the fundamental difference between the iherent promise and the resulting obligation under a defined benefit plan and the romise and obligation under a defined contribution plan. An employer that has ndertaken an obligation to provide defined pension benefits based on service lready rendered may view it as an obligation directly to the employees (looking rough the funding arrangement) or as an obligation to make future contributions) the plan, but the employer has a present obligation based on the defined benefits ither way.

11. The Board believes that creating a separate legal entity to receive and invest ontributions and pay benefits does not change the nature of the employer's obliga-on to pay promised benefits to retirees. Viewing the plan as a truly separate conomic entity raises the question of what consideration the plan received for mak-ng benefit promises to employees. Although legal requirements are only one factor o be considered in determining accounting standards, the Board also notes that Congress, in enacting ERISA, chose to base the definition of an employee's rights nder a defined benefit pension plan on the benefits promised rather than on the mounts the employer has contributed or is scheduled to contribute.

12. Those who subscribe to the separate legal entity idea also argued that plan ssets are not the assets of the employer. The Board noted that the employer's future ontributions to the plan will be increased or decreased by the performance of the lan assets so that the employer bears the risks and reaps the rewards associated with hose assets. The Board also observed that numerous recent situations in which sig-nificant amounts of assets have been withdrawn by employers provide compelling vidence that rebuts that argument.

13. Some respondents argued that the pension exchange is between the employer nd a collective ongoing work force rather than between the employer and each indi-vidual employee. They focus on the open group, including employees to be hired in he future, rather than the closed group of current and past employees. They con-clude that the obligation to the work force should be defined in terms of contribu-tions necessary to maintain the plan rather than in terms of the aggregate benefits promised to individuals.

114. The Board recognizes that uncertainty in measuring the benefit obligation for a single employee is greater than for a group because the future events that affect the

amount of benefits (such as longevity) cannot be as reliably estimated for a single individual. In the Board's view, however, the fact that a more reliable measurement is possible only for a group does not change the nature of the promise. The actuarial computation considers that some existing or future retirees will live longer than others and that some individuals will terminate before vesting or die before receiving any benefits. Those factors are properly considered in measuring the probable future sacrifice that will result from the presently existing promise of benefits to the employees.

115. The practical effect of the argument that the obligation is to the ongoing employee group is often to defer recognition of part of the cost of an individual's pension to periods after that individual retires. That open-group view provides no basis for recognizing the cost of pension benefits over any particular period. One of the objectives of accrual accounting is to match costs and revenues. The Board believes that application of the matching objective to pension accounting requires that pension cost be recognized in the period in which economic benefits are received (employee services are rendered). The alternative view is no more appropriate than an argument that a machine should be depreciated over years after its retirement because the machine will be replaced and the important thing is the cost of maintaining the ongoing plant. Employee compensation, whether paid currently or deferred, should be recognized as cost when the services are rendered. The Board concluded that, in concept, the employer's obligation to the existing employee group is the sum of its obligations to individual employees, adjusted to reflect the present value of the amount and the probability of payment (the "actuarial present value").

Recognition versus Disclosure

116. Some respondents agreed that better information about net periodic pension cost and the pension obligation is needed but argued that the information would be just as useful if it were disclosed in the footnotes and, therefore, that changes in the basic financial statements (changes which they believed would be costly) were not necessary. The Board is aware that costs are involved for both preparers and users whenever changes are made in accounting principles, but in the Board's view it is important that elements qualifying for recognition be recognized in the basic financial statements. Footnote disclosure is not an adequate substitute for recognition. The argument that the information is equally useful regardless of how it is presented could be applied to any financial statement element, but the usefulness and integrity of financial statements are impaired by each omission of an element that qualifies for recognition. Further, although the "equal usefulness" argument may be valid for some sophisticated users, the Board does not believe it holds for all or even most other users. Finally, if the argument were valid, the consequences of recognition

vould not be different from those of not recognizing but disclosing the same infor- nation; it is obvious from their arguments that many who assert that disclosure vould be equally useful believe recognition would have different consequences.

⁄easurement of Plan Assets

17. The Board concluded that plan investments should be measured at fair value or purposes of this Statement (except as provided in paragraph 30 for purposes of ,etermining the extent of delayed recognition of asset gains and losses). Fair value rovides the most relevant information that can be provided for assessing both the lan's ability to pay benefits as they come due without further contributions from ıe employer and the future contributions necessary to provide for benefits already romised to employees. The same reasons led to a similar decision in Statement 35.

18. The Board recognizes that there may be practical problems in determining the air value of certain types of assets. Notwithstanding those difficulties, the Board elieves that the relevance of fair value of pension assets is so great as to override bjections to its use based on difficulty of measurement. In addition, most pension ssets are invested in marketable securities and are priced regularly for investment ıanagement purposes.

19. The Board considered the use of an actuarial value of assets instead of fair alue. A number of different methods of determining actuarial asset values are avail- ble, generally based on some kind of average of past market values or on long- ange projections of market values intended to eliminate short-term market luctuations. The Board concluded that those methods produce information about ıe assets that is less relevant and more difficult to understand than fair value. Spe- ifically, if an actuarial asset value were used to measure the minimum net liability efined in paragraph 36, it would sometimes result in recognition of a liability when ıe fair value of the assets exceeds the obligation, and at other times it would result in o recognition when a net unfunded obligation exists based on the fair value.

20. The Board understands that measuring investments at fair value could intro- uce volatility into the financial statements as a result of short-term changes in fair alues. Some respondents described that volatility as meaningless or even mislead- ıg, particularly in view of the long-run nature of the pension commitment and the ıct that pension investments are often held for long periods, thus providing the pportunity for some gains or losses to reverse. The Board also recognizes that some ıanges in the fair value of investments are related to some changes in the measure- ıent of the pension liability because they are affected by the same economic factors.

For example, a change in the level of interest rates would be expected to affect the liability by changing the discount rates and would also affect the fair value of at least some types of investments (such as bonds). In many cases such fluctuations in the pension benefit obligation and in the fair value of plan investments would tend to offset each other.

121. The Board concluded that the difference between the actual return on assets and the expected return on assets could be recognized in net periodic pension cost on a delayed basis. Those effects include the gains and losses themselves. That conclusion was based on (a) the probability that at least some gains would be offset by subsequent losses and vice versa and (b) respondents' arguments that immediate recognition would produce unacceptable volatility and would be inconsistent with the present accounting model.

122. The Board also considered whether amounts accrued by the employer but not yet contributed or paid to the plan (that is, unfunded accrued pension cost) should be considered plan assets for purposes of this Statement, noting that Statement 35 does consider some such amounts to be plan assets for purposes of the plan's financial reporting. The Board concluded that including accrued pension cost as plan assets for purposes of the disclosure of funded status (paragraph 54(c)) would be inappropriate because that amount has not been funded (contributed), and would unnecessarily complicate the recognition and disclosure requirements of this Statement.

123. The Board discussed whether securities of the employer held by the plan should be eliminated from plan assets and from the employer's financial statements as, in effect, treasury securities. The Board concluded that elimination would be impractical and might be inappropriate absent a decision that the financial statements of the plan should be consolidated with those of the employer, but that disclosure of the amount of such securities held would be appropriate and should be required.

Measurement of Service Cost and the Obligation

124. Measurement of the service cost component has much in common with measurement of the pension obligation. The service cost is essentially the portion of the projected benefit obligation that is attributable to services rendered in a period. The Board concluded that (a) all employers should use a single measurement method and (b) that method should reflect the plan's benefit formula to the extent that the formula specifies how employees' benefits accrue.

le Method

. Some respondents suggested that the Board should not require the use of a le method but should allow a choice among a number of acceptable alternatives. ıy noted that choices among accounting methods are allowed in other areas, uding accounting for inventory and depreciation. They also suggested that a ıdardized method would not achieve comparability because of differences in ımptions or would impair comparability because it would obscure different cirıstances that call for different approaches.

. The Board was not convinced by those who made reference to other areas of ɔunting. The appropriateness of allowing a choice of methods for depreciation inventory accounting is beyond the scope of this project. The Board also eves that the differences among methods available for pension measurements are ıificantly more complex and less well understood than other method differences. ĸnowledgeable user is more likely to understand the approximate difference ween straight-line and accelerated depreciation than the difference between two ıarial funding methods.

. The Board concluded that use of a standardized method would improve comability. Differences in assumptions are intended, at least conceptually, to reflect l differences in circumstances. The Board noted that comparability is not a racteristic that is either completely present or absent. It concluded that improvents in comparability could be achieved, even though some differences that are not essarily reflective of real differences will remain because of the exercise of judgnt in the selection of assumptions.

;. The Board is not convinced that differences in circumstances among employers uire fundamentally different methods for measuring the service component of periodic pension cost. Differences such as expected rates of turnover and mortalwould continue to be reflected. The Board concluded that use of a single method ;ed on the terms of the plan would improve comparability and understandability financial reporting by reflecting real differences among plans.

oice of Method

). The 1981 FASB Discussion Memorandum, *Employers' Accounting for Penns and Other Postemployment Benefits,* described two families of attribution proaches: the benefit approaches and the cost approaches. Benefit approaches ;ermine an amount of pension benefits attributed to service in a period and then culate the service cost component for the period as the actuarial present value of those benefits. Cost approaches project an estimated total benefit at retirement and then calculate the level contribution that, together with return on assets expected to accumulate at the assumed rates, would be sufficient to provide that benefit at retirement. (The amount allocated to each year may be level in dollar amount or level as a percentage of compensation.)

130. A number of respondents indicated a preference for the cost family of approaches, usually the approach defined in the 1981 Discussion Memorandum as cost/compensation. That preference was frequently based on the view that a pension is earned only over an employee's full period of employment with the result that measuring the obligation and the cost on an annual basis is less important than the pattern of net cost from period to period. Although all of the commonly used approaches may be described as systematic and rational, the cost/compensation approach is preferred by many because it is thought to produce a net periodic pension cost that is a level percentage of compensation. In fact, however, that desired pattern of net periodic pension cost will result only if amounts recognized as net periodic pension cost are also the amounts funded and if experience does not vary from assumptions.

131. The Board rejected the cost family of approaches because it believes that the terms of the plan provide a more relevant basis for relating benefits promised to services rendered. The benefit approaches are also more consistent with the Board's definition of liabilities. FASB Concepts Statement No. 3, *Elements of Financial Statements of Business Enterprises,* defines liabilities in terms of obligations, and an employer's obligation under a defined benefit plan as of a particular date is for pension benefits promised by the terms of the plan rather than for an accumulation of level costs. The Board believes that, although the "level percentage of compensation" pattern may be desirable for funding or for budgeting contributions, it does not necessarily reflect how cost is incurred or how a liability arises.

132. All attribution approaches measure service cost and the related obligation by discounting amounts payable in future periods to reflect the time value of money. No respondents advocated solutions that would not include such discounting. The way in which discounting is applied, however, is the fundamental difference between the cost approaches and the benefit approaches. The benefit approach adopted by the Board uses the terms of the plan to determine the benefits earned during a period (that is, the future cash flow) and then calculates the actuarial present value of those benefits. Under the cost approaches the amount attributed to a period is not the actuarial present value of a benefit earned in the period. Instead, the total cost of all the expected benefits is discounted and assigned to periods in a single mathematical step so that the net pension cost (the service cost, plus interest cost, less anticipated

ırn on assets in the fund and to be added in future periods) is a constant amount a constant percentage of salary.

. In the Board's view, the benefit approaches reflect the promise of a defined efit, and the present value of a dollar of benefit promised to a 60-year-old is ater than that of a dollar of benefit promised to a 25-year-old, if both are payable ıge 65. Under the cost approaches, the cost charged in the early years of an ployee's service will provide an amount of benefit at retirement much greater than benefits earned in those years based on the plan formula. In the last years of an ployee's service, the cost is less than the present value of benefits earned. The ılt is that at any point before retirement, the amount accrued for an individual ler a cost approach will exceed the present value of benefits earned to that point ed on the plan's benefit formula.

ı. The Board concluded that the measurements of net periodic pension cost and projected benefit obligation should reflect the terms of the plan under which they ise. Because a defined benefit pension plan specifies the employer's promise in ms of how benefits are earned based on service, rather than how contributions ı be made to adhere to a desired funding pattern, the benefit approaches were pre- red.

ı. The Board also considered a benefit approach that would attribute benefits to iods based on compensation paid in those periods (a benefit/compensation proach). Some believe that compensation is the best available indicator of the ue of the employee's services and, therefore, it is the most logical basis for alloca- n of benefits. In the Board's view, however, that approach less faithfully repre- its how the cost is incurred under the terms of the plan than the approach selected. e Board also noted that the benefit/compensation approach is not among those owable under Internal Revenue Service regulations for funding purposes for cer- n types of plans.

ıding considerations

6. For purposes of funding a plan, using a cost approach to assign relatively large ıounts to early years may be considered by some to be desirable because it allows ore time for tax-free earnings on contributed assets to compound and because it ovides additional benefit security. That basic funding approach may be particu- ly useful in achieving funding objectives if the cost of plan amendments is to be nded over a relatively long period after each amendment occurs. The relatively pid funding of the obligation arising from service in the current and future periods ay compensate for delayed funding of obligations arising from plan amendments.

137. Some respondents asserted that the cost of calculating amounts for accounting purposes on a basis different from that used for funding purposes would be high and would exceed the benefits of improved financial reporting. The Board notes, however, that a large part of the cost involved in an actuarial valuation is incurred in gathering and processing the input data and that the data used are largely the same for any computational approach. The Board concluded that the additional cost attributable to the requirements is unlikely to be excessive.

Future compensation levels

138. In response to the Exposure Draft and earlier documents issued as part of this project, some respondents argued that, based on the definition of a liability, pension benefits dependent on future increases in compensation cannot be a present obligation and, therefore, the liability measurement should be based only on actual compensation experience to date. They also noted that if the plan were terminated or if an employee with vested benefits did not render future services, the employer's obligation would be limited to amounts based on compensation to date.

139. Among those respondents who argued that obligations dependent on future compensation increases are excluded by the definition of a liability, very few were prepared to accept a measure of net periodic pension cost that was based only on compensation to date. The Board notes that under the double entry accounting system, recognition of an accrued cost as a charge against operations requires recognition of a liability for that accrued cost. Thus, excluding future compensation from the liability and including it in net periodic pension cost are conflicting positions.

140. The Board also considered the arguments of respondents who noted that it would be inconsistent (a) to measure pension cost or the obligation ignoring future compensation increases that reflect inflation and (b) to use discount rates that reflect expected inflation rates in making those measurements. In this view, discounting a benefit that does not include the effects of inflation amounts to removing the effect of inflation twice. Those respondents suggested that the effects of inflation should either be considered for both purposes or be eliminated from both. The latter approach would involve use of inflation-free (or "real") discount rates. The Board considered that possibility but concluded that the use of explicit rates observable in actual transactions ("nominal rates") would be more understandable and would present fewer implementation problems, as noted below.

141. The Board notes that at present few private pension plans in the U.S. provide benefits that are increased automatically after an employee retires based on either compensation levels or inflation. If future compensation increases were incorpo-

ed *implicitly* by reducing the discount rates used to compute the present value of · benefit obligation, projected benefit increases during the postretirement period uld be incorporated automatically at the same time unless different (explicit) disınt rates were used for those periods. Using inflation-adjusted (implicit) discount es would, in effect, anticipate postretirement benefit increases, which would be onsistent with the Board's decision that future plan amendments should not be :icipated unless there is a present substantive commitment to make such amendnts.

ⅰ. Other respondents disagreed with the argument that a measurement approach ;ed only on current compensation would be inconsistent with use of nominal erest rates (paragraph 140). They argued that the assumed discount rates should lect the rates at which the obligation could be settled—for example, by purchasing nuities or perhaps by dedicating a portfolio of securities. They argued that future erest rates (and therefore forecasts of future inflation) are irrelevant.

3. The Board concluded that the pension obligation created when employees ren- : services is a liability under the definition in Concepts Statement 3. That definin, however, does not resolve the issue of whether the measurement of that liability ould consider future compensation levels. After considering respondents' views, th practical and conceptual, the Board concluded that estimated future compensan levels should be considered in measuring the service cost component and the ojected benefit obligation if the plan's benefit formula incorporates them. The ard perceives a difference between an employer's promise to pay a benefit of 1 perıt of an employee's *final* pay and a promise to pay an employee a fixed amount ıt happens to equal 1 percent of the employee's *current* pay. Ignoring the future riable (final pay) on which the obligation in the first case is based would result in t recognizing that difference. The Board also concluded that the accumulated nefit obligation, which is measured *without* considering future compensation 'els, should continue to be part of the required disclosure and should be the basis which to decide whether a minimum liability needs to be recognized.

ıbilities

4. *Preliminary Views* proposed requiring recognition of a net pension liability or set based on the difference between the projected benefit obligation and the fair lue of plan assets. However, the net gain or loss not yet included in net periodic nsion cost was also unrecognized for purposes of measuring the net pension liabil- · or asset, thereby reducing the volatility of that balance. An intangible asset would ve been recognized when a plan was amended, increasing the projected benefit ıligation. Respondents objected to the proposal for a number of reasons, both

conceptual and pragmatic. Some of those objections, based on doubts about the nature of the employer's obligation, were discussed previously.

145. A number of respondents argued that increased pension benefits granted in a plan amendment are exchanged for employees' *future* services, even when the amount of the benefit is computed based on prior service. In this view, the employer's liability for such benefits arises only as the future services are rendered. Some also argued that a plan amendment is a wholly executory contract and for that reason should not be recognized. The Board agrees that the obligation is undertaken by the employer with the expectation of future economic benefits but believes that does not provide a basis for not recognizing the obligation that arises from the event or for arguing that no obligation exists. The Board does not agree that a plan amendment is a wholly executory contract. To the extent that an amendment increases benefits that will be attributable to future services, neither party has performed. The Board has never proposed to recognize any liability for those benefits. However, to the extent the increased benefits are attributed by the benefit formula to services already rendered, the Board concluded that one party to the contract has performed and the agreement is at most only partially executory.

146. Some respondents argued that the obligation could not be measured with sufficient reliability (or precision) to justify recognition. The Board notes that the measurements of net periodic pension cost and unfunded accrued pension cost, which are based on the same assumptions, are no more or less precise than measurements of the accumulated and projected benefit obligations. In addition, insurance companies often undertake obligations that will be determined in amount by future events (although not by future compensation levels), and those obligations are recognized. When an insurance contract involves obligations similar to pension obligations (for example, an annuity contract), measurement of those obligations involves some of the same assumptions used in pension accounting. The Board concluded that information about pension cost and obligations based on best estimates of the relevant future events is sufficiently reliable to be useful. The Board recognizes that pension (and other postemployment benefit) liabilities are, as some respondents argued, different from the other recognized liabilities of most employers, but that is because most enterprises other than insurance companies do not ordinarily take on obligations of comparable significance that depend on unknown and uncontrollable future events to define the amount of future sacrifice.

147. Those respondents who challenged the reliability of liability measures based on actuarial calculations generally supported recognition of part of that same liability based on unfunded accrued pension costs. FASB Concepts Statement No. 2, *Qualitative Characteristics of Accounting Information,* defines reliability as a combination of representational faithfulness and verifiability. In the Board's view, the

gation based on the terms of the plan and the unfunded accrued cost are equally icult to verify, but the former is a more faithful representation of a liability iuse it is an estimate of a present obligation to make future cash outlays as a lt of past transactions and events. The unfunded accrued cost does not purport e a measure of an obligation; it is a residual resulting from an allocation process , therefore, it cannot be a faithful representation of a liability.

A number of respondents argued that a pension liability must be limited either ie amount that would have to be paid on plan termination or to the amount of ed benefits. Those arguments were based on the view that the employer has dision to avoid any obligations in excess of those limits. Some who preferred no recition nevertheless agreed that it is difficult to argue that at least unfunded vested efits are not a liability.

. The Board concluded that, in the absence of evidence to the contrary, accountshould be based on a going-concern assumption that, as applied to pensions, imes that the plan will continue in operation and the benefits defined in the plan be provided. Under that assumption, the employer's probable future sacrifice is limited to either the termination liability or amounts already vested. The Board eves that the actuarial measurement of the obligation encompasses the probabilhat some employees will terminate and forfeit nonvested benefits. Benefits that expected to vest are probable future sacrifices, and the liability in an ongoing 1 situation is not limited to vested benefits. However, the Board was influenced espondents' views of the nature of vested and accumulated benefit obligations in lecision that a reported liability should not be less than the unfunded accumud benefit obligation. Some Board members were also influenced by arguments t the accumulated benefit obligation, which requires no estimate of future salary ls, is more reliably measurable than is the projected benefit obligation.

. Some respondents objected to the accounting proposed in *Preliminary Views* the grounds that delaying the recognition of gains and losses as part of the asurement of the net pension liability or asset could cause an employer to report a liability when the fair value of plan assets exceeded the projected benefit obliga1, or to report a net asset when the projected benefit obligation exceeded the fair ue of plan assets. The Board noted that delayed recognition of the effects of price inges is an inherent part of historical cost accounting and that the problem results m the Board's retention of the delayed recognition and offsetting features of past ision accounting.

. The Board understands that the recognition of a minimum liability required by s Statement only updates the statement of financial position in some circumstances when plan obligations are not fully funded. Unlike *Preliminary Views,* this Statement does not update the liability for all amendments when they occur. Also, like past practice and *Preliminary Views,* this Statement will result in recognition of liabilities for certain plans with assets in excess of their projected benefit obligations. That will occur because of delayed recognition of gains and of unrecognized net assets existing at the date of initial application of this Statement, if net periodic pension cost is not funded (for example, because it is not currently tax deductible). The provisions of this Statement, however, will result in recognition of some liabilities not currently reflected and, in the Board's view, in more representationally faithful reporting in those situations. This Statement also requires disclosure of the current information about assets and liabilities that is not reflected in the statement of financial position.

152. The Board believes that this Statement represents an improvement in past practices for the reporting of financial position in two ways. First, recognition of the cost of pensions over employees' service periods will result in earlier (but still gradual) recognition of significant liabilities that were reflected more slowly in the past financial statements of some employers. Second, the requirement to recognize a minimum liability limits the extent to which the delayed recognition of plan amendments and losses can result in omission of liabilities from statements of financial position.

153. Recognition of a measure of at least a minimum pension obligation as a liability is not a new idea. ARB 47, published in 1956, stated that "as a minimum, the accounts and financial statements should reflect accruals which equal the present worth, actuarially calculated, of pension commitments to employees to the extent that pension rights have vested in the employees, reduced, in the case of the balance sheet, by any accumulated trusteed funds or annuity contracts purchased" (paragraph 7). Paragraph 18 of Opinion 8 required that "if the company has a legal obligation for pension cost in excess of amounts paid or accrued, the excess should be shown in the balance sheet as both a liability and a deferred charge." Opinion 8 did not define the term *legal liability,* and the FASB concluded in Interpretation 3 that, pending completion of this project, ERISA should not be presumed to create a legal liability for purposes of applying paragraph 18.

154. The Board considered a minimum liability based on the vested benefit obligation but concluded that the time at which benefits vest should not be the primary point for recognition of either cost or liabilities.

155. The Board also considered an alternative proposal that would differ from the requirements of this Statement in two ways. First, while it would have recognized the same minimum liability, it would also have recognized a minimum asset when the

value of plan assets exceeded the projected benefit obligation. Second, it would 'e recognized an intangible asset only when recognition of a minimum liability ılted directly from a plan amendment. Changes in the minimum liability or the ıimum asset not resulting from plan amendments (that is, gains and losses) would 'e been recognized as a separate component of equity (and thus would have been luded in comprehensive income but not in earnings of the current period). The ard rejected that alternative because of the volatility that it would introduce into ancial statements and because of its added complexity.

) or More Plans

¡. Some respondents argued that an employer with two or more plans should nbine or net all plans and report the funded status only on an overall basis. That uld affect the required disclosure and minimum liability recognition provisions of ; Statement. They suggested that differences between plans are not substantive :ause an employer could merge two or more plans. The Board believes that an ployer with one well-funded plan and another less well funded or unfunded plan n a different position than an employer with similar obligations and assets in a gle plan. The Board was not convinced that combining plans would be easy or :n possible in many cases. For example, the Board believes it would be difficult to nbine a qualified plan with an unqualified plan or a flat benefit plan with a final- / plan. Further, netting all plans would be inconsistent with other standards that :clude offsetting assets and liabilities unless a right of offset exists. The Board con- ded that the requirements of this Statement to show separately certain informa- n for plans with assets less than accumulated benefits would provide more useful ormation than would allowing the netting of all plans.

:ognition of the Cost of Retroactive Plan Amendments

7. When a defined benefit pension plan is initiated or amended to increase bene- ;, credit is often given for employees' services rendered before the date of the ıendment. After such an amendment the projected benefit obligation, based on ıefits attributed to past services by the plan's new benefit formula, is greater than fore. The Board concluded that the employer's obligation for pension benefits ınted in a plan amendment and attributable under the terms of the plan to prior vice is not significantly different from the obligation arising year by year in accor- nce with the plan terms in effect prior to the amendment and that, as a result, the :remental obligation created by a plan amendment should be reflected as an :rease in the projected benefit obligation. The increase in obligation is substantive, t simply the result of a computation; for example, vested benefits are increased mediately.

158. A few respondents argued that the retroactive cost of a plan amendment should be recognized as net periodic pension cost in the year of the amendment. They agreed that the obligation for benefits attributed to past service represents a liability and they concluded that, although some intangible future economic benefit may also result, it would not qualify for recognition as an asset. In their view, the retroactive cost of past plan amendments should not be charged to future periods.

159. Most respondents agreed with the rationale in *Preliminary Views* and the Exposure Draft that a plan initiation or amendment is invariably made with a view to benefiting the employer's operations in future periods rather than in the past or only in the period of the change.[15] The Board believes that a future economic benefit exists, that the cost of acquiring that benefit can be determined, and that amortization of that cost over future periods is consistent with accounting practice in other areas. The Board also believes that a requirement to charge the cost of a retroactive plan amendment immediately to net periodic pension cost would not be representationally faithful and would represent an unacceptably radical change from current practice. The Board concluded that the increase in the projected benefit obligation resulting from a plan change should be recognized as a component of net periodic pension cost over a number of future periods as the anticipated benefit to the employer is expected to be realized.

160. Some respondents argued that the intangible asset proposed in the Exposure Draft does not qualify for recognition. The Board acknowledges the fact that similar future benefits are not recognized as assets in some cases. The Board concluded, however, that the asset should be recognized to the extent that a liability in excess of unfunded accrued pension cost is recognized. The Board also concluded that the asset recognized should be limited to the amount of prior service cost not yet recognized in net periodic pension cost. A plan can have unfunded accumulated benefits in excess of unfunded accrued pension cost only as a result of either retroactive plan amendments or losses. Although the Board agreed to delay recognition of losses in net periodic pension cost, it believes recognition of a loss as an asset would be inappropriate. No respondents argued that unrecognized losses represent future economic benefits.

161. Some respondents suggested that an intangible asset should be recognized but should be grouped with or netted against the pension liability. The Board rejected that approach because the asset cannot be used directly to satisfy the liability. There

[15] The probable future economic benefits in a particular case may include reduced employee turnover, improved productivity, and reduced demands for increases in cash compensation. The cost of the benefits is measured at the date of the plan change by the discounted amount of the incremental obligation resulting from the change.

ight of offset. That is really an argument against recognizing any liability aris- om a plan change. The Board's conclusions on liability recognition were dis- d previously.

tization of the Cost of Retroactive Plan Amendments

The Board recognizes that the number of periods benefited by a retroactive amendment (or the amount of the benefit remaining at a subsequent date) is ult to estimate and is not objectively determinable. However, the Board con- d that amortization based on the expected future service of plan participants are active at the time of the plan amendment or plan adoption and who are ex- d to receive benefits under the plan provides a reasonable basis for allocating ost of a plan amendment to the periods benefited. Amortization beyond that d would be inconsistent with the objective of recognizing the cost of an employ- ension over that individual's service period.

The Board concluded that, conceptually, amortization of prior service cost ld recognize the cost of each individual's added benefits over that individual's ining service period. In practice, the Board believes that the precision of such a outation on an individual basis is unnecessary and might not be worth the cost. Board viewed a method that allocates the same amount of prior service cost to expected future year of each employee's service as a reasonable approximation e results of an individual computation. Use of the more precise method is, of se, appropriate. The Board also concluded that interest on that part of the obli- on arising in an amendment and the anticipated future return on assets contrib- (or to be contributed) to provide for that part of the obligation are separate ponents. Neither of those components should affect the recognition of prior ser- cost.

The individual computation, like the method adopted by the Board, would lt in a declining amortization charge for the cost of a particular plan amendment use some of the employees who were granted additional benefits in the plan ge normally could be expected to retire or terminate each period. In fact, an rtization of prior service cost for each individual as a level amount over that vidual's remaining service period would be somewhat more rapid than the hod adopted because the individuals receiving the greatest amount of retroactive efits will usually be those nearest retirement. The method adopted is also consis- with the idea that the benefits realized by the employer as a result of a retroactive change are likely to be greatest in the years immediately after the change. An tration of the method is included in Appendix B.

165. Some respondents to the Exposure Draft argued that the proposed allocation of the same amount of prior service cost to each future year of service would be unnecessarily complex and would require employers to maintain detailed records for long periods. The Board noted that it intends this Statement, to the extent possible, to define accounting objectives rather than specific computational means of attaining those objectives. The Board agreed to allow alternative methods of amortization (explicitly including a straight-line amortization over the average remaining service period of participants expected to receive benefits) that would simplify computations and record keeping as long as such methods do not have the effect of delaying recognition of prior service cost to a greater extent than the method that was defined in the Exposure Draft.

166. Because the cost of an amendment is measured as a present value (an increase in the projected benefit obligation), an amendment also results in an increase in the interest cost component of net periodic pension cost. Opinion 8 permitted amortization of the cost of retroactive plan amendments between a minimum and maximum range (paragraphs 17(a) and (b)), which, in practice, resulted in amortization periods ranging from 10 to 40 years. The method previously most often used in practice was an "interest method" or "mortgage method," which allocates the prior service cost and interest cost on the unamortized (or unfunded) balance as a level total amount. Because that method considers interest only on a net basis (interest on the *unfunded* balance), it actually has the effect of delaying recognition of the cost of retroactive benefits in anticipation of future contributions and the return on the fund expected to be accumulated. That method is often described as producing a level total amortization, but the total that is level is the sum of principal amortization and interest cost on the related portion of the obligation, less return on the funds that will be built up, assuming future contributions equal to the level total. Under that method small amounts of the cost of the retroactive benefits are recognized in the years immediately after an amendment when interest on the unamortized cost is high, and the largest amounts of the cost of the benefits are recognized in the last years of the amortization period. The Board concluded that method has the effect of deferring a major portion of the cost of pensions beyond the service period of employees receiving them.

167. Some respondents suggested that some plans (for example, those providing benefits that are not pay-related or are related to career-average-pay) are amended more often than plans with final-pay benefit formulas and that as a result, the cost of each amendment should be recognized more rapidly. The Board concluded that if those or other circumstances indicate that the benefits of a retroactive plan amendment have been impaired or will expire more rapidly than would be reflected by the minimum amortization specified, the cost should be recognized more rapidly.

uture Amendments

68. Some respondents suggested that plan amendments should be anticipated or stimated before they are made, in which case increased benefits expected to be ranted in the future would be included in determining current period cost. Under at approach plan amendments actually occurring during a period would be treated s changes in estimates to the extent they varied from the assumption. The Board ejected that approach for most situations because of concerns about the ability to ake reasonable estimates of future plan amendments and because the Board does ot believe that a present obligation ordinarily exists for benefits to be promised in ture amendments. Anticipation of future plan amendments also is inconsistent ith the basic view that the terms of the present plan provide the best basis for measuring the present obligation.

69. However, respondents to the Exposure Draft argued that in some situations the ubstance of a plan embodies a present substantive commitment to provide benefits eyond those defined in the written plan formula. One example cited was a career-verage-pay plan that produces approximately the same results as a final-pay plan rough regular updates. Another example was an unwritten but substantive commitment to increase regularly the benefits paid to retirees to reflect inflation. The oard noted that this Statement retains from Opinion 8 the requirement to account or the substance of an unwritten plan. The Board agreed that employers should ccount for the substance of such commitments and disclose their existence and ature.

mendments Affecting Retirees

70. An amendment sometimes increases benefits for individuals already retired. ince those individuals are not expected to render future services, the cost of those enefits cannot be recognized over the individuals' remaining service periods.

71. Some respondents argued that such an amendment does not give rise to a uture economic benefit and that its entire cost should be recognized as an expense in ne period of the amendment. The Board sees some merit in that argument but concluded that it is reasonable to assume that a plan amendment is the result of an conomic decision and that future economic benefits similar to those expected to esult from a benefit increase for active employees are expected to result when retirees' benefits are increased. The Board noted that in at least some cases retirees' benefit increases are part of collective-bargaining agreements and that some may view hose benefits as being exchanged for services of active employees. The Board agreed

that it would be simpler and more practical to recognize the cost of all plan amendments similarly, that is, on a delayed basis.

Amendments That Reduce Benefits

172. The Board recognizes that a situation might exist in which a plan amendment reduces benefits attributed to prior service. The Board concluded that accounting for such amendments should be consistent with accounting for benefit increases and that the accounting specified in paragraph 28 would accomplish that objective.

Volatility and Delayed Recognition of Gains and Losses

173. Gains and losses, sometimes called actuarial gains and losses, are changes in either the value of the projected benefit obligation or the fair value of plan assets arising from changes in assumptions and from experience different from that incorporated in the assumptions. Gains and losses include actual returns on assets greater than or less than the expected rate of return.

174. A number of respondents to the Exposure Draft and earlier documents issued as part of this project expressed concern about the volatility of an unfunded or overfunded pension obligation measure and the practical effects of incorporating that volatility into financial statements. The Board does not believe that reporting volatility per se is undesirable. If a financial measure purports to represent a phenomenon that is volatile, the measure must show that volatility or it will not be representationally faithful. The Board also notes that the volatility of the unfunded or overfunded obligation may be less than some expect if the explicit assumptions used in the valuation of the obligation are changed to reflect fully the changes in interest rate structures that affect the fair values of plan assets, because changes in the assets may tend to offset changes in the obligation.

175. However, in the case of pension liabilities, volatility may not be entirely a faithful representation of changes in the status of the obligation (the phenomenon represented). It may also reflect an unavoidable inability to predict accurately the future events that are anticipated in making period-to-period measurements. That is, the difference in periodic measures of the pension liability (and therefore the funded status of the plan) results partly from the inability to predict accurately for a period (or over several periods) compensation levels, length of employee service, mortality, retirement ages, and other pertinent events. As a result, actual experience often differs significantly from that which was estimated and that leads to changes in the estimates themselves. Recognizing the effects of revisions in estimates in full in the

:riod in which they occur may result in volatility of the reported amounts that does)t reflect actual changes in the funded status of the plan in that period.

'6. Some respondents believe that some of the volatility is representationally faith-l, for example, gains and losses that result from measuring investments at fair lue. They also believe, however, that recognizing those gains and losses, and espe-ılly including them in earnings of the current period, would be inconsistent with e present accounting model applicable to employers' financial statements. They gued that such a major departure from the present model should not be made in is project.

7. The Board considered those views and concluded that it should not require that ins and losses be recognized immediately as a component of net periodic pension st. Accordingly, this Statement provides for recognition of gains and losses pro-ectively over future periods to the extent they are not offset by subsequent anges. Based on the concerns expressed by many respondents to the Exposure :aft, the Board also concluded that the effects of changes in the fair value of plan sets, including the indirect effect of those changes on the return-on-assets compo-nt of net periodic pension cost, should be recognized on a basis that reduces the latility more effectively than that proposed in the Exposure Draft. The Board lieves that both the extent of volatility reduction and the mechanism adopted to fect it are essentially practical issues without conceptual basis. The Board does not lieve that the market-related value of assets used in this Statement as a device to duce the volatility of net periodic pension cost is as relevant as the fair value quired for other purposes.

8. The Exposure Draft would have required use of the discount rate and the fair lue of assets as the basis for calculating the return-on-assets component of net riodic pension cost. Many respondents argued that the return-on-assets compo-nt so determined would generate unacceptable volatility even if gains and losses :re never amortized. The Board considered several approaches that would have rther reduced volatility and concluded that the approach required by this State-:nt represents the best pragmatic solution.

9. This Statement requires use of an assumption, described as the expected long-m rate of return on plan assets, and of a market-related value of assets to calculate : expected return on plan assets. Actual returns greater than or less than the pected return are afforded delayed recognition. The Board anticipates that the pected return on assets defined in this Statement will be less volatile than either the tual return on assets or the return on assets that would have been recognized based the Exposure Draft. The Board noted, however, that an expected long-term

return-on-assets rate significantly below the rate at which the obligations could be settled implies that settlement would be economically advantageous.

180. The Board believes the approach required in this Statement has several advantages. First, it is very similar mechanically to past practices intended to achieve similar objectives. As a result, it should be easier for those familiar with the details of past practices to understand and apply. Second, it avoids the use of discount rates relevant primarily to the pension obligation as part of a calculation related to plan assets. As a result, it reflects more clearly than did the Exposure Draft the Board's basic conclusion that information about a pension plan is more understandable if asset-related or financial aspects of the arrangement are distinguished from the liability-related and compensation cost aspects.

181. This Statement defines market-related asset value as either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years. The Board considered defining a more specific averaging method to be used by all employers, but it concluded that the definition adopted has the advantage of simplicity. It also allows the use of fair value for some classes of assets, and the Board believes that use of fair value for certain assets (for example, bonds) will reduce the volatility of net periodic pension cost. The Board also noted that the definition adopted is similar to (in fact, it was adapted from) that proposed in an Exposure Draft by the Canadian Institute of Chartered Accountants.

182. The Board also considered a number of respondents' suggestions that would have further reduced the volatility of net periodic pension cost by using a discount rate that would change less often and less significantly than the rate described in paragraph 44. Those respondents were primarily concerned that the service component of net cost would be volatile because of changes in the discount rate assumption. The Board concluded that the service component is the cost of benefits attributed to service in the current period and should reflect prices of that period. The Board noted that accounting generally recognizes the current prices rather than past or average prices in recording transactions of the current period. The Board also noted that the service component under the provisions of this Statement is essentially the same as net pension cost determined under the provisions of Opinion 8 for a plan that purchases annuities annually for all benefits attributed to service of that year.

183. The discount rate also has some effect on the interest cost component of net periodic pension cost, but that was less controversial among respondents because as the rate increases (or decreases) the present value of the obligation determined at that rate decreases (or increases) so that the effect on net periodic pension cost (the rate times the present value of the obligation) is less significant.

4. The Board noted that, if assumptions prove to be accurate estimates of expe-
nce over a number of years, gains or losses in one year will be offset by losses or
ns in subsequent periods. In that situation, all gains and losses would be offset
er time, and amortization of unrecognized gains and losses would be unnecessary.
e Board was concerned, however, that the uncertainties inherent in assumptions
uld lead to gains or losses that increase rather than offset, and concluded that
ins and losses should not be ignored completely. Actual experience will determine
: final net cost of a pension plan. Therefore, the Board concluded that some amor-
ation, at least when the net unrecognized gain or loss becomes significant, should
required. The Board also noted that amortization of unrecognized gains or losses
part of current funding and past accounting practice.

5. In *Preliminary Views,* the Board proposed a simple amortization based on the
erage remaining service period of active plan participants. The amount amortized
ould have been equal to the net unrecognized gain or loss divided by the average
naining service. Many respondents commented that the proposed amortization
d not sufficiently reduce the volatility of net periodic pension cost.

6. The Board concluded that once a decision is made to delay recognition of gains
d losses, no demonstrably correct period is identifiable over which those items
ould be amortized. Accordingly, the Board concluded that less rapid amortization
uld be allowed but that some limit should be retained.

7. The Board was attracted to the "corridor" approach required by this Statement
a minimum amortization approach in part because it allows a reasonable oppor-
nity for gains and losses to offset each other without affecting net periodic pension
st. The Board also noted that the corridor approach is similar in some respects to
ethods used by some to deal with gains and losses on plan assets for funding pur-
oses.

8. Like the period of amortization of unrecognized gains and losses, a decision
out the point at which it becomes necessary to begin amortizing (the width of the
rridor) is not conceptually based. The Board believes it is appropriate to relate that
quirement to the market-related value of plan assets and the amount of the pro-
cted benefit obligation because the gains and losses subject to amortization are
anges in those two amounts. The Board concluded that a net gain or loss equal to
) percent of the greater of those two amounts should not be required to be amor-
zed. The width of the resulting corridor is 20 percent (from 90 percent to 110 per-
nt of the greater balance).

189. The Board considered whether the changes made to the provisions of the Exposure Draft to reduce the volatility of net periodic pension cost obviated the need for the corridor approach to gain or loss amortization, either for all gains and losses or for those related to plan assets. The Board concluded that that approach should be retained as a reasonable way to avoid excessive volatility that might otherwise result from changes in the projected benefit obligation, and that treating asset gains and losses similarly was a simple and reasonable solution to a practical problem.

190. Opinion 8 stated that ". . . actuarial gains and losses should be spread over the current year and future years . . ." (paragraph 30). The Board understands, however, that predominant past practice did not consider gains and losses until after the period in which they arose. *Preliminary Views* would have calculated net periodic pension cost including amortization of the year-end unrecognized net gain or loss. Participants in a field test conducted by the Board and a number of employers associated with the Financial Executives Institute suggested that that approach would unnecessarily complicate the preparation of interim financial statements. The Board agreed, and this Statement requires amortization of unrecognized net gains or losses based on beginning-of-the-year balances.

Assumptions

191. This Statement requires that each significant assumption used in determining the pension information reflect the best estimate of the plan's future experience solely with respect to that assumption. That method of selecting assumptions is referred to as an *explicit approach*. An *implicit approach*, on the other hand, means that two or more assumptions do not individually represent the best estimate of the plan's future experience with respect to those assumptions, but the aggregate effect of their combined use is presumed to be approximately the same as that of an explicit approach. The Board believes that an explicit approach results in more useful information regarding (a) components of the pension benefit obligation and net periodic pension cost, (b) changes in the pension benefit obligation, and (c) the choice of significant assumptions used to determine the pension measurements. The Board also believes that the explicit approach is more understandable. Most respondents who addressed the question agreed.

192. A number of respondents commented that differences in assumptions, especially the discount rates and the assumed compensation levels, would impair comparability. Some of those respondents concluded that the Board should require all employers to use the same assumptions. Others concluded that the Board could not fix the assumptions and, therefore, any attempt to improve comparability by making other changes in accounting for pensions was futile.

93. The Board concluded that requiring all employers to use the same assumptions ; inappropriate. Concepts Statement 2 defines comparability as "the quality of nformation that enables users to identify similarities in and differences between two ets of economic phenomena." The Board noted that requiring all employers to use he same turnover assumption, for example, would *reduce* comparability to the xtent that that assumption would otherwise reflect real differences in expected urnover among employers.

94. This Statement requires use of an assumption described as the expected long-erm rate of return on plan assets to calculate the expected return on plan assets. That assumption would not have been required by the Exposure Draft. The Board's easons for adopting that requirement are discussed in paragraphs 177-181.

195. Most respondents focused their comments on assumed discount rates and compensation levels. Those are generally cited as the assumptions that have the greatest effect on measures of pension cost and benefit obligations, and they are related because both are affected by some of the same economic factors (such as the expected future rates of inflation). Some respondents also believe those assumptions (particularly the discount rates) are less likely than others to reflect real differences among plans.

196. The Board considered a requirement that all employers use common benchmark discount rates, such as those published by the Pension Benefit Guaranty Corporation (PBGC). One reason for that consideration was its concern that rates previously used for disclosure purposes varied among employers over an unreasonable range. In spite of that concern, however, the Board concluded that requiring use of benchmark rates would be inappropriate, in part because no readily available rates seemed fully suitable. Instead, the Board decided that this Statement should describe more clearly the objective of selecting the discount rates with the expectation that a narrower range of rates used would result. Although the Board concluded that it should not require use of PBGC rates, it noted that certain of those rates, as currently determined, are one source of readily available information that might be considered in estimating the discount rates required by this Statement.

197. The Board notes that discount rates are used to measure the current period's service cost component and to determine the interest cost component of net periodic pension cost. Both of those uses relate to the liability side of pension accounting. From an accounting (as opposed to funding) perspective, they have nothing to do with plan assets. The same assumptions are needed for an unfunded plan.

198. The Board concluded that selection of the discount rates should be based on current prices for settling the pension obligation. Under this Statement, the discount rates are used most significantly to calculate the present value of the obligation and the service cost component of net periodic pension cost. Both of those uses are conceptually independent of the plan's assets. If two employers have made the same benefit promise, the Board believes the service cost component and the present value of the obligation should be the same even if one expected to earn an annual return of 15 percent on its plan assets and the other had an unfunded plan. The Board concluded that a current settlement rate best meets that objective and also is consistent with measurement of plan assets at fair value for purposes of disclosing the plan's funded status.

199. Interest rates vary depending on the duration of investments; for example, U.S. Treasury bills, 7-year bonds, and 30-year bonds have different interest rates. Thus, the weighted-average discount rate (interest rate) inherent in the prices of annuities (or a dedicated bond portfolio) will vary depending on the length of time remaining until individual benefit payment dates. A plan covering only retired employees would be expected to have significantly different discount rates from one covering a work force of 30-year-olds. The disclosures required by this Statement regarding components of the pension benefit obligation will be more representationally faithful if individual discount rates applicable to various benefit deferral periods are selected. A properly weighted average rate can be used for aggregate computations such as the interest cost component of net pension cost for the period.

200. An insurance company deciding on the price of an annuity contract will consider the rates of return available to it for investing the premium received and the rates of return expected to be available to it for reinvestment of future cash flows from the initial investment during the period until benefits are payable. That consideration is indicative of a relationship between rates inherent in the prices of annuity contracts and rates available in investment markets. The Board concluded that it would be appropriate for employers to consider that relationship and information about investment rates in estimating the discount rates required for application of this Statement.

201. Some believe that year-to-year changes in pension information as a result of changes in assumed discount rates should be avoided to the maximum extent possible. In their view, some averaging technique should be used to smooth potential year-to-year changes so that assumed rates are changed only when it is apparent that the long-term trend has changed. The Board recognizes that long-term interest rates must be considered in determining appropriate assumed discount rates. However, it

jects the view that material changes in long-term rates should be ignored solely to 'oid adjusting assumed discount rates.

)2. The Board also addressed assumed compensation levels and concluded that ey should (a) reflect the best estimate of actual future compensation levels for the dividuals involved and (b) be consistent with assumed discount rates to the extent at both incorporate expectations of the same future economic conditions.

)3. Some respondents argued that only certain components[16] of future compensa- on increases should be considered. The Board concluded that the terms of the plan not distinguish between compensation increments from different causes and that counting should not do so either. The Board also is not convinced that a meaning- il breakdown of a change in compensation levels into its components is practical.

ifferent Accounting for Smaller Employers

)4. The 1983 FASB Discussion Memorandum, *Employers' Accounting for Pen- ons and Other Postemployment Benefits,* raised the question of whether certain naller employers should have pension accounting requirements different from iose for larger companies.

)5. Some respondents argued that different requirements were needed because the osts of obtaining information are relatively more burdensome for smaller employ- 's and because there is less benefit from improved accounting for those employers. i their view, the needs and interests of users of smaller employers' financial state- ients, especially those of employers that are not publicly held, are different from ie needs and interests of users of public companies' financial statements.

)6. The Board also considered arguments that certain defined benefit plans of nall employers are substantively different from those of larger employers. In this iew the smaller employer's plan is primarily a means of sheltering the income of key nployees or manager-owners from taxation, and as a result, the nature of the obli- ation is different.

'The components have been defined as increases due to merit, productivity, and inflation. Merit creases are those that an individual employee will receive as that employee progresses through a ireer and that are theoretically based on the employee's ability to perform at a more competent or sponsible level as the individual becomes older and accumulates more experience. The second com- onent is labor's share of productivity gains. The third component attempts to anticipate general ompensation increases that result from inflation.

207. The Board concluded that the measurement of net periodic pension cost and the recognition of net pension liabilities or assets should not differ for smaller or nonpublic employers. Evidence from users of the financial statements of smaller employers (in particular, bankers) does not provide support for a different approach. In the Board's view, the existence of a separate set of measurement requirements or a range of alternatives for certain employers would probably not improve the cost-benefit relationship but would add complexity and reduce the comparability and usefulness of financial statements.

208. The Exposure Draft proposed to allow certain smaller and nonpublic employers to elect an alternative set of disclosure requirements less extensive than those proposed for other employers. Because changes to reduce the extent of required disclosure for all employers eliminated most of the items that would not have been required of smaller employers, the Board concluded that the same requirements should apply to all employers.

209. Some respondents argued that smaller employers would have a more difficult time than other employers with the initial application of this Statement, in part because advisors involved with pension accounting may put a higher priority on the needs of larger employers. The Board agreed that the transition provisions of this Statement, which allow an extra two years before application is required for certain smaller employers, would be a practical and appropriate means of facilitating its adoption by those employers.

Different Accounting for Certain Industries

210. Some respondents argued that accounting requirements should be different for employers subject to certain types of regulation (rate-regulated enterprises) or for employers that have certain types of government contracts for which reimbursement is a function of costs incurred. In both of those cases it was noted that a change in reported net periodic pension cost might have a direct effect on the revenues of the employer (lower cost would result in reduced revenues), or conversely, that increases in reported net periodic pension cost would not be recoverable. The Board understands the practical concerns of those respondents, but it concluded that the cost of a particular pension benefit is not changed by the circumstances described and that this Statement should include no special provisions relating to such employers. For rate-regulated enterprises, FASB Statement No. 71, *Accounting for the Effects of Certain Types of Regulation,* may require that the difference between net periodic pension cost as defined in this Statement and amounts of pension cost considered for rate-making purposes be recognized as an asset or a liability created by the actions of

the regulator. Those actions of the regulator change the timing of recognition of net pension cost as an expense; they do not otherwise affect the requirements of this Statement.

Disclosure

General Considerations

211. Decisions on disclosure requirements involve evaluating and balancing considerations of relevance, reliability, and cost. Relevance and reliability are characteristics that make information useful for making decisions and that make it beneficial to require disclosure of some information. Benefits to users that are expected to result from required disclosures must be compared with the costs of providing and assimilating that information. Evaluating individual disclosures in relation to those criteria is generally a matter of judgment. Cost, for example, is affected by several factors, one of which is the fact that some employers have a large number of different plans and some disclosures are more difficult than others to aggregate or summarize meaningfully. Also, as the total amount of disclosure increases, the incremental cost to both preparers and users of additional disclosure may be greater than the benefit of the additional information.

212. Many respondents supported the basic idea that additional information about defined benefit pension plans was needed by users of financial reports. Respondents suggested a wide range of possible disclosures.

Specific Disclosure Requirements

Descriptive Information

213. Respondents generally favored disclosure of information about plan provisions and employee groups. The Board concluded that a brief description of the plan and the type of benefit formula could assist users in understanding the financial statements, particularly in view of the fact that the measurement of net periodic pension cost is based on the benefit formula. Respondents and the Board agreed that financial statements should continue to disclose the nature and effects of significant changes in the factors affecting the computation of the net pension liability (or asset) and net periodic pension cost recognized in the financial statements and other significant or unusual matters necessary to an understanding of the impact of the plan on the employer's financial position and results of operations.

214. Respondents also favored disclosure of the funding policy. They noted that the disclosure required by Opinion 8 and Statement 36 had been helpful in understanding differences between funding a pension plan and accounting for it. Information that highlights changes in funding policies also can be useful in predicting future cash flows.

Pension Cost Information

215. Most respondents indicated that the disclosure of net periodic pension cost has been useful and favored continuing that disclosure requirement. The Board concurred and also decided to require disclosure of the components of net periodic pension cost. Some respondents argued that it is important to separate return on assets from the other components because they consider that return to be the result of the employer's financing decisions and not really a part of pension cost. The Board also believes that disclosure of the components will, over time, increase the general understanding of the nature of net periodic pension cost, the reasons for changes in that cost, and the relationship of financing activities and employee compensation cost.

216. The Exposure Draft proposed to require disclosure of both the expected return on assets (as a component of net periodic pension cost) and the actual return on assets (as part of a disclosure of changes in the fair value of plan assets). Respondents suggested that disclosure of two different measures of return on assets would be confusing. The Board agreed and concluded that, of the two, the actual return was more relevant and important.

Information about Obligations and Assets

217. Disclosure of information about the funded status of the plan was favored by most respondents who addressed that issue. The Board concluded that disclosure of certain components of the pension benefit obligation should be required. The Board believes that disclosure of that information is important to an understanding of the economics of the employer's pension plan. For example, disclosure of vested benefits provides important information about the firmness of the obligation (vested benefits are less avoidable than nonvested benefits). In addition, vested benefits may be a reasonable surrogate for a plan termination liability. The Board believes that this information is not particularly difficult or costly to obtain.

218. The Board concluded that users should also be provided general information about the major types of plan assets (and nonbenefit liabilities, if any) and the actual amount of return on plan assets for the period. Management has a stewardship

responsibility for efficient use of plan assets just as it does for operating assets. The Board believes that disclosure of that information will be useful in assessing the profitability of investment policies and the degree of risk assumed.

219. The Board believes that a reconciliation of the amounts included in the employer's statement of financial position to the funded status of the plan's projected benefit obligation is essential to understanding the relationship between the accounting and the funded status of the plan. The Board acknowledges that the amount recognized in the financial statements as a net pension liability or asset under this Statement does not fully reflect the underlying funded status of the plan.

Information about Assumptions

220. Respondents addressing the question generally favored disclosure of the weighted-average assumed discount rate. They noted that the discount rate is a significant assumption that materially affects the computation of the pension benefit information and the comparability of that information among employers. Respondents were divided on whether other assumptions should be disclosed. Some opposed disclosing other assumptions on the basis that additional information would not be understood by most users. Others suggested that for employers with numerous plans, certain of the disclosures (such as turnover and mortality) would be complex and difficult to aggregate or summarize.

221. The Board agreed that information about certain assumptions is useful and this Statement requires disclosure of the assumed weighted-average discount rate and rate of compensation increase. It noted that those two assumptions have the most significant impact on the amounts of net periodic pension cost and the projected benefit obligation and that those two assumptions are related. It also noted that their effect on reported amounts is relatively easy to understand. The Board concluded that information about those two assumptions is essential if users are to be able to make meaningful comparisons among employers using different assumptions. For the same reasons, when the Board decided to allow the use of an expected long-term rate of return on plan assets different from the discount rate, it concluded that disclosure of that assumption should be required.

222. Some respondents opposed disclosure of assumed future compensation levels because providing that information to employees could affect labor negotiations. The Board concluded that the information is likely to be available to labor negotiators from other sources and that the usefulness of the information to financial statement users justifies its disclosure.

Suggested Disclosures

223. The Exposure Draft would have required the following disclosures in addition to those noted in the preceding paragraphs:

a. The ratio of net periodic pension cost to covered payroll
b. The separate amounts of amortization of unrecognized prior service and amortization of unrecognized net gain or loss
c. Information about the cash flows of the plan separately showing employer contributions, other contributions, and benefits paid during the period
d. The amounts of plan assets classified by major asset category
e. The amounts of the vested benefit obligation owed to retirees and to others
f. The change in the projected benefit obligation that would result from a one-percentage-point change in (1) the assumed discount rate and (2) the assumed rate of compensation increase
g. The change in the service cost and interest cost components of net periodic pension cost that would result from a one-percentage-point change in (1) the assumed discount rate and (2) the assumed rate of compensation increase.

224. Those disclosures had been suggested by respondents to previous documents issued as part of this project and the Board had concluded in the Exposure Draft that they would provide useful information and would not be unduly costly to provide. However, many respondents to the Exposure Draft commented that the volume of the proposed disclosures was too great. The Board agreed and concluded that the disclosures described in the preceding paragraph should not be required. The Board believes those disclosures are relatively less useful or (in the case of the last two items listed) relatively more costly than the disclosures required by this Statement. The Board also believes it would be appropriate for employers to consider disclosing those items if they decide to disclose more information about pension plans than the minimum required by this Statement, for example, because their plans are large relative to their overall operations.

225. The Board also considered an approach that would have allowed reduced disclosures for employers with defined benefit plans not large enough in the aggregate to qualify as a segment of the business under FASB Statement No. 14, *Financial Reporting for Segments of a Business Enterprise*. The Board concluded that that approach would not be cost effective, in part because of the difficulty of defining how the provisions of Statement 14 should be applied to pension plans.

)ther Disclosures Considered

26. Other disclosures noted in the following paragraphs were suggested by respon-ents and considered by the Board. The Board concluded that those suggested dis-losures are less important than the disclosures discussed previously and should not e required because, in the Board's judgment, there is not sufficient evidence that the sefulness of that information is great enough to justify the costs involved.

27. Some respondents favored disclosing estimates of future contributions. They iggested that the information would be relevant to assessing near-term cash flows nd would provide more timely information about changes in funding policy. That equirement was opposed by others who believed that presentation of forecasts of iture funds flows should not be required for any specific activity. Opponents also iggested that the information would be too costly to produce if done properly and iat it implies greater certainty than exists. Similar views were expressed for and gainst disclosure of estimates of future net periodic pension cost.

28. Disclosure of demographic information about the employee population was dvocated by several respondents. They suggested that a limited amount of demo-raphic information could be provided at minimal cost and would be useful. For xample, disclosure of the number of covered employees, the number of retirees, nd the average age of active employees might contribute to understanding the pen-on situation. Opponents suggested that those disclosures are outside the scope of nancial reporting.

29. Others suggested disclosing the obligation for pension benefits that would be sed in determining the PBGC or termination liability. The Board concluded that uch information could be costly to determine if done properly and might not be ubstantially different from other disclosed information (vested and accumulated enefit obligations).

30. Information about the plan's actuary was suggested as another possible disclo-ure. Recommendations were to provide the name and professional qualifications of ie actuary and comments of the actuary about any anticipated changes in plan costs r contribution rates. The Board concluded that such information is outside the cope of financial reporting.

imeliness of Information

31. The 1983 Discussion Memorandum raised the question of whether the ccounting measurements of pension obligations and plan assets should be as of the ate of the financial statements or as of an earlier date. Measuring pension assets as

of the date of the financial statements does not present very significant or unusual problems; the issue relates primarily to the measures of the pension obligations.

232. Although many respondents preferred that the Board allow measurements as of a date earlier than the date of the financial statements, most of the arguments raised related to a perceived requirement to have an actuarial valuation performed after that date and completed before financial statements are issued. The Board concluded that it should be feasible in most situations to provide information as of the date of financial statements based on a valuation performed at an earlier date with adjustments for relevant subsequent events (especially employee service) after that date. The Board noted that a number of employers have used that approach to provide information previously required. The Board also believes that the benefits of having the information on a timely basis and consistent with other financial information provided would usually outweigh the incremental costs involved. However, the Board acknowledges that practical problems may make it costly in some situations to obtain information, especially that concerning obligations and related components of net periodic pension cost, as of the date of the financial statements. Accordingly, the Board concluded that the information required by this Statement should be as of a date not earlier than three months before the date of the financial statements. The Board also noted that ARB No. 51, *Consolidated Financial Statements,* allows consolidation of a subsidiary with an annual fiscal period ending not more than about three months earlier than the parent's.

233. The Board also considered respondents' requests for clarification of how to apply the provisions of the Exposure Draft to quarterly reports and comments on the practical difficulty of basing current period net pension cost on assumptions related to the current period. The Board concluded that the provisions of paragraphs 52 and 53 of this Statement are practical and responsive to those concerns.

Other Situations and Types of Plans

Contracts with Insurance Companies

234. The Board concluded that some contracts with insurance companies are in substance forms of investments and that the use of those funding arrangements should not affect the accounting principles for determining an employer's net periodic pension cost. Some respondents who agreed with that conclusion were concerned that fair value of those investments would be difficult or impossible to determine. They suggested that contract value be used instead of fair value. The Board concluded that fair value should be the measurement basis for all types of investments but agreed that for some contracts the best available estimate of fair value might be contract value.

235. The Board recognized that some contracts with insurance companies are in substance more than investment vehicles. Most respondents noted that some insurance contracts (for example, nonparticipating annuities) effectively transfer the primary obligation for payment of benefits from the employer to the insurance company. They argued that, in those circumstances, the premium paid is an appropriate measure of pension cost. The Board agreed that the purchase of nonparticipating annuities is in substance more like a settlement of the pension obligation than like an investment.

236. Under some annuity contracts, the purchaser (either the plan or the employer) acquires the right to participate in the investment performance or experience of the insurance company (participating annuities). Under those contracts, if the insurance company has favorable experience, the purchaser receives dividends. Participating annuities have some characteristics of an investment. However, the employer is as fully relieved of the obligation as with a nonparticipating annuity, and a separate actuarial computation ordinarily would not be performed. The Board concluded that, except as indicated in the following paragraph, it would be appropriate to treat a participating annuity contract the same as a nonparticipating annuity contract and to exclude the benefits covered from measures of the obligation.

237. The Board was concerned, however, that a contract could be structured in such a way that the premium would be materially in excess of the cost of nonparticipating annuities because of the expectation of future dividends. If the full amount of the premium were recognized as periodic cost in the year paid and dividends were recognized as reductions of cost when received, the resulting measures of net periodic pension cost would be unrelated to benefits earned by employees. If the employer had the ability to influence the timing of dividends, it would then be possible to shift cost among periods without regard to underlying economic events. The Board concluded that part of a participating contract is in substance an investment that should be recognized as an asset.

238. The Board believes that measurement of the participation right asset in periods subsequent to its acquisition should be, consistent with the measurement of other assets, at fair value to the extent that fair value can be reasonably determined. The Board understands, however, that some participating annuity contracts may not provide a basis for an estimate of fair value better than that provided by amortized cost and concluded that in that situation amortized cost should be used. That conclusion is not intended to permit use of amortized cost if that amount is in excess of net realizable value.

239. The Exposure Draft would have treated annuity contracts purchased from an insurance company affiliated with the employer as investments (that is, it would have included such contracts and covered benefits in plan assets and the accumulated benefit obligation). Respondents argued that information needed to treat such contracts as investments, including the actuarial present value of the obligations covered by the contract, would be neither available nor cost beneficial. The Board agreed and this Statement requires only contracts purchased from a captive insurance subsidiary to be treated as investments. Because an employer remains indirectly at risk if annuities are purchased from an affiliate, however, the Board concluded that disclosure of the approximate amount of annual benefits covered by such contracts should be required.

Defined Contribution Plans

240. Most respondents supported the past accounting and disclosure requirements for defined contribution plans, and the Board concluded that no significant changes to those requirements were needed. The Board believes that in most cases the formula in a defined contribution plan unambiguously assigns contributions to periods of employee service. Accordingly, the employer's present obligation under the terms of the plan is fully satisfied when the contribution for the period is made, subject to the constraint that costs (defined contributions) should not be deferred and recognized in periods after the termination of service of the individual to whose account the contributions are to be made. Most of the questions that have been referred to the Board about defined contribution plans have dealt with the definition of those plans and how to treat plans that have some of the attributes of both defined benefit and defined contribution plans. The definition of a defined contribution plan in this Statement is similar to the definitions presently established by the Internal Revenue Code and ERISA.

241. The Board also concluded that defined contribution plans are sufficiently different from defined benefit plans that disclosures about them should not be combined. Opinion 8 did not specifically address combining disclosures, and practice has varied as some employers disclosed, for example, net periodic pension cost as a single amount including both types of plans.

Multiemployer Plans

242. The 1983 Discussion Memorandum raised the issue of whether an employer participating in a multiemployer pension plan that provides defined benefits should recognize cost or obligations other than those defined by contributions. Respondents' comments indicated substantial uncertainty as to the legal status of employ-

obligations to multiemployer plans. Some noted that the obligation to a tiemployer plan can be changed by events affecting other participating employ- ınd their employees. Respondents also expressed concern about the availability ıformation sufficiently reliable for accounting recognition.

Based on respondents' comments, the Board concluded that it was not appro- te to require changes in the accounting for multiemployer plans as part of this ement. Many respondents also emphasized the substantive differences between a tiemployer plan and a single-employer plan. The Board concluded that those dif- nces are such that separating disclosure for the two types of plans will enhance understandability and usefulness of the information.

The Exposure Draft would have required certain disclosures intended to pro- information about the extent of involvement with multiemployer plans, includ- available information about the withdrawal liability. Many respondents argued the withdrawal liability is a contingent liability, which suggests that it should be losed. Other respondents, however, argued that information about the with- val liability would be difficult and expensive to obtain, would be unreliable and, ıe extent readily available, out of date, and would be of limited value except in s in which withdrawal was expected to occur under circumstances that would ger the liability. The Board agreed and the proposed requirements are not ıded in this Statement. Instead, the Board concluded that the provisions of ement 5 should determine when withdrawal liabilities are recognized or dis- ed.

Several respondents to the Exposure Draft argued that some plans involve e than one employer, are in substance multiemployer plans because the assets ıot be attributed to particular employers, and do not involve unions. The Board cluded that it should modify the proposed definition of multiemployer plans to ıde those plans.

The 1983 Discussion Memorandum also inquired about other multiple- loyer plans not classified as multiemployer plans under ERISA. The few that onded to that issue indicated that those plans are in substance more like single- loyer plans than like multiemployer plans. Accordingly, the definition of multi- loyer plans in this Statement is similar to that in ERISA as amended by the tiemployer Pension Plan Amendments Act of 1980.

Non-U.S. Pension Plans

247. Respondents' reactions to accounting issues concerning pension arrangements outside the United States (foreign plans) varied. Almost equal numbers of respondents supported and opposed special accounting provisions for those plans. Those supporting the position that special provisions should be required for foreign plans argued that either (a) the nature of the arrangement or the substance of the obligation is sufficiently different from that of plans in the United States to preclude similar treatment or (b) circumstances in other countries make it impractical or impossible to implement similar accounting principles.

248. The Board concluded that the substance of the arrangement and the nature of the employer's obligation should determine the appropriate accounting. For foreign plans that are in substance similar to plans in the United States, the Board was not convinced that application of the basic requirements of this Statement would be impractical. The Board is not aware of significant problems arising from the application of prior requirements to foreign plans, and those requirements were based on actuarial calculations and the same assumptions needed to apply this Statement.

249. The Board was convinced, however, that practical problems could arise in communicating the requirements and obtaining the information necessary for initial application of this Statement to plans outside the U.S. The Board concluded that allowing an extra two years before application is required would give employers time to make necessary arrangements in an orderly manner and would reduce the cost of transition.

250. Some respondents also argued that combined disclosures for U.S. plans and for plans in other countries with very different economic conditions would be difficult to understand. The Board agreed and concluded that disclosures for such plans should be presented separately.

Business Combinations

251. The Board is aware of diversity in practice relating to recognition of pension-related assets and liabilities in purchase business combinations. The Board has also been asked how the asset or liability, once recognized, should be subsequently reduced.

252. This Statement requires that in a business combination accounted for as a purchase under Opinion 16, the acquiring company should recognize a pension liability (or asset) if the acquired company has a projected benefit obligation in excess of (or

than) plan assets. It also requires that, if it is expected that the purchaser will ucture the plan, the effects of restructuring should be considered in valuing the ected benefit obligation. The Board concluded that those requirements are connt with purchase accounting as defined by Opinion 16, which specifies a *new ; of accounting* reflecting bargained (fair) value of assets acquired and liabilities med whether or not previously reflected in the financial statements. The Board ves that the unfunded or overfunded projected benefit obligation defined by Statement is a more appropriate measure of the net pension obligation or asset the measure required by Opinion 16 in view of the other conclusions in this :ment. The Board also noted that Opinion 16 was predicated on pension unting that involved alternative methods. One result of the accounting required is Statement is that the effects of plan amendments and gains and losses of the ired company's plan that occurred before the acquisition are not a part of future eriodic pension cost of the acquirer.

The Board also decided to avoid possible ambiguity and future diversity in ice by clarifying how Opinion 16 should apply to a multiemployer plan situa- The Exposure Draft would have required recognition of a withdrawal liability ı the employer is acquired in a business combination accounted for as a pur-:. Based on respondents' comments, however, the Board concluded that no recion of withdrawal liabilities should be required unless withdrawal under itions that would result in a liability is probable. The Board was led to that conon by doubts about the reliability of the measure of the liability in other circumes. The Board was not convinced that there is an obligation for future ibutions to a multiemployer plan or that an estimated withdrawal liability d provide useful information about such an obligation, absent a probable withal.

ition and Effective Dates

In *Preliminary Views* the Board concluded that transition was essentially a ical question and that providing a choice between two specified transition ods (prospective and retroactive) was appropriate. However, the choice of ods was not supported by most respondents principally due to the lack of comility that would result. Required application of a retroactive approach also had appeal among respondents because of the practical problems for some employn particular, a retroactive determination of the balance of the pension benefit ation as of a past date would often require a new actuarial valuation as of that Many argued that such an approach would have been costly and might have impracticable in some cases because relevant data no longer existed. Finally, many argued that a retroactive approach would have adverse consequences for some employers because of the materiality of pension amounts and the wide range of practices used under Opinion 8.

255. The Exposure Draft would have required amortization of the unrecognized net obligation or net asset on a declining basis over the service periods of employees active at the date of transition. Respondents argued that a declining basis amortization of that amount created year-to-year changes in net periodic pension cost that would reflect only transition and that for some companies with short average remaining service periods the transition would be unduly severe. The Board agreed and decided that the amortization required by this Statement would mitigate those concerns. That approach has the additional advantage that the transition will be completed somewhat earlier than would have been the case under the approach proposed in the Exposure Draft.

256. The Board continues to believe that transition is a practical matter and that a major objective of transition is to minimize the cost and to mitigate the disruption involved, to the extent that is possible without unduly compromising the objective of enhancing the ability of financial statements to provide useful information. The transition problem in this Statement is different from some others in several respects. The unrecognized net obligation or net asset described in paragraph 77 is the net total of several components: (a) unrecognized costs of past retroactive plan amendments, (b) unrecognized net gain or loss from previous periods, and (c) the cumulative effect of past use of accounting principles different from those in this Statement. If those components could be treated separately, it would be consistent with other provisions of this Statement to treat the last component as the effect of an accounting change (and to recognize it when this Statement is first applied), but prospective accounting (or delayed recognition) of the first two components is continued by this Statement. As a practical matter, the Board is convinced that it is effectively impossible, at least in many cases, to identify those components separately. Accordingly, the Board concluded that the single method of transition required by this Statement should be used.

257. Some respondents suggested that unrecognized amounts existing at transition should continue to be amortized using past methodologies. The Board noted that such a transition approach would result in delaying recognition of significant amounts for as much as 30 years and concluded that a less-extended transition was practical and preferable.

258. The Board also considered respondents' requests to clarify the appropriate procedures for transition to this Statement in other than the first interim period of a fis-

cal year. The Board agreed to do so and concluded that requiring restatement of previous interim periods would be appropriate and consistent with existing guidance in other areas.

259. The Board decided to allow more than the normal time between issuance of this Statement and its required application to give time for employers and their advisors to assimilate the requirements and to obtain the information required. The Board believes that a one-year delay is adequate for those purposes.

260. The Board also decided to allow an additional two years before employers are required to apply the provisions of this Statement that require recognition of a minimum liability because of concerns expressed by some respondents that some employers would have to arrange to renegotiate or to obtain waivers of provisions of some legal contracts. As noted previously, the Board also decided to allow an additional two years before employers are required to apply the provisions of this Statement to plans outside the U.S. and before certain smaller employers are required to apply those provisions.

Appendix B

ILLUSTRATIONS

261. This appendix contains illustrations of the following requirements of this Statement:

1. Delayed recognition and reconciliation of funded status
2. Transition
3. Amortization of unrecognized prior service cost
4. Accounting for gain or loss and timing of measurements
5. Recognition of pension liabilities, including minimum liability
6. Disclosure
7. Accounting for a business combination

Illustration 1—Delayed Recognition and Reconciliation of Funded Status

This Statement provides for delayed recognition of the effects of a number of types of events that change the measures of the projected benefit obligation and the fair value of plan assets. Those events include retroactive plan amendments and gains and losses. Gains and losses as defined in this Statement include the effects of changes in assumptions.

This Statement also requires disclosure of a reconciliation of the funded status of a plan to the net pension liability or asset recognized in the employers' financial statements. This illustration shows how that reconciliation provides information about items that have not been recognized due to delayed recognition. The illustration starts with an assumed funded status at the date of initial application of this Statement and shows how a series of events that change the obligation or the plan assets are reflected in the reconciliation. (Throughout this illustration the fair value of plan assets exceeds the accumulated benefit obligation and, therefore, no recognition of an additional minimum liability is required.)

Case 1—Company T at Transition

The reconciliation as of the date of initial application of this Statement is as follows:

Projected benefit obligation	\$ (10,000)
Plan assets at fair value	6,500
Funded status	(3,500)
Unrecognized net (gain) or loss	0
Unrecognized prior service cost	0
Unrecognized net obligation or (net asset) at date of initial application	3,500
(Accrued)/prepaid pension cost	\$ 0

The unrecognized net gain or loss and the unrecognized prior service cost are both initially zero by definition. The unrecognized net obligation or asset at transition is defined in paragraph 77 as the difference between the funded status and the accrued or prepaid pension cost already recognized. If, as in this case, the past contributions were equal to amounts recognized as net pension cost in past periods, there is no recognized accrued or prepaid pension cost in the statement of financial position and, therefore, the unrecognized net obligation or asset at transition is equal to the funded status.

Case 2—Past Contributions Lower by \$400

If Company T had not made a contribution of \$400 for the last year before the date of initial application but had recognized the same net periodic pension cost as in Case 1, the situation would be as follows:

Projected benefit obligation	\$ (10,000)
Plan assets at fair value	6,100
Funded status	(3,900)
Unrecognized net (gain) or loss	0
Unrecognized prior service cost	0
Unrecognized net obligation or (net asset) at date of initial application	3,500
(Accrued)/prepaid pension cost	\$ (400)

The unrecognized net obligation at transition is unchanged. It is the amount of the projected benefit obligation not yet recognized in net periodic pension cost and is not directly affected by funding decisions.

Case 3—Past Contributions Greater by $800

If, instead, the employer had made a contribution in excess of net periodic pension cost of $800, but the company had recognized the same net periodic pension cost as in Case 1, the reconciliation would be as follows:

Projected benefit obligation	$ (10,000)
Plan assets at fair value	7,300
Funded status	(2,700)
Unrecognized net (gain) or loss	0
Unrecognized prior service cost	0
Unrecognized net obligation or (net asset) at date of initial application	3,500
(Accrued)/prepaid pension cost	$ 800

After Initial Application

At any date after initial application, any change in the projected benefit obligation or the plan assets (other than contributions and benefit payments) either is unrecognized or has been included in net pension cost for some period. Contributions decrease the accrued pension cost or increase the prepaid pension cost, and benefit payments reduce the obligation and the plan assets equally. Thus, all changes in either the obligation or the assets are reflected in the reconciliation. Using Case 1 above as the starting point, the following reconciliations illustrate the effect of various events that change either the projected benefit obligation or the plan assets.

Case 4—Fair Value of Assets Increases by $400

	Before	After
Projected benefit obligation	$ (10,000)	$ (10,000)
Plan assets at fair value	6,500	6,900
Funded status	(3,500)	(3,100)
Unrecognized net (gain) or loss	0	(400)
Unrecognized prior service cost	0	0
Unrecognized net obligation or (net asset) at date of initial application	3,500	3,500
(Accrued)/prepaid pension cost	$ 0	$ 0

Case 5—Increase in Discount Rate Reduces Obligation by $900

	Before	After
Projected benefit obligation	$ (10,000)	$ (9,100)
Plan assets at fair value	6,500	6,500
Funded status	(3,500)	(2,600)
Unrecognized net (gain) or loss	0	(900)
Unrecognized prior service cost	0	0
Unrecognized net obligation or (net asset) at date of initial application	3,500	3,500
(Accrued)/prepaid pension cost	$ 0	$ 0

Case 6—Plan Amendment Increases the Obligation by $1,500

	Before	After
Projected benefit obligation	$ (10,000)	$ (11,500)
Plan assets at fair value	6,500	6,500
Funded status	(3,500)	(5,000)
Unrecognized net (gain) or loss	0	0
Unrecognized prior service cost	0	1,500
Unrecognized net obligation or (net asset) at date of initial application	3,500	3,500
(Accrued)/prepaid pension cost	$ 0	$ 0

se 7—Employer Accrues Net Pension Cost

t pension cost includes:

Service cost	$ 600
Interest cost	1,000
Amortization of initial unrecognized net obligation	233
Return on assets	(650)
	$ 1,183

contribution is made.

	Before	After
jected benefit obligation	$ (10,000)	$ (11,600)
n assets at fair value	6,500	7,150
ided status	(3,500)	(4,450)
recognized net (gain) or loss	0	0
recognized prior service cost	0	0
recognized net obligation or (net asset) at date of tial application	3,500	3,267
crued)/prepaid pension cost	$ 0	$ (1,183)

Illustration 2—Transition

Case 1

As of December 31, 1985, the projected benefit obligation and plan assets of a noncontributory defined benefit plan sponsored by Company A were:

Projected benefit obligation	$ (1,500,000)
Plan assets at fair value	1,200,000
Initial unfunded obligation	$ (300,000)

Company A elected to apply the provisions of this Statement for its financial statements for the year ending December 31, 1986. At December 31, 1985, no prepaid or accrued pension cost had been recognized in Company A's statement of financial position (that is, all amounts accrued as net periodic pension cost had been contributed to the plan). The average remaining service period of active plan participants expected to receive benefits was estimated to be 16 years at the date of transition. In this situation the initial unrecognized net obligation (and loss or cost) of $300,000 is to be amortized (recognized as a component of net periodic pension cost) on a straight-line basis over the average remaining service period of 16 years (paragraph 77) as follows:

Year	Beginning-of-Year Balance	Amortization[a]	End-of-Year Balance
1986	300,000	18,750	281,250
1987	281,250	18,750	262,500
1988	262,500	18,750	243,750
1989	243,750	18,750	225,000
1990	225,000	18,750	206,250
1991	206,250	18,750	187,500
1992	187,500	18,750	168,750
1993	168,750	18,750	150,000
1994	150,000	18,750	131,250
1995	131,250	18,750	112,500
1996	112,500	18,750	93,750
1997	93,750	18,750	75,000
1998	75,000	18,750	56,250
1999	56,250	18,750	37,500
2000	37,500	18,750	18,750
2001	18,750	18,750	0

[a] 300,000/16 = 18,750.

ase 2

As of December 31, 1985, the projected benefit obligation and plan assets of a oncontributory defined benefit plan sponsored by Company B were:

Projected benefit obligation	$ (1,400,000)
Plan assets at fair value	1,600,000
Initial overfunded obligation	$ 200,000

Company B elected to apply the provisions of this Statement for its financial state-ients for the year ending December 31, 1986. In previous periods, Company B's lan was deemed to be fully funded for tax purposes, and the company decided not) make contributions that would not have been currently tax deductible. As a result, ontributions were less than net pension cost for those periods, and the company had cognized unfunded accrued pension cost (a liability) of $150,000 at December 31, 985.

The unrecognized net asset at transition defined in paragraph 77 consists of nounts previously charged to net pension cost in excess of the projected benefit bligation. Amounts charged to net pension cost in past periods include amounts ontributed (plan assets) and amounts unfunded. In this case, at December 31, 1985 iose amounts were:

Plan assets in excess of obligation	$ 200,000
Unfunded accrued pension cost	150,000
Unrecognized net asset	$ 350,000

The average remaining service period of active plan participants expected to ceive benefits was estimated to be 10 years at the date of transition. In this situa-on, the initial unrecognized net asset of $350,000 may be amortized on a straight-ie basis over either 10 years or 15 years (paragraph 77). That amortization will sult in an annual credit to net periodic pension cost of either $35,000 or $23,333.

Illustration 3—Amortization of Unrecognized Prior Service Cost

Case 1—Assigning Equal Amounts to Future Years of Service

Determination of Expected Future Years of Service

The amortization of unrecognized prior service cost defined in paragraph 25 is based on the expected future years of service of participants active at the date of the amendment who are expected to receive benefits under the plan. Calculation of the expected future years of service considers population decrements based on the actuarial assumptions and is not weighted for benefits or compensation. Each expected future service year is assigned an equal share of the initially determined prior service cost. The portion of prior service cost to be recognized in each of the future years is determined by the service years rendered in that year.

The following chart illustrates the calculation of the expected future years of service for the defined benefit plan of Company E. At the date of the amendment (January 1, 1987), the company has 100 employees who are expected to receive benefits under the plan. Five percent of that group (5 employees) are expected to leave (either retire or quit) in each of the next 20 years. Employees hired after that date do not affect the amortization. Initial estimates of expected future years of service related to each amendment are subsequently adjusted only for a curtailment.

Determination of Expected Years of Service

Service Years Rendered in Each Year

Individuals	Future Service Years	Year 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
A1-A5	5	5																			
B1-B5	10	5	5																		
C1-C5	15	5	5	5																	
D1-D5	20	5	5	5	5																
E1-E5	25	5	5	5	5	5															
F1-F5	30	5	5	5	5	5	5														
G1-G5	35	5	5	5	5	5	5	5													
H1-H5	40	5	5	5	5	5	5	5	5												
I1-I5	45	5	5	5	5	5	5	5	5	5											
J1-J5	50	5	5	5	5	5	5	5	5	5	5										
K1-K5	55	5	5	5	5	5	5	5	5	5	5	5									
L1-L5	60	5	5	5	5	5	5	5	5	5	5	5	5								
M1-M5	65	5	5	5	5	5	5	5	5	5	5	5	5	5							
N1-N5	70	5	5	5	5	5	5	5	5	5	5	5	5	5	5						
O1-O5	75	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5					
P1-P5	80	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5				
Q1-Q5	85	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5			
R1-R5	90	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5		
S1-S5	95	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	
T1-T5	100	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	1,050																				
Service Years Rendered		100	95	90	85	80	75	70	65	60	55	50	45	40	35	30	25	20	15	10	5
Amortization Fraction		100/1,050	95/1,050	90/1,050	85/1,050	80/1,050	75/1,050	70/1,050	65/1,050	60/1,050	55/1,050	50/1,050	45/1,050	40/1,050	35/1,050	30/1,050	25/1,050	20/1,050	15/1,050	10/1,050	5/1,050

Amortization of Unrecognized Prior Service Cost

On January 1, 1987, Company E granted retroactive credit for prior service pursuant to a plan amendment. This amendment generated unrecognized prior service cost of $750,000. The amortization of the unrecognized prior service cost resulting from the plan amendment is based on the expected future years of service of active participants as discussed in the previous paragraph.

Amortization of Unrecognized Prior Service Cost

Year	Beginning-of-Year Balance	Amortization Rate	Amortization	End-of-Year Balance
1987	750,000	100/1050	71,429	678,571
1988	678,571	95/1050	67,857	610,714
1989	610,714	90/1050	64,286	546,428
1990	546,428	85/1050	60,714	485,714
1991	485,714	80/1050	57,143	428,571
1992	428,571	75/1050	53,571	375,000
1993	375,000	70/1050	50,000	325,000
1994	325,000	65/1050	46,429	278,571
1995	278,571	60/1050	42,857	235,714
1996	235,714	55/1050	39,286	196,428
1997	196,428	50/1050	35,714	160,714
1998	160,714	45/1050	32,143	128,571
1999	128,571	40/1050	28,571	100,000
2000	100,000	35/1050	25,000	75,000
2001	75,000	30/1050	21,429	53,571
2002	53,571	25/1050	17,857	35,714
2003	35,714	20/1050	14,286	21,428
2004	21,428	15/1050	10,714	10,714
2005	10,714	10/1050	7,143	3,571
2006	3,571	5/1050	3,571	0

ase 2—Using Straight-Line Amortization over Average Remaining Service Period

etermination of Expected Future Years of Service

To reduce the complexity and detail of the computations shown in Illustration 3, ase 1, alternative amortization approaches that recognize the cost of retroactive mendments more quickly may be consistently used (paragraph 26). For example, a raight-line amortization of the cost over the average remaining service period of nployees expected to receive benefits under the plan is acceptable.

If Company E (Case 1) had elected to use straight-line amortization over the verage remaining service period of employees expected to receive benefits (1,050 iture service years/100 employees = 10.5 years), the amortization would have been s follows:

Amortization of Unrecognized Prior Service Cost

ear	Beginning-of-Year Balance	Amortization[a]	End-of-Year Balance
987	750,000	71,429	678,571
988	678,571	71,429	607,142
989	607,142	71,429	535,713
990	535,713	71,429	464,284
991	464,284	71,429	392,855
992	392,855	71,429	321,426
993	321,426	71,429	249,997
994	249,997	71,429	178,568
995	178,568	71,429	107,139
996	107,139	71,429	35,710
997	35,710	35,710	0

0,000/10.5 = 71,429.

Illustration 4—Accounting for Gains and Losses and Timing of Measurements

The following shows the funded status of Company I's pension plan at December 31, 1986 and its assumptions and expected components of net periodic pension cost for the following year (all amounts are in thousands):

DECEMBER 1986—INITIAL SITUATION

Assumptions:

Discount rate	10.00%
Expected long-term rate of return on plan assets	10.00%
Average remaining service	10 years

	Actual 12/31/86	For 1987	Projected 12/31/87
Projected benefit obligation	$ (1,000)		$ (1,060)
Plan assets at fair value	800		880
Funded status	(200)		(180)
Unrecognized net obligation existing at January 1, 1987	200		180
Unrecognized prior service cost	0		0
Unrecognized net (gain) or loss	0		0
(Accrued)/prepaid	$ 0		$ 0
Service cost component		$ 60[a]	
Interest cost component		100	
Expected return on assets		(80)	

Unrecognized net obligation existing at January 1, 1987	20
Unrecognized prior service cost	0
Unrecognized net (gain) or loss	0
Net cost	$ 100
Contribution	$ 100
Benefits paid	$ 100

Company I elected to apply the provisions of this Statement as of January 1, 1987 rather than as of an earlier date. Also, the company elected to measure pension-related amounts as of year-end. Alternatively, the company could have chosen to make the measurements as of another date not earlier than September 30. (Throughout this illustration it is assumed that the fair value of plan assets exceeds the accumulated benefit obligation and, therefore, no recognition of an additional minimum liability is required. For simplicity, all contributions and benefit payments are assumed to occur on the last day of the year.)

[a]Throughout this illustration the service cost component is assumed as an input rather than calculated as part of the illustration.

1987—LIABILITY LOSS

When Company I's plan assets and obligations were measured at December 31, 1987, the amount of the projected benefit obligation was not equal to the expected amount. Because the discount rate had declined to 9 percent and for various other reasons not specifically identified, the projected benefit obligation was higher than had been projected (a loss had occurred). The results were as follows:

	Actual 12/31/86	For 1987	Projected 12/31/87	Actual 12/31/87	For 1988	Projected 12/31/88
Assumptions:						
Discount rate		10.00%			9.00%	
Expected long-term rate of return on plan assets		10.00%			10.00%	
Average remaining service		10 years			10 years	
Projected benefit obligation	$ (1,000)		$ (1,060)	$ (1,200)		$ (1,266)[b]
Plan assets at fair value	800		880	880		968[c]
Funded status	(200)		(180)	(320)		(298)
Unrecognized net obligation existing at January 1, 1987	200		180	180		160
Unrecognized prior service cost	0		0	0		0
Unrecognized net (gain) or loss	0		0	140		138
(Accrued)/prepaid	$ 0		$ 0	$ 0		$ 0
Service cost component		$ 60			$ 72	
Interest cost component		100			108	
Expected return on assets		(80)			(88)	

Market-related value of assets	$ 800		$ 880	
Actual return on assets—(increase)/decrease			(80)	
Amortization of:				
Unrecognized net obligation existing at January 1, 1987		20		20
Unrecognized prior service cost		0		0
Unrecognized net (gain) or loss		0[d]		2[d]
Net cost		$ 100		$ 114
Contribution		$ 100		$ 114
Benefits paid		$ 100		$ 114

The 1987 financial statements will include the following disclosures:

Cost Components	
Service cost	$ 60
Interest cost	100
Actual return on assets	(80)
Net amortization and deferral	20[e]
Net cost	$ 100

Reconciliation of Funded Status	
Projected benefit obligation	$ (1,200)
Plan assets at fair value	880
Funded status	(320)
Unrecognized net obligation existing at January 1, 1987	180
Unrecognized prior service cost	0
Unrecognized net (gain) or loss	140
(Accrued)/prepaid	$ 0[f]

[b](Actual projected benefit obligation at 12/31/87) + (service component) + (interest component) − (benefits paid).

[c](Actual plan assets at 12/31/87) + (expected return on assets) + (contributions) − (benefits paid).

[d]Paragraph 32 provides that net periodic pension cost may be based on unrecognized net gain or loss as of the beginning of the period. In the year of transition (1987) the beginning balance of unrecognized net gain or loss is zero by definition. The minimum amortization of unrecognized net gain or loss is calculated as follows:

	1987	1988
Unrecognized net (gain) or loss at 1/1	$ 0	$ 140
Plus asset gain or less asset loss not yet in market-related value of assets at 1/1—(fair value of plan assets) − (market-related value of plan assets)	0	0
Unrecognized net (gain) or loss subject to amortization	0	140
Corridor = 10% of the greater of projected benefit obligation or market-related value of assets at 1/1	100	120
Unrecognized net (gain) or loss outside corridor	0	20
× 1/average remaining service	0.10	0.10
Amortization	$ 0	$ 2

[e]The "net amortization and deferral" consists of:

Amortization of unrecognized net obligation existing at January 1, 1987	$ 20
Amortization of unrecognized prior service cost	0
Amortization of unrecognized net (gain) or loss	0
Asset gain/(loss) deferred	0
	$ 20

[f]The (accrued)/prepaid is the amount included in the company's statement of financial position. If the accumulated benefit obligation had been greater than the plan assets, an additional minimum liability would have been required and would have been shown as an additional item in this reconciliation.

(This page intentionally left blank.)

1988—ASSET GAIN

When Company I's plan assets and obligations were measured at December 31, 1988, the amount of plan assets was not equal to the expected amount because of market performance better than the expected or assumed 10 percent. The results were as follows:

Assumptions:		
Discount rate	9.00%	9.00%
Expected long-term rate of return on plan assets	10.00%	10.00%
Average remaining service	10 years	10 years

	Actual 12/31/87	For 1988	Projected 12/31/88	Actual 12/31/88	For 1989	Projected 12/31/89
Projected benefit obligation	$ (1,200)		$ (1,266)	$ (1,266)		$ (1,345)
Plan assets at fair value	880		968	1,068		1,167
Funded status	(320)		(298)	(198)		(178)
Unrecognized net obligation existing at January 1, 1987	180		160	160		140
Unrecognized prior service cost	0		0	0		0
Unrecognized net (gain) or loss	140		138	38		38
(Accrued)/prepaid	$ 0		$ 0	$ 0		$ 0
Service cost component		$ 72			$ 76	
Interest cost component		108			114	
Expected return on assets		(88)			(99)[8]	

Market-related value of assets	$ 880		$ 988[h]	
Actual return on assets—(increase)/decrease	(80)		(188)	
Amortization of:				
Unrecognized net obligation existing at January 1, 1987		20		20
Unrecognized prior service cost		0		0
Unrecognized net (gain) or loss		2[i]		0[j]
Net cost		$ 114		$ 111
Contribution		$ 114		$ 111
Benefits paid		$ 114		$ 111

The 1988 financial statements will include the following disclosures:

Cost Components	
Service cost	$ 72
Interest cost	108
Actual return on assets	(188)
Net amortization and deferral	122[j]
Net cost	$ 114

Reconciliation of Funded Status	
Projected benefit obligation	$ (1,266)
Plan assets at fair value	1,068
Funded status	(198)
Unrecognized net obligation existing at January 1, 1987	160
Unrecognized prior service cost	0
Unrecognized net (gain) or loss	38
(Accrued)/prepaid	$ 0

ease)/decrease	$ 880	$ 988[h]
	(80)	(188)

existing at

	20	20
ost	0	0
oss	2[i]	0[i]
	$ 114	$ 111
	$ 114	$ 111
	$ 114	$ 111

s will include the following disclosures:

its

$ 72
108
(188)
122[j]
$ 114

Reconciliation of Funded Status

Projected benefit obligation	$ (1,266)
Plan assets at fair value	1,068
Funded status	(198)
Unrecognized net obligation existing at January 1, 1987	160
Unrecognized prior service cost	0
Unrecognized net (gain) or loss	38
(Accrued)/prepaid	$ 0

[g]Expected return on plan assets = (expected long-term rate of return on plan assets) × (market-related value of plan assets). If contributions occurred other than at the end of the year, market-related value would consider those amounts.

[h]Market-related asset values may be calculated in a variety of ways. This example uses an approach that adds in 20% of each of the last five years' gains and losses. The only objective of the market-related calculation is to reduce the volatility of net pension cost.

Market-related value of assets at 1/1	$ 880
Expected return on assets	88
Contributions	114
Benefits paid	(114)
20% of last five years' asset gains and (losses)	20
Market-related value of assets at 12/31	$ 988

[i]Amortization of unrecognized net gain or loss is calculated as follows:

	1988	1989
Unrecognized net (gain) or loss at 1/1	$ 140	$ 38
Plus asset gain or less asset loss not yet in market-related value of assets at 1/1— (fair value of plan assets) − (market-related value of plan assets)	0	80
Unrecognized net (gain) or loss subject to amortization	140	118
Corridor = 10% of the greater of projected benefit obligation or market-related value of assets at 1/1	120	127
Unrecognized net (gain) or loss outside corridor	20	0
× 1/average remaining service	0.10	0.10
Amortization	$ 2	$ 0

[j]The "net amortization and deferral" consists of:

Amortization of unrecognized net obligation existing at January 1, 1987	$ 20
Amortization of unrecognized prior service cost	0
Amortization of unrecognized net (gain) or loss	2
Asset gain/(loss) deferred	100
	$ 122

(This page intentionally left blank.)

1989—ASSET LOSS AND LIABILITY GAIN

When Company I's plan assets and obligations were measured at December 31, 1989, both an asset loss and a liability gain were discovered.

Assumptions:		
Discount rate	9.00%	9.25%
Expected long-term rate of return on plan assets	10.00%	10.00%
Average remaining service	10 years	10 years

	Actual 12/31/88	For 1989	Projected 12/31/89	Actual 12/31/89	For 1990	Projected 12/31/90
Projected benefit obligation	$ (1,266)		$ (1,345)	$ (1,320)		$ (1,409)
Plan assets at fair value	1,068		1,167	1,097		1,206
Funded status	(198)		(178)	(223)		(203)
Unrecognized net obligation existing at January 1, 1987	160		140	140		120
Unrecognized prior service cost	0		0	0		0
Unrecognized net (gain) or loss	38		38	83		83
(Accrued)/prepaid	$ 0		$ 0	$ 0		$ 0
Service cost component		$ 76			$ 79	
Interest cost component		114			122	
Expected return on assets		(99)			(109)	

Market-related value of assets	$ 988	$ 1,093[k]
Actual return on assets—(increase)/decrease	(188)	(29)
Amortization of:		
Unrecognized net obligation existing at January 1, 1987	20	20
Unrecognized prior service cost	0	0
Unrecognized net (gain) or loss	0[l]	0[l]
Net cost	$ 111	$ 112
Contribution	$ 111	$ 112
Benefits paid	$ 111	$ 112

The 1989 financial statements will include the following disclosures:

Cost Components

Service cost	$ 76
Interest cost	114
Actual return on assets	(29)
Net amortization and deferral	(50)[m]
Net cost	$ 111

Reconciliation of Funded Status

Projected benefit obligation	$ (1,320)
Plan assets at fair value	1,097
Funded status	(223)
Unrecognized net obligation existing at January 1, 1987	140
Unrecognized prior service cost	0
Unrecognized net (gain) or loss	83
(Accrued)/prepaid	$ 0

[k] Market-related asset values may be calculated in a variety of ways. This example uses an approach that adds in 20% of each of the last five years' gains and losses. The only objective of the market-related calculation is to reduce the volatility of net pension cost.

Market-related value of assets at 1/1	$ 988
Expected return on assets	99
Contributions	111
Benefits paid	(111)
20% of last five years' asset gains and (losses) = .20 (100 − 70)	6
Market-related value of assets at 12/31	$ 1,093

[l] Amortization of unrecognized net gain or loss is calculated as follows:

	1989	1990	
Unrecognized net (gain) or loss at 1/1	$ 38	$ 83	
Plus asset gain or less asset loss not yet in market-related value of assets at 1/1—(fair value of plan assets) − (market-related value of plan assets) actual	80	4	
Unrecognized net (gain) or loss subject to amortization	118	87	
Corridor = 10% of the greater of projected benefit obligation or market-related value of assets at 1/1	127	132	141?
Unrecognized net (gain) or loss outside corridor	0	0	
× 1/average remaining service	0.10	0.10	
Amortization	$ 0	$ 0	

[m] The "net amortization and deferral" consists of:

Amortization of unrecognized net obligation existing at January 1, 1987	$ 20
Amortization of unrecognized prior service cost	0
Amortization of unrecognized net (gain) or loss	0
Asset gain/(loss) deferred	(70)
	$ (50)

(This page intentionally left blank.)

Illustration 5—Recognition of Pension Liability, Including Minimum Liability

Case 1—Minimum Liability Less Than Unrecognized Prior Service Cost

Company K elected to apply the provisions of this Statement, including those requiring recognition of minimum liability, for its 1986 financial statements. The funded status of its plan for the years 1988 through 1991 is shown below.

	As of December 31,			
	1988	1989	1990	1991
	(in thousands)			
FUNDED STATUS—COMPANY K				
Assets and obligations:				
Accumulated benefit obligation	$ (1,254)	$ (1,628)	$ (1,616)	$ (1,554)
Plan assets at fair value	1,165	1,505	1,622	1,517
Unfunded accumulated benefits	$ (89)	$ (123)		$ (37)
Overfunded accumulated benefits			$ 6	
Projected benefit obligation	$ (1,879)	$ (2,442)	$ (2,424)	$ (2,331)
Plan assets at fair value	1,165	1,505	1,622	1,517
Items not yet recognized in earnings:				
Unrecognized net obligation (net asset) at January 1, 1986	280	260	240	220
Unrecognized prior service cost	715	1,314	1,172	1,039
Unrecognized net gain	(251)	(557)	(460)	(476)
(Accrued)/prepaid pension cost	$ 30	$ 80	$ 150	$ (31)

DETERMINATION OF AMOUNTS TO BE RECOGNIZED

(Accrued)/prepaid pension cost at beginning of year	$ 0	$ 30	$ 80	$ 150
Net periodic pension cost	(304)	(335)	(397)	(361)
Contribution	334	385	467	180
(Accrued)/prepaid pension cost at end of year	$ 30	$ 80	$ 150	$ (31)
Required minimum liability (unfunded accumulated benefits)	$ (89)	$ (123)	$ 0	$ (37)
Adjustment required to reflect minimum liability:				
Additional liability[a]	$ (119)	$ (84)	$ 203	$ (6)
Intangible asset (not to exceed unrecognized prior service cost)	$ 119	$ 84	$ (203)	$ 6
Balance of additional liability	$ (119)	$ (203)	$ 0	$ (6)
Balance of intangible asset	$ 119	$ 203	$ 0	$ 6

[a]This amount is equal to unfunded accumulated benefits, plus prepaid (or minus accrued) pension cost, minus the previous balance. For financial statement presentation, the additional liability is combined with the (accrued)/prepaid pension cost.

Journal Entries

The journal entries required to reflect the accounting for the company's pension plan for the years 1988 through 1991 are as follows (in thousands):

Year 1988

Journal Entry 1

Net periodic pension cost	304	
Accrued/prepaid pension cost		304
To record net pension cost for the period (paragraph 35)		

Journal Entry 2

Accrued/prepaid pension cost	334	
Cash		334
To record contribution (paragraph 35)		

Journal Entry 3

Intangible asset	119	
Additional liability		119
To record an additional liability to reflect the required minimum liability (For financial statement presentation, the additional liability account balance is combined with the accrued/prepaid pension cost account balance. Since prepaid pension cost of $30 has been recognized, an additional liability of $119 is needed to reflect the required minimum liability of $89 [equal to unfunded accumulated benefits]. Because the additional liability is less than unrecognized prior service cost, an intangible asset also is recognized.) (paragraphs 36 and 37)		

Year 1989

Journal Entry 1

Net periodic pension cost	335	
Accrued/prepaid pension cost		335
To record net pension cost for the period (paragraph 35)		

ournal Entry 2

ccrued/prepaid pension cost	385	
Cash		385
To record contribution (paragraph 35)		

ournal Entry 3

ntangible asset	84	
Additional liability		84
To adjust the additional liability to reflect the required minimum liability (For financial statement presentation, the additional liability account balance is combined with the accrued/prepaid pension cost account balance. The required minimum liability is determined independently of any prior years' amounts. Since unfunded accumulated benefits are $123 and a prepaid pension cost of $80 has been recognized, the amount of the additional liability is $203 or an increase of $84 from the previous period. Because the balance of the additional liability is less than unrecognized prior service cost, an intangible asset also is recognized.) (paragraphs 36 and 37)		

ear 1990

urnal Entry 1

et periodic pension cost	397	
Accrued/prepaid pension cost		397
To record net pension cost for the period (paragraph 35)		

urnal Entry 2

ccrued/prepaid pension cost	467	
Cash		467
To record contribution (paragraph 35)		

urnal Entry 3

dditional liability	203	
Intangible asset		203
To reverse additional liability no longer required (Since plan assets exceed accumulated benefits, no additional liability is necessary.) (paragraph 38)		

Year 1991

Journal Entry 1

Net periodic pension cost	361	
Accrued/prepaid pension cost		361
To record net pension cost for the period (paragraph 35)		

Journal Entry 2

Accrued/prepaid pension cost	180	
Cash		180
To record contribution (paragraph 35)		

Journal Entry 3

Intangible asset	6	
Additional liability		6

To record an additional liability to reflect the required minimum liability amount (For financial statement presentation, the additional liability account balance is combined with the accrued/prepaid pension cost account balance. Since unfunded accumulated benefits of $37 exceed unfunded accrued pension cost of $31, recognition of an additional liability of $6 is necessary. Because the balance of additional liability is less than unrecognized prior service cost, an intangible asset also is recognized.) (paragraphs 36 and 37)

(This page intentionally left blank.)

Case 2—Minimum Liability in Excess of Unrecognized Prior Service Cost

Company L elected to apply the provisions of this Statement, including those requiring recognition of minimum liability, for its 1986 financial statements. The funded status of its plan for the years 1988 and 1989 is shown below.

	As of December 31,	
	1988	1989
	(in thousands)	
FUNDED STATUS—COMPANY L		
Assets and obligations:		
Accumulated benefit obligation	$ (1,270)	$ (1,290)
Plan assets at fair value	1,200	1,304
Unfunded accumulated benefits	$ (70)	
Overfunded accumulated benefits		$ 14
Projected benefit obligation	$ (1,720)	$ (1,786)
Plan assets at fair value	1,200	1,304
Items not yet recognized in earnings:		
Unrecognized net obligation (net asset) at January 1, 1986	165	150
Unrecognized prior service cost	92	86
Unrecognized net loss	321	326
(Accrued)/prepaid pension cost	$ 58	$ 80

DETERMINATION OF AMOUNTS TO BE RECOGNIZED

(Accrued)/prepaid pension cost at beginning of year	$ 0	$ 58
Net periodic pension cost	(141)	(144)
Contribution	199	166
(Accrued)/prepaid pension cost at end of year	$ 58	$ 80
Required minimum liability (unfunded accumulated benefits)	$ 70	$ 0
Adjustment required to reflect minimum liability:		
Additional liability[a]	$ (128)	$ 128
Intangible asset (not to exceed unrecognized prior service cost)	$ 92	$ (92)
Charge to equity (excess of additional pension liability over unrecognized prior service cost)	$ 36	$ (36)
Balance of additional liability	$ (128)	$ 0
Balance of intangible asset	$ 92	$ 0
Balance of equity account	$ 36	$ 0

his amount is equal to unfunded accumulated benefits, plus prepaid (or minus accrued) pension ɪt, minus the previous balance. For financial statement presentation, the additional liability is com- ɪed with the (accrued)/prepaid pension cost.

Journal Entries

The journal entries required to reflect the accounting for the company's pension plan for the years 1988 and 1989 are as follows (in thousands):

Year 1988

Journal Entry 1

Net periodic pension cost	141	
Accrued/prepaid pension cost		141
To record net pension cost for the period (paragraph 35)		

Journal Entry 2

Accrued/prepaid pension cost	199	
Cash		199
To record contribution (paragraph 35)		

Journal Entry 3

Excess of additional pension liability over unrecognized prior service cost	36	
Intangible asset	92	
Additional liability		128

To record an additional liability to reflect the required minimum liability (For financial statement presentation, the additional liability account balance is combined with the accrued/prepaid pension cost account balance. Since prepaid pension cost of $58 has been recognized, an additional liability of $128 is needed to reflect the required minimum liability of $70 [equal to unfunded accumulated benefits]. Because the additional liability is greater than unrecognized prior service cost, an intangible asset is recognized for the amount of additional liability up to the amount of unrecognized prior service cost, and equity is charged for the excess of the additional liability over unrecognized prior service cost.) (paragraphs 36 and 37)

Year 1989

Journal Entry 1

Net periodic pension cost	144	
Accrued/prepaid pension cost		144
To record net pension cost for the period (paragraph 35)		

Journal Entry 2

Accrued/prepaid pension cost	166	
Cash		166
To record contribution (paragraph 35)		

Journal Entry 3

Additional liability	128	
Excess of additional pension liability over unrecognized prior service cost		36
Intangible asset		92
To reverse additional liability no longer required (Since plan assets exceed accumulated benefits, no additional liability is necessary.) (paragraph 38)		

Illustration 6—Disclosure Requirements

Case 1—Simple Case

The following illustrates the disclosure for a sponsor with a single-employer defined benefit pension plan presenting only one year's financial statements.

Note P: The company has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and the employee's compensation during the last five years of employment. The company's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The following table sets forth the plan's funded status and amounts recognized in the company's statement of financial position at December 31, 1988 (in thousands):

Actuarial present value of benefit obligations:	
Accumulated benefit obligation, including vested benefits of $287	$ (335)
Projected benefit obligation for service rendered to date	$ (500)
Plan assets at fair value, primarily listed stocks and U.S. bonds	475
Projected benefit obligation in excess of plan assets	(25)
Unrecognized net gain from past experience different from that assumed and effects of changes in assumptions	(53)
Prior service cost not yet recognized in net periodic pension cost	19
Unrecognized net obligation at January 1, 1986 being recognized over 15 years	77
Prepaid pension cost included in other assets	$ 18

Net pension cost for 1988 included the following components (in thousands):

Service cost—benefits earned during the period	$ 26
Interest cost on projected benefit obligation	39
Actual return on plan assets	(45)
Net amortization and deferral[a]	10
Net periodic pension cost	$ 30

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 9 percent and 6 percent, respectively. The expected long-term rate of return on assets was 10 percent.

[a]The net effects of delayed recognition of certain events (for example, unanticipated investment performance) arising during the current period and amortization (recognition) of the net unrecognized effects of past similar events at a rate based on employees' average remaining service life.

Case 2—Disclosures for Multiple Plans

Note S: The company and its subsidiaries have a number of noncontributory pension plans covering substantially all U.S. employees. Plans covering salaried and management employees provide pension benefits that are based on the employee's compensation during the three years before retirement. The company's funding policy for those plans is to contribute annually at a rate that is intended to remain a level percentage of compensation for the covered employees (presently 12.9 percent). Plans covering hourly employees and union members generally provide benefits of stated amounts for each year of service and provide for significant supplemental benefits for employees who retire with 30 years of service before age 65. The company's funding policy for those plans is to make the minimum annual contributions required by applicable regulations.

Net periodic pension cost for 1988 and 1987 included the following components (in thousands):

	1988	1987
Service cost—benefits earned during the period	$ 66	$ 66
Interest cost on projected benefit obligation	100	96
Actual return on assets	(79)	(63)
Net amortization and deferral	88	78
Net periodic pension cost	$ 175	$ 177

Assumptions used in the accounting were:

	As of December 31,	
	1988	1987
Discount rates	9.0%	8.75%
Rates of increase in compensation levels	6.0%	6.0%
Expected long-term rate of return on assets	9.5%	9.5%

The following table sets forth the plan's funded status and amounts recognized in the company's statement of financial position at December 31, 1988 and 1987, for its U.S. pension plans (in thousands):

	December 31, 1988		December 31, 1987	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested benefit obligation	$ (298)	$ (385)	$ (268)	$ (363)
Accumulated benefit obligation	$ (339)	$ (442)	$ (311)	$ (427)
Projected benefit obligation[a]	$ (502)	$ (620)	$ (470)	$ (640)
Plan assets at fair value[b]	604	228	548	205
Projected benefit obligation (in excess of) or less than plan assets	102	(392)	78	(435)
Unrecognized net (gain) or loss	(114)	30	(117)	41
Prior service cost not yet recognized in net periodic pension cost	120	292	132	321
Unrecognized net obligation at January 1, 1986	180	225	200	250
Adjustment required to recognize minimum liability	0	(369)	0	(399)
Prepaid pension cost (pension liability) recognized in the statement of financial position	$ 288	$ (214)	$ 293	$ (222)

[a]The projected benefit obligation and plan assets at December 31, 1988 and 1987 do not include amounts related to an annuity contract purchased from an affiliated company covering annual benefits of approximately $42.

[b]Plan assets include common stock of the company of $50 and $45 at December 31, 1988 and 1987, respectively. About half of the plan assets are invested in listed stocks and bonds. The balance is invested in income-producing real estate.

Case 3—Disclosure for a Defined Contribution Plan

Note T: The company sponsors a defined contribution pension plan covering substantially all of its employees in both its engine parts and tire subsidiaries. Contributions and cost are determined as 1.5 percent of each covered employee's salary and totaled $231,000 in 1987 and $215,000 in 1986.

Case 4—Disclosure for a Multiemployer Plan

Note W: One of the company's subsidiaries participates in a multiemployer plan. The plan provides defined benefits to substantially all unionized workers in the company's trucking subsidiary. Amounts charged to pension cost and contributed to the plan in 1987 and 1986 totaled $598,000 and $553,000, respectively.

Illustration 7—Accounting for a Business Combination

The following example illustrates how the liability (or asset) recognized by the acquiring firm at the date of a business combination accounted for as a purchase would be reduced in years subsequent to the date of the business combination.

Company R purchased Company S on January 1, 1987. Company S sponsors a single-employer defined benefit pension plan. The reconciliation of funded status of the Company S plan before and after the combination was as follows (in thousands):

	Precombination	Postcombination
Pension benefit obligation	\$ (1,000)	\$ (1,000)
Plan assets at fair value	500	500
Unrecognized loss	200	0
Unrecognized prior service cost	300	0
Liability recognized in the statement of financial position—unfunded accrued pension cost	\$ 0	\$ (500)

In subsequent periods, net periodic pension cost would not include any amortization of either the unrecognized prior service cost or the unrecognized loss existing at the date of the combination. However, the funding of the plan is not directly affected by a business combination. Whatever the basis of funding, it will, over time, reflect the past amendments and losses that underlie those amounts. As they are reflected in the funding process, contributions will, in some periods, exceed the net pension cost, and that will reduce the liability (unfunded accrued pension cost) recognized at the date of acquisition.

Appendix C

BACKGROUND

262. The Board added two pensions projects to its agenda in 1974: accounting and reporting by employee benefit plans and employers' accounting for pensions. Those projects were added to the agenda in response to both the passage of ERISA and certain criticisms concerning perceived deficiencies in Opinion 8. ERISA introduced changes in the legal status and in the perceived nature of an employer's obligation for pension benefits. Critics of Opinion 8 asserted that pension cost was not comparably measured from company to company and often not even from period to period for the same company and that Opinion 8 did not portray adequately the effect of a pension plan on a company. The ability of users of financial reports to understand and assess net periodic pension cost and the funded status of the employer's obligation was challenged because those amounts were determined using a variety of measurement methods or assumptions. Concerns were expressed about the reporting of both unfunded obligations and excess assets, especially when obligations had to be settled and when assets were withdrawn.

263. The following briefly outlines the steps taken on the two major pensions projects:

a. In December 1974, the Board issued Interpretation No. 3, *Accounting for the Cost of Pension Plans Subject to the Employee Retirement Income Security Act of 1974*. That Interpretation was issued to clarify the accounting for employers' obligations for pension plans covered by the Act, pending completion of the major project on employers' accounting for pensions.
b. Task forces for both projects were formed in early 1975.
c. An FASB Discussion Memorandum, *Accounting and Reporting for Employee Benefit Plans,* was issued in October 1975.
d. In February 1976, the Board held a public hearing on the issues covered in the Discussion Memorandum. Twenty-three presentations were made at the hearing.
e. In 1976, the Board decided to focus first on the employee benefit plans project because of the lack of any standards in that area. By deferring action on the accounting by employers project, the Board also expected to benefit from further progress on its conceptual framework project.
f. An FASB Exposure Draft, *Accounting and Reporting by Defined Benefit Pension Plans,* was issued in April 1977. The Board received approximately 700 comment letters, which indicated the need to further consider the issues.

g. In July 1979, the Board issued a revised Exposure Draft, *Accounting and Reporting by Defined Benefit Pension Plans.*

h. Also in July 1979, the Board issued an Exposure Draft, *Disclosure of Pension and Other Post-Retirement Benefit Information.* It proposed amending the disclosure requirements of Opinion 8 pending the Board's comprehensive consideration of accounting and reporting by employers for pensions and similar benefits.

i. In March 1980, the Board issued Statement No. 35, *Accounting and Reporting by Defined Benefit Pension Plans,* which addresses financial reporting by plans rather than by sponsoring employers.

j. In March 1980, the FASB also published *Accounting for Pensions by Employers: A Background Paper,* which highlighted the changing pension environment, present accounting practices and concerns, and areas for consideration.

k. In May 1980, the Board issued Statement No. 36, *Disclosure of Pension Information.* Statement 36 amended Opinion 8 and required disclosure of certain information based on the requirements of Statement 35. Statement 36 made no change in the basic provisions of Opinion 8 that governed measurement of pension cost and pension liabilities. The Statement was an interim step pending completion of the major project on employers' accounting for pensions.

l. In February 1981, the Board issued a Discussion Memorandum, *Employers' Accounting for Pensions and Other Postemployment Benefits.* That memorandum analyzes basic issues related to accounting and reporting requirements for only single-employer, noninsured, defined benefit pension plans in the United States. One hundred ninety-three letters of comment were received in response to the Discussion Memorandum.

m. In July 1981, the Board held a public hearing on the issues covered in the February 1981 Discussion Memorandum. Thirty-seven presentations were made at the hearing.

n. In April 1982, the Board issued Statement No. 59, *Deferral of the Effective Date of Certain Accounting Requirements for Pension Plans of State and Local Governmental Units.* Statement 59 amended Statement 35 and deferred that Statement's effective date for plans sponsored by state or local governments.

o. In November 1982, the Board issued *Preliminary Views* on the issues addressed in the February 1981 Discussion Memorandum. That document was issued to obtain comments on the Board's tentative conclusions at that time before proceeding to an Exposure Draft.

p. In April 1983, the Board issued a Discussion Memorandum, *Employers' Accounting for Pensions and Other Postemployment Benefits,* on additional issues that were not addressed in the February 1981 Discussion Memorandum or in *Preliminary Views.* Over 500 comment letters were received on that document and *Preliminary Views.*

q. In cooperation with the Financial Executives Institute's Committee on Corporate Reporting, the Board conducted a field test of the accounting proposals in *Preliminary Views* and published a special report of the results in October 1983.

r. In November 1983, the Board issued FASB Statement No. 75, *Deferral of the Effective Date of Certain Accounting Requirements for Pension Plans of State and Local Governmental Units,* indefinitely deferring the requirements of Statement 35 for pension plans of state and local governments pending further action by the Board.

s. In January 1984, the Board held a public hearing on the issues covered in *Preliminary Views* and the April 1983 Discussion Memorandum. Fifty-nine presentations were made at the hearing.

t. In February 1984, accounting for postemployment benefits other than pensions was made a separate agenda project. Until that time, other postemployment benefits issues had been combined with the project on employers' accounting for pensions and were addressed in the documents issued as part of that project. In July 1984, the Board issued an Exposure Draft, *Disclosure of Postretirement Health Care and Life Insurance Benefits Information.*

u. In November 1984, as an interim measure pending completion of the project, the Board issued Statement No. 81, *Disclosure of Postretirement Health Care and Life Insurance Benefits.*

v. An FASB Exposure Draft, *Employers' Accounting for Pensions,* was issued in March 1985. It proposed standards of financial accounting and reporting for an employer that offers pension benefits to its employees. The Board received over 400 comment letters.

w. An FASB Exposure Draft, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits,* was issued in June 1985. The Board received over 100 comment letters.

x. In July and August 1985, the Board held a public hearing on the issues covered in the March 1985 and June 1985 Exposure Drafts. Fifty-six presentations were made at the hearing.

Appendix D

GLOSSARY

264. This appendix contains definitions of certain terms used in accounting for pensions.

Accumulated benefit obligation

The actuarial present value of benefits (whether vested or nonvested) attributed by the pension benefit formula to employee service rendered before a specified date and based on employee service and compensation (if applicable) prior to that date. The accumulated benefit obligation differs from the projected benefit obligation in that it includes no assumption about future compensation levels. For plans with flat-benefit or non-pay-related pension benefit formulas, the accumulated benefit obligation and the projected benefit obligation are the same.

Actual return on plan assets component (of net periodic pension cost)

The difference between fair value of plan assets at the end of the period and the fair value at the beginning of the period, adjusted for contributions and payments of benefits during the period.

Actuarial funding method

Any of several techniques that actuaries use in determining the amounts and incidence of employer contributions to provide for pension benefits.

Actuarial gain or loss

See **Gain or loss.**

Actuarial present value

The value, as of a specified date, of an amount or series of amounts payable or receivable thereafter, with each amount adjusted to reflect (a) the time value of money (through discounts for interest) and (b) the probability of payment (by means of decrements for events such as death, disability, withdrawal, or retirement) between the specified date and the expected date of payment.

Allocated contract

A contract with an insurance company under which payments to the insurance company are currently used to purchase immediate or deferred annuities for individual participants. See also **Annuity contract.**

Amortization

Usually refers to the process of reducing a recognized liability systematically by recognizing revenues or reducing a recognized asset systematically by recognizing expenses or costs. In pension accounting, amortization is also used to refer to the systematic recognition in net pension cost over several periods of previously *unrecognized* amounts, including unrecognized prior service cost and unrecognized net gain or loss.

Annuity contract

A contract in which an insurance company unconditionally undertakes a legal obligation to provide specified pension benefits to specific individuals in return for a fixed consideration or premium. An annuity contract is irrevocable and involves the transfer of significant risk from the employer to the insurance company. Annuity contracts are also called allocated contracts.

Assumptions

Estimates of the occurrence of future events affecting pension costs, such as mortality, withdrawal, disablement and retirement, changes in compensation and national pension benefits, and discount rates to reflect the time value of money.

Attribution

The process of assigning pension benefits or cost to periods of employee service.

Benefit approach

One of two groups of basic approaches to attributing pension benefits or costs to periods of employee service. Approaches in this group assign a distinct unit of benefit to each year of credited service. The actuarial present value of that unit of benefit is computed separately and determines the cost assigned to that year. The accumulated benefits approach, benefit/compensation approach, and benefit/years-of-service approach are benefit approaches.

Benefit formula

See **Pension benefit formula.**

Benefits

Payments to which participants may be entitled under a pension plan, including pension benefits, death benefits, and benefits due on termination of employment.

Benefit/years-of-service approach

One of three benefit approaches. Under this approach, an equal portion of the total estimated benefit is attributed to each year of service. The actuarial present value of the benefits is derived after the benefits are attributed to the periods.

Captive insurance subsidiary

An insurance company that does business primarily with related entities.

Career-average-pay formula (Career-average-pay plan)

A benefit formula that bases benefits on the employee's compensation over the entire period of service with the employer. A career-average-pay plan is a plan with such a formula.

Contributory plan

A pension plan under which employees contribute part of the cost. In some contributory plans, employees wishing to be covered must contribute; in other contributory plans, employee contributions result in increased benefits.

Cost approach

One of the two groups of basic approaches to attributing pension benefits or costs to periods of service. Approaches in this group assign net pension costs to periods as level amounts or constant percentages of compensation.

Cost/compensation approach

One of two cost approaches. Net pension costs under this approach are attributed to periods so that they are a constant percentage of compensation for each period.

Curtailment

See **Plan curtailment.**

Defined benefit pension plan

A pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service, or compensation. Any pension plan that is not a defined contribution pension plan is, for purposes of this Statement, a defined benefit pension plan.

Defined contribution pension plan

A plan that provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

Discount rate

The interest rate used to adjust for the time value of money. See also **Actuarial present value.**

ERISA

The Employee Retirement Income Security Act of 1974.

Expected long-term rate of return on plan assets

An assumption as to the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation.

Expected return on plan assets

An amount calculated as a basis for determining the extent of delayed recognition of the effects of changes in the fair value of assets. The expected return on plan assets is determined based on the expected long-term rate of return on plan assets and the market-related value of plan assets.

Explicit approach to assumptions

An approach under which each significant assumption used reflects the best estimate of the plan's future experience solely with respect to that assumption. See also **Implicit approach to assumptions.**

Fair value

The amount that a pension plan could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale.

Final-pay formula (Final-pay plan)

A benefit formula that bases benefits on the employee's compensation over a specified number of years near the end of the employee's service period or on the employee's highest compensation periods. For example, a plan might provide annual pension benefits equal to 1 percent of the employee's average salary for the last five years (or the highest consecutive five years) for each year of service. A final-pay plan is a plan with such a formula.

Flat-benefit formula (Flat-benefit plan)

A benefit formula that bases benefits on a fixed amount per year of service, such as $20 of monthly retirement income for each year of credited service. A flat-benefit plan is a plan with such a formula.

Fund

Used as a verb, to pay over to a funding agency (as to fund future pension benefits or to fund pension cost). Used as a noun, assets accumulated in the hands of a funding agency for the purpose of meeting pension benefits when they become due.

Funding method

See **Actuarial funding method.**

Funding policy

The program regarding the amounts and timing of contributions by the employer(s), participants, and any other sources (for example, state subsidies or federal grants) to provide the benefits a pension plan specifies.

Gain or loss

A change in the value of either the projected benefit obligation or the plan assets resulting from experience different from that assumed or from a change in an actuarial assumption. See also **Unrecognized net gain or loss.**

Gain or loss component (of net periodic pension cost)

The sum of (a) the difference between the actual return on plan assets and the expected return on plan assets and (b) the amortization of the unrecognized net gain or loss from previous periods. The gain or loss component is the net effect of delayed recognition of gains and losses (the net change in the unrecognized net gain or loss) except that it does not include changes in the projected benefit obligation occurring during the period and deferred for later recognition.

Implicit approach to assumptions

An approach under which two or more assumptions do not individually represent the best estimate of the plan's future experience with respect to those assumptions. Instead, the aggregate effect of their combined use is presumed to be approximately the same as that produced by an explicit approach.

Interest cost component (of net periodic pension cost)

The increase in the projected benefit obligation due to passage of time.

Interest rate

See **Discount rate.**

Loss

See **Gain or loss.**

Market-related value of plan assets

A balance used to calculate the expected return on plan assets. Market-related value can be either fair market value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years. Different ways of calculating market-related value may be used for different classes of assets, but the manner of determining market-related value shall be applied consistently from year to year for each asset class.

Measurement date

The date as of which plan assets and obligations are measured.

Mortality rate

The proportion of the number of deaths in a specified group to the number living at the beginning of the period in which the deaths occur. Actuaries use mortality tables, which show death rates for each age, in estimating the amount of pension benefits that will become payable.

Multiemployer plan

A pension plan to which two or more unrelated employers contribute, usually pursuant to one or more collective-bargaining agreements. A characteristic of multiemployer plans is that assets contributed by one participating employer may be used to provide benefits to employees of other participating employers since assets contributed by an employer are not segregated in a separate account or restricted to provide benefits only to employees of that employer. A multiemployer plan is usually administered by a board of trustees composed of management and labor representatives and may also be referred to as a "joint trust" or "union" plan. Generally, many employers participate in a multiemployer plan, and an employer may participate in more than one plan. The employers participating in multiemployer plans usually have a common industry bond, but for some plans the employers are in different industries and the labor union may be their only common bond.

Multiple-employer plan

A pension plan maintained by more than one employer but not treated as a multiemployer plan. Multiple-employer plans are not as prevalent as single-employer and multiemployer plans, but some of the ones that do exist are large and involve many employers. Multiple-employer plans are generally not collectively bargained and are intended to allow participating employers, commonly in the same industry, to pool their assets for investment purposes and reduce the costs of plan administration. A multiple-employer plan maintains separate accounts for each employer so that contributions provide benefits only for employees of the contributing employer. Some multiple-employer plans have features that allow participating employers to have different benefit formulas, with the employer's contributions to the plan based on the benefit formula selected by the employer.

Net periodic pension cost

The amount recognized in an employer's financial statements as the cost of a pension plan for a period. Components of net periodic pension cost are service cost, interest cost, actual return on plan assets, gain or loss, amortization of unrecognized prior service cost, and amortization of the unrecognized net obligation or asset existing at the date of initial application of this Statement. This Statement uses the term *net periodic pension cost* instead of *net pension expense* because part of the cost recognized in a period may be capitalized along with other costs as part of an asset such as inventory.

Nonparticipating annuity contract

An annuity contract that does not provide for the purchaser to participate in the investment performance or in other experience of the insurance company. See also **Annuity contract.**

Nonpublic enterprise

An enterprise other than one (a) whose debt or equity securities are traded in a public market, either on a stock exchange or in the over-the-counter market (including securities quoted only locally or regionally), or (b) whose financial statements are filed with a regulatory agency in preparation for the sale of any class of securities.

Participant

Any employee or former employee, or any member or former member of a trade or other employee association, or the beneficiaries of those individuals, for whom there are pension plan benefits.

Participating annuity contract

An annuity contract that provides for the purchaser to participate in the investment performance and possibly other experience (for example, mortality experience) of the insurance company.

Participation right

A purchaser's right under a participating contract to receive future dividends or retroactive rate credits from the insurance company.

PBGC

The Pension Benefit Guaranty Corporation.

Pension benefit formula (plan's benefit formula or benefit formula)

The basis for determining payments to which participants may be entitled under a pension plan. Pension benefit formulas usually refer to the employee's service or compensation or both.

Pension benefits

Periodic (usually monthly) payments made pursuant to the terms of the pension plan to a person who has retired from employment or to that person's beneficiary.

Plan amendment

A change in the terms of an existing plan or the initiation of a new plan. A plan amendment may increase benefits, including those attributed to years of service already rendered. See also **Retroactive benefits.**

Plan assets

Assets—usually stocks, bonds, and other investments—that have been segregated and restricted (usually in a trust) to provide benefits. Plan assets include amounts contributed by the employer (and by employees for a contributory plan) and amounts earned from investing the contributions, less benefits paid. Plan assets cannot ordinarily be withdrawn by the employer except in certain circumstances when a plan has assets in excess of obligations and the employer has taken certain steps to satisfy existing obligations. For purposes of this Statement, assets not segregated in a trust or otherwise effectively restricted so that they cannot be used by the employer for other purposes are not plan assets even though it may be intended that such assets be used to provide pensions. Amounts accrued by the employer as net periodic pension cost but not yet paid to the plan are not plan assets for purposes of this Statement. Securities of the employer held by the plan are includable in plan assets provided they are transferable. If a plan has liabilities other than for benefits, those nonbenefit obligations may be considered as reductions of plan assets for purposes of this Statement.

Plan assets available for benefits

See **Plan assets.**

Plan curtailment

An event that significantly reduces the expected years of future service of present employees or eliminates for a significant number of employees the accrual of defined benefits for some or all of their future services.

Plan's benefit formula

See **Pension benefit formula.**

Plan suspension

An event in which the pension plan is frozen and no further benefits accrue. Future service may continue to be the basis for vesting of nonvested benefits existing at the date of suspension. The plan may still hold assets, pay benefits already accrued, and receive additional employer contributions for any unfunded benefits. Employees may or may not continue working for the employer.

Plan termination

An event in which the pension plan ceases to exist and all benefits are settled by purchase of annuities or other means. The plan may or may not be replaced by another plan. A plan termination with a replacement plan may or may not be in substance a plan termination for accounting purposes.

Prepaid pension cost

Cumulative employer contributions in excess of accrued net pension cost.

Prior service cost

The cost of retroactive benefits granted in a plan amendment. See also **Unrecognized prior service cost.**

Projected benefit obligation

The actuarial present value as of a date of all benefits attributed by the pension benefit formula to employee service rendered prior to that date. The projected benefit obligation is measured using assumptions as to future compensation levels if the pension benefit formula is based on those future compensation levels (pay-related, final-pay, final-average-pay, or career-average-pay plans).

Retroactive benefits

Benefits granted in a plan amendment (or initiation) that are attributed by the pension benefit formula to employee services rendered in periods prior to the amendment. The cost of the retroactive benefits is referred to as prior service cost.

Return on plan assets

See **Actual return on plan assets component** and **Expected return on plan assets.**

Service

Employment taken into consideration under a pension plan. Years of employment before the inception of a plan constitute an employee's past service; years thereafter are classified in relation to the particular actuarial valuation being made or discussed. Years of employment (including past service) prior to the date of a particular valuation constitute prior service; years of employment following the date of the valuation constitute future service; a year of employment adjacent to the date of valuation, or in which such date falls, constitutes current service.

Service cost component (of net periodic pension cost)

The actuarial present value of benefits attributed by the pension benefit formula to services rendered by employees during that period. The service cost component is a portion of the projected benefit obligation and is unaffected by the funded status of the plan.

Settlement

An irrevocable action that relieves the employer (or the plan) of primary responsibility for a pension benefit obligation and eliminates significant risks related to the obligation and the assets used to effect the settlement. Examples of transactions that constitute a settlement include (a) making lump-sum cash payments to plan participants in exchange for their rights to receive specified pension benefits and (b) purchasing nonparticipating annuity contracts to cover vested benefits.

Single-employer plan

A pension plan that is maintained by one employer. The term also may be used to describe a plan that is maintained by related parties such as a parent and its subsidiaries.

Sponsor

In the case of a pension plan established or maintained by a single employer, the employer; in the case of a plan established or maintained by an employee organization, the employee organization; in the case of a plan established or maintained jointly by two or more employers or by one or more employers and one or more employee organizations, the association, committee, joint board of trustees, or other group of representatives of the parties who have established or who maintain the pension plan.

Turnover

Termination of employment for a reason other than death or retirement.

Unallocated contract

A contract with an insurance company under which payments to the insurance company are accumulated in an unallocated fund (not allocated to specific plan participants) to be used either directly or through the purchase of annuities, to meet benefit payments when employees retire. Funds held by the insurance company under an unallocated contract may be withdrawn and otherwise invested.

Unfunded accrued pension cost

Cumulative net pension cost accrued in excess of the employer's contributions.

Unfunded accumulated benefit obligation

The excess of the accumulated benefit obligation over plan assets.

Unfunded projected benefit obligation

The excess of the projected benefit obligation over plan assets.

Unrecognized net gain or loss

The cumulative net gain or loss that has not been recognized as a part of net periodic pension cost. See **Gain or loss.**

Unrecognized prior service cost

That portion of prior service cost that has not been recognized as a part of net periodic pension cost.

Vested benefit obligation

The actuarial present value of vested benefits.

Vested benefits

Benefits for which the employee's right to receive a present or future pension benefit is no longer contingent on remaining in the service of the employer. (Other conditions, such as inadequacy of the pension fund, may prevent the employee from receiving the vested benefit.) Under graded vesting, the initial vested right may be to receive in the future a stated percentage of a pension based on the number of years of accumulated credited service; thereafter, the percentage may increase with the number of years of service or of age until the right to receive the entire benefit has vested.