

PUBLIC SERVICE COMMISSION

Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0860

M E M O R A N D U M

NOVEMBER 20, 1989

TO : DIRECTOR OF RECORDS AND REPORTING
FROM: DIVISION OF APPEALS (BROWN) *MCB DES*
DIVISION OF ADMINISTRATION (SEWELL) *ENT*
DIVISION OF WATER AND SEWER (MCCASKILL) *GN mmw B*
RE : DOCKET NO. 891204 WS

CASE: PROPOSED REVISION OF RULE 25-30.120
F.A.C., REGULATORY ASSESSMENT FEES FOR WATER AND SEWER
UTILITIES

AGENDA: 12/05/89 - CONTROVERSIAL AGENDA - PARTIES MAY PARTICIPATE:

PANEL: FULL COMMISSION

CRITICAL DATES: NONE

ISSUE AND RECOMMENDATION SUMMARY

ISSUE 1: Should the Commission propose an amendment to Rule 25-30.120, F.A.C., to increase the rate at which regulatory assessment fees are calculated for water and wastewater utilities from 2 1/2 percent to 4 1/2 percent beginning July 1, 1990?

RECOMMENDATION: Yes. The regulatory assessment fee rate should be increased in order to fulfill the 1989 legislative directive to match fees collected from the industry to the regulatory costs attributable to that industry.

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ISSUE 2: Should the Commission propose an amendment to Rule 25-30.120(2), providing that a utility will be obligated to remit a regulatory assessment fee if it is subject to the Commission's jurisdiction at any time during the year, irrespective of the certification process?

RECOMMENDATION: Yes. This proposed amendment reflects current Commission policy and is designed to eliminate confusion among the utilities over when a utility is required to remit assessment fees.

ISSUE 3: Should the Commission amend Rule 25-30.120, to require remittance of assessment fees on an annual basis coinciding with the March 31 time for filing annual reports?

RECOMMENDATION: Yes. This proposed amendment reflects the change in the time for remittance of assessment fees prescribed by Section 367.145(1), Florida Statutes (1989).

ISSUE 4: Should the Commission adopt the proposed revision to Rule 25-30.120, which incorporates by reference new Regulatory Assessment Fee Forms which reflect the changes in the statutes and the rules?

RECOMMENDATION: Yes. The Commission should adopt the provision which incorporates the new forms by reference.

ISSUE 5: Should the Commission amend Rule 25-30.120 to clarify the procedures and times of imposition of fines, interest and other penalties for late remittances?

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RECOMMENDATION: Yes. The Commission should amend the Rule because the changes are designed to clarify the circumstances and procedures for imposition of penalties.

ISSUE 6: Should the Commission adopt the proposed changes to Rule 25-30.120, if no comments or requests for hearing are filed?

RECOMMENDATION: Yes. If no comments or requests for hearing are filed, the Commission should adopt the amendments as proposed.

INTRODUCTION

During the 1989 Legislative session, several significant changes were made to the statutes governing the Commission's authority to collect regulatory assessment fees from water and wastewater utilities under its jurisdiction. In section 367.145(3), Florida Statutes, the Legislature directed that fees collected from the utilities "...may only be used to cover the cost of regulating water and wastewater systems. Fees collected by the Commission pursuant to Chapters 364 and 366 may not be used to pay the cost of regulating water and wastewater systems." In Section 367.145(1), Florida Statutes, the Legislature raised the maximum amount the Commission could charge the utilities from 2.5 percent of gross revenues derived from intrastate business to 4.5 percent, to ensure that the Commission would be able to collect sufficient fees from the water and wastewater utilities to cover its regulatory costs. To allow the Commission sufficient time to implement the change mandated by 367.145(3), the Legislature provided that

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"the prohibition...shall not take effect until January 1, 1991." The Legislature also changed the time for remittance of assessment fees to correspond to the time for filing annual reports (Section 367.145(1), Florida Statutes.), and it clarified the extent of the Commission's authority to penalize utilities for failure to pay assessment fees in a timely manner (Section 367.145(1)(b)).

Most of the rule changes proposed here are designed to respond to and reflect the 1989 statutory changes. The remainder of the changes staff has proposed are designed to clarify when a utility becomes obligated to pay assessment fees, and what fines and penalties will be charged for failure to pay. The issues presented by the proposed changes will be discussed below in the order in which they appear in the rule.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission propose an amendment to Rule 25-30.120, F.A.C., to increase the rate at which regulatory assessment fees are calculated for water and wastewater utilities from 2 1/2 percent to 4 1/2 percent beginning July 1, 1990?

RECOMMENDATION: Yes. The regulatory assessment fee rate should be increased in order to fulfill the 1989 legislative directive to match fees collected from the industry to the regulatory costs attributable to that industry.

DISCUSSION: Subsection (1) of Rule 25-30.120 responds to the recent Legislative mandate that by January 1, 1991 the Commission must fund the cost of regulating the water and wastewater industry only from fees collected from that industry. Projected regulatory costs matched against projected revenues of the industry indicate that in order to honor the Legislative directive, the Commission must increase the assessment fee rate to the maximum allowed. (See Attachment I).

To soften the impact that an immediate 2 percent increase in the assessment rate would have on the industry, staff recommends that the rate should be raised to 4 1/2 percent only for the second half of the calendar year 1990. The rate for the first half of 1990 would remain at 2 1/2 percent of gross operating revenues. Thereafter, the rate would be assessed at 4 1/2 percent. By dividing the calendar year 1990 in half, the Commission can make the transition to total industry support of its regulatory costs by 1991 in a way which will ease the burden on the utilities, while still allowing the Commission to fulfill its statutory obligations by 1991.

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ISSUE 2: Should the Commission propose an amendment to Rule 25-30.120(2), providing that a utility will be obligated to remit a regulatory assessment fee if it is subject to the Commission's jurisdiction at any time during the year, irrespective of the certification process?

RECOMMENDATION: Yes. This proposed amendment reflects current Commission policy and is designed to eliminate confusion among the utilities over when a utility is required to remit assessment fees.

DISCUSSION: Staff has encountered problems in the administration and collection of regulatory assessment fees which stem from industry confusion about when a utility is required to pay the fees. Proposed Subsection (2) of Rule 25-30.120, makes it clear that a utility's obligation to remit assessment fees to the Commission attaches when the utility becomes subject to the Commission's jurisdiction, and is not conditioned upon the state of a utility's certificate application process.

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ISSUE 3 Should the Commission amend Rule 25-30.120, to require remittance of assessment fees on an annual basis coinciding with the March 31 time for filing annual reports?

RECOMMENDATION: Yes. This proposed amendment reflects the change in the time for remittance of assessment fees prescribed by Section 367.145(1), Florida Statutes (1989).

DISCUSSION: Most water and wastewater utilities keep their records on a calendar year basis. Section 367.145(1), Florida Statutes (1989) recognizes this fact and directs the Commission to adapt its regulatory assessment fee collection procedures accordingly. Proposed Subsection (2)(a), directs that fees shall be filed on an annual basis on or before March 31 (the due date for filing annual reports) for the preceeding calendar year ending December 31. Staff believes that this change will aid in the administration and collection of regulatory assessment fees because utilities will be required to make just one filing at the time their annual reports are due and staff will have the annual reports to compare to regulatory assessment fee returns.

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ISSUE 4: Should the Commission amend Rule 25-30.120 to clarify the procedures and times of imposition of fines, interest and other penalties for late remittances?

RECOMMENDATION: Yes. The Commission should adopt the provision which incorporates the new forms by reference.

DISCUSSION: Subsection (2)(b), (b)1., (b)2., and (b)3 address the procedures to be followed in remitting assessment fees. Subsection (3) allows for a credit for the purchase of water or wastewater treatment from another regulated utility at the new rates (.035 times the annual amount paid to the other regulated utility for purchased water or wastewater for the year beginning January 1, 1990, and .045 times the annual amount paid thereafter.) Subsection (4) assesses fines and interest due where a utility has received a 30 day extension for filing its regulatory assessment fees. Subsections (5), (6), and (7) deal with the commencement and effect of delinquent filings, and the extent of the penalties the Commission has the authority to impose.

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ISSUE 5: Should the Commission adopt the proposed revision to Rule 25-30.120, which incorporates by reference new Regulatory Assessment Fee Forms which reflect the changes in the statutes and the rules?

RECOMMENDATION: Yes. The Commission should amend the Rule because the changes are designed to clarify the circumstances and procedures for imposition of penalties.

DISCUSSION: Staff has prepared new Regulatory Assessment fee forms (See Attachment III), which reflect the proposed changes to the Regulatory Assessment Fee Rule 25-30.120, F.A.C. These will be incorporated by reference in the rule as required by Section 12.54(8), Florida Statutes, and Department of State Rule 15-1.005. In addition to the proposed changes to the rule found in Subsections (1) and (2) of the Rule, the forms include new instructions which direct that remittance may be made by mailing regulatory assessment fees postmarked on or before March 31, unless that date falls on a Sunday, in which case the remittance may be postmarked the following Monday.

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ISSUE 6: Should the Commission adopt the proposed changes to Rule 25-30.120, if no comments or requests for hearing are filed?

RECOMMENDATION: Yes. If no comments or requests for hearing are filed, the Commission should adopt the amendments as proposed.

DISCUSSION: If no comments or requests for hearing are filed within the time required, this rule may be filed for adoption with the Office of the Secretary of State.

MCB/cp

Attachment

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FLORIDA PUBLIC SERVICE COMMISSION
REVENUE & COST COMPARISON USING PROPOSED RATE CHANGES

(7-3) 11/15/89

MAXIMUM ASSESSMENT RATE	ASSESSABLE REVENUES									TOTAL ASSESSMENT FEES	TOTAL REGULATORY COSTS	ASSESSABLE REVENUES TOTAL	% IN- CREASE
	COMMUNICATIONS	WATER & SEWER	RAILROAD	INVESTOR- OWNED	ELECTRIC MUNICI- PALITIES	REA	INVESTOR- OWNED	GAS MUNICIPALS	DISTRICTS				
	1/8 OF 1% *	4 1/2% *	N/A	1/8 OF 1% *	1/64 OF 1% *	1/64 OF 1% *	1/2 OF 1% *	1/4 OF 1% *	1/4 OF 1% *				
1987 (1987-88)													
Assessable Revenue	\$3,663,152,000	\$127,277,360		\$6,856,030,800	\$1,320,275,200	\$594,841,600	\$322,552,800					\$17,884,129,760	9%
Assessable Rate	1/8 of 1%	2 1/2%		1/12 OF 1%	1/64 of 1%	1/64 of 1%	1/8 of 1%						
Assessable Fee	\$4,578,940	\$3,181,934	-0-	\$5,713,359	\$206,293	\$92,944	\$403,191			\$14,176,661			
Regulatory Cost	\$5,137,648	\$4,892,892	-0-	\$4,937,042	\$129,303	\$44,464	\$1,228,126				\$16,369,475		
Cost to Revenue Less 6% Trf	0.1492%	4.0897%		0.0766%	0.0104%	0.0080%	0.4051%				0.1352%		
1988 (1988-89 ACTUAL)													
Assessable Revenue	\$3,945,364,000	\$135,825,760	\$0	\$7,149,400,800	\$1,458,201,600	\$650,265,600	\$293,814,400					\$13,632,872,160	6%
Assessable Rate	1/8 of 1%	2 1/2%		1/12 OF 1%	1/64 of 1%	1/64 of 1%	1/8 of 1%						
Assessable Fee	\$4,931,705	\$3,395,644	-0-	\$5,957,834	\$227,844	\$101,604	\$367,268			\$14,981,899			
Regulatory Cost	\$5,828,494	\$5,203,524	-0-	\$4,608,906	\$251,506	\$251,506	\$1,226,731				\$17,378,667		
Cost to Revenue Less 6% Trf	0.1572%	4.0756%		0.0686%	0.0183%	0.0411%	0.4442%				0.1356%		
1989 (1989-90 Estimate)													
Assessable Revenue	\$4,079,720,000	\$128,960,720		\$7,114,628,800	\$1,425,254,400	\$653,913,600	\$330,328,800					\$13,732,806,320	1%
Assessable Rate	1/8 of 1%	2 1/2%		1/8 of 1%	1/64 of 1%	1/64 of 1%	1/8 of 1%						
Assessable Fee	\$5,099,650	\$3,224,018	-0-	\$8,893,286	\$222,696	\$102,174	\$412,911			\$17,954,735			
Regulatory Cost	\$6,135,118	\$5,886,680	-0-	\$5,152,373	\$281,163	\$281,163	\$1,371,778				\$19,108,275		
Cost to Revenue Less 6% Trf	0.1600%	4.8561%		0.0770%	0.0210%	0.0457%	0.4418%				0.1480%		
1990 (1990-91 Estimate)													
Assessable Revenue	\$4,240,800,000	\$115,297,022		\$7,434,786,400	\$1,560,172,800	\$682,048,000	\$349,333,377	\$67,246,043	\$20,995,786			\$14,410,679,428	5%
Assessable Rate	1/8 OF 1%	**** 4 1/2%		1/8 OF 1%	1/64 OF 1%	1/64 OF 1%	3/8 OF 1%	1/4 OF 1%	1/4 OF 1%				
Assessable Fee	\$5,301,000	\$5,188,366	-0-	\$9,293,483	\$231,381	\$107,129	\$1,310,000	\$168,115	\$52,489	\$21,651,963			
Regulatory Cost	\$6,425,789	\$6,171,495	-0-	\$5,308,453	\$289,680	\$289,680	\$1,230,994	\$158,028	\$49,340		\$19,923,459		
** Cost to Revenue Less 6% Trf	0.1612%	5.6944%		0.0760%	0.0205%	0.0452%	0.3749%	0.2500%	0.2500%		0.1471%		
	(E)	(E)		(E)				(E)	(E)				

(A) Average Revenues assessed for 1/1/84 - 6/30/84 at 1/4 of 1% and 7/1/84 - 12/31/84 at 1/8 of 1%.

(B) Rail Transportation Sunset, October 1985.

(C) Assessment rate of 1/12 of 1% for 1/0's effective 1986.

(D) Assessment rate of 1/8 of 1% for 1/0's effective 1989.

(E) Proposed assessment rates of 4 1/2% for Water & Sewer, 3/8 of 1% for Gas, 1/0, and 1/4 of 1% for Gas Municipals and Districts effective 1990.

(1) Revenue assessment rates fractions are converted into decimals as follows:

0.3750% = 3/8 of 1%	0.1667% = 1/6 of 1%	0.0625% = 1/16 of 1%
0.2500% = 1/4 of 1%	0.1250% = 1/8 of 1%	0.0156% = 1/64 of 1%
	0.0833% = 1/12 of 1%	2.5000% = 2 1/2%
		4.5000% = 4 1/2%

**** THE ASSESSMENT RATE OF 2 1/2% WAS APPLIED AGAINST 1/2 OF THE 1990 ASSESSABLE

REVENUE FOR THE FIRST SIX MONTHS OF 1990 AND 4 1/2% FOR THE LAST SIX MONTHS.

** THE CALCULATION FOR FIGURING THE "COST TO REVENUE LESS 6% TRF" IS AS FOLLOWS:

$$\text{--REGULATORY COST/ (ASSESSABLE REVENUE x 94%) IE. } \$6,425,789 / (\$4,240,800,000 \times 94\%) = 0.1612\%$$

FLORIDA PUBLIC SERVICE COMMISSION
REVENUE & COST COMPARISON USING PROPOSED RATE CHANGES

(F-3) 11/15/89

MAXIMUM ASSESSMENT RATE	COMMUNICATIONS	WATER & SEWER	RAILROAD	ELECTRIC				GAS		TOTAL ASSESSMENT FEES	TOTAL REGULATORY COSTS	ASSESSABLE REVENUES	
				INVESTOR-OWNED	MUNICIPALITIES	REA	INVESTOR-OWNED	MUNICIPALS	DISTRICTS			TOTAL	% INCREASE
	1/8 OF 1% *	4 1/2% *	N/A	1/8 OF 1% *	1/64 OF 1% *	1/64 OF 1% *	1/2 OF 1% *	1/4 OF 1% *	1/4 OF 1% *				
1983 (1983-84)													
Assessable Revenue	\$3,053,231,200	\$81,152,160	\$91,604,400	\$5,364,675,200	\$1,111,308,800	\$442,137,600	\$329,349,600					\$10,473,458,960	12%
Assessable Rate	1/8 of 1%	2 1/2%	1/4 OF 1%	1/16 OF 1%	1/64 of 1%	1/64 of 1%	1/8 of 1%						
Assessable Fee	\$3,816,539	\$2,028,804	\$229,011	\$3,352,922	\$173,642	\$69,084	\$411,687			\$10,081,689			
Regulatory Cost	\$3,338,223	\$2,829,313	\$172,668	\$5,139,208	\$134,598	\$46,285	\$957,283				\$12,617,578		
Cost to Revenue Less 6% Trf	0.1163%	3.7990%	0.2005%	0.1019%	0.0129%	0.0111%	0.3092%				0.1282%		
1984 (1984-85)													
Assessable Revenue	\$3,456,995,200	\$94,812,600	\$145,340,400	\$6,064,160,000	\$1,115,379,200	\$514,566,400	\$352,948,800					\$11,744,202,600	12%
Assessable Rate	1/8 of 1%	2 1/2%	1/6 OF 1%(A)	1/8 of 1%	1/64 of 1%	1/64 of 1%	1/8 of 1%						
Assessable Fee	\$4,321,244	\$2,370,300	\$242,234	\$7,580,200	\$174,278	\$80,401	\$441,186			\$15,209,843			
Regulatory Cost	\$4,313,705	\$2,984,540	\$114,109	\$3,655,072	\$95,723	\$32,889	\$834,350				\$12,030,388		
Cost to Revenue Less 6% Trf	0.1327%	3.3488%	0.0835%	0.0641%	0.0091%	0.0068%	0.2515%				0.1090%		
1985 (1985-86)													
Assessable Revenue	\$3,871,676,000	\$108,272,400	\$112,956,000	\$6,795,708,000	\$1,326,451,200	\$570,169,600	\$347,170,400					\$13,132,403,600	12%
Assessable Rate	1/8 of 1%	2 1/2%	1/8 of 1%	1/8 of 1%	1/64 of 1%	1/64 of 1%	1/8 of 1%						
Assessable Fee	\$4,839,595	\$2,706,810	\$141,195	\$8,494,635	\$207,258	\$89,089	\$433,963			\$16,912,545			
Regulatory Cost	\$4,501,853	\$3,293,996	-0-	\$4,239,545	\$111,726	\$38,570	\$1,680,969				\$13,666,653		
Cost to Revenue Less 6% Trf	0.1237%	3.2365%		0.0664%	0.0090%	0.0072%	0.4538%				0.1107%		
1986 (1986-87)													
Assessable Revenue	\$3,885,320,800	\$126,529,120		\$6,667,177,200	\$1,342,252,800	\$584,761,600	\$291,228,000					\$12,897,269,520	-2%
Assessable Rate	1/8 of 1%	2 1/2%		1/12 OF 1%	1/64 of 1%	1/64 of 1%	1/8 of 1%						
Assessable Fee	\$4,856,651	\$3,163,228	-0-	\$5,555,981	\$209,727	\$91,369	\$364,035			\$14,240,591			
Regulatory Cost	\$4,269,912	\$4,226,869	-0-	\$4,723,452	\$123,857	\$42,308	\$1,206,651				\$14,593,049		
Cost to Revenue Less 6% Trf	0.1169%	3.5539%	(B)	0.0754%	0.0098%	0.0077%	0.4408%				0.1264%		

(A) Average Revenues assessed for 1/1/84 - 6/30/84 at 1/4 of 1% and 7/1/84 - 12/31/84 at 1/8 of 1%.

(B) Rail Transportation Sunset, October 1985.

(C) Assessment rate of 1/12 of 1% for 1/8's effective 1986.

(D) Assessment rate of 1/8 of 1% for 1/0's effective 1989.

(E) Proposed Assessment rates of 4 1/2% for Water & Sewer, 3/8 of 1% for Gas, 1/0, and 1/4 of 1% for Gas Municipals & Districts effective 1990.

* Revenue assessment rates fractions are converted into decimals as follows:

0.3750% = 3/8 of 1%	0.1667% = 1/6 of 1%	0.0625% = 1/16 of 1%
0.2500% = 1/4 of 1%	0.1250% = 1/8 of 1%	0.0156% = 1/64 of 1%
	0.0833% = 1/12 of 1%	2.5000% = 2 1/2%
		4.5000% = 4 1/2%

1 25-30.120 Regulatory Assessment Fees; Water and Wastewater
2 Sewer Utilities.

3 (1) As applicable and as provided in s. 350.113, F.S. (1985),
4 each utility shall remit a fee based upon its gross operating
5 revenue. This fee shall be referred to as a regulatory assessment
6 fee. For the year beginning January 1, 1990 each utility shall
7 pay a regulatory assessment fee in the amount of two and one-half
8 percent of its gross revenues derived from intrastate business for
9 the first six months of that year and four and one-half percent
10 for the second six months of that year. Thereafter, beginning
11 January 1, 1991 each utility shall pay a regulatory assessment fee
12 in the amount of four and one-half percent for the entire year.
13 ~~and each utility shall pay a regulatory assessment fee in the~~
14 ~~amount of two and one-half percent of its gross revenues derived~~
15 ~~from intrastate business.~~ The gross revenues reported for
16 regulatory assessment fee purposes must agree with the amount
17 reported as operating revenue on Schedule F-3 of the Operating
18 Statement in the company's Annual Report, filed in accordance with
19 Rule 25-30.110, F.A.C. Regardless of the gross operating revenue
20 of a utility company, a minimum annual regulatory assessment fee
21 of \$25 shall be imposed.

22 (2) The obligation to remit the regulatory assessment fees
23 for any year shall apply to any utility which is subject to this
24 Commission's jurisdiction on or before December 31 of that year or
25 for any part of that year, whether or not the utility has actually
26 applied for or been issued a certificate.

27 (a) Regulatory assessment fees shall be filed with the
28 Commission on or before March 31 for the preceding year ended
29 December 31. The Commission shall, by January 15 of each year,
30 send one blank copy of the Regulatory Assessment Fee Return form
31 (PSC-WAS-10 or PSC-WAS-17), which is incorporated by reference.

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struck-through type are deletions from existing law.

ATTACHMENT II

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1 into this rule, to each utility. The forms may be obtained from
2 the Commission's Division of Administration. The failure of a
3 utility to receive a return form shall not excuse the utility from
4 its obligation to timely remit the regulatory assessment fees.

5 (b) Regulatory assessment fees are considered paid on the
6 date they are postmarked or received and logged in by the
7 Commission's Division of Administration in Tallahassee. Fees are
8 considered timely paid if properly addressed, with sufficient
9 postage and postmarked no later than the due date. If the fees
10 are sent by registered mail, the date of the registration is the
11 postmark date. If the fees are sent by certified mail and the
12 receipt is postmarked by a postal employee, the date on the
13 receipt is the postmark date. The postmarked certified mail
14 receipt is evidence that the fees were delivered.

15 ~~(2)--Regulatory assessment fees are due each January 30 for~~
16 ~~the preceding period or any part of the period from July 1 until~~
17 ~~December 31, and on July 30 for the preceding period or any part~~
18 ~~of the period from January 1 until June 30. (c) Each utility~~
19 shall have up to and including the due date in which to:

- 20 1. (a) Remit the total amount of its fee, or
- 21 2. (b) Remit an amount which the utility estimates is
- 22 its full fee, or
- 23 3. (c) Seek and receive from ~~the Bureau Chief of~~
24 Fiscal Services of the Division of
25 Administration Commission a 30-day extension
26 of its due date. The request for extension
27 must be written and accompanied by a statement
28 of good cause. The request for extension must
29 be received by the Division of Administration
30 within five working days before the due date.

31 (3) Any utility that purchases water or wastewater sewage

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1 treatment from another utility regulated by the Florida Public
2 Service Commission is allowed a credit on the regulatory
3 assessment fees paid to the F.P.S.C. For the year beginning January
4 1, 1990, the credit shall be calculated by multiplying .035 ~~025~~
5 times the annual amount paid to the other regulated utility for
6 purchased water or wastewater sewage treatment. Thereafter,
7 the credit shall be calculated by multiplying .045 times the
8 annual amount paid to the other regulated utility for purchase
9 water or wastewater treatment. This credit may be deducted
10 annually from the amount owed to the Commission pursuant to
11 section 350.113, Florida Statutes.

12 (4) Where a utility receives a 30-day extension of its due
13 date pursuant to subsection (2)(b)3 ~~(2)(c)~~ of this rule, then the
14 utility shall remit a charge in addition to the regulatory
15 assessment fee, as set out in s. 350.113(5), F.S. (1985) as
16 follows: -

17 (a) .75 percent of the fee to be remitted for an extension of
18 15 days or less, or

19 (b) a charge of 1.5 percent of the fee for an extension of 16
20 to 30 days.

21 (c) No other penalty or interest shall be collected if the
22 additional charge is remitted within the extension time granted.

23 (5) The delinquency of any amount due to the Commission from
24 the utility pursuant to the provisions of s. 350.113, F.S. (1985),
25 and this rule, begins with the first day after any date
26 established as the due date either by operation of this rule or by
27 an extension pursuant to this rule.

28 (a) Pursuant to s. 350.113(4), F.S., a penalty shall be
29 assessed against any utility that fails to pay its regulatory
30 assessment fee by March 31, in the following manner:

31 1. 5 percent of the fee if the failure is for not more

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1 than 30 days, with an additional 5 percent for each
2 additional 30 days or fraction thereof during the
3 time in which the failure continues, not to exceed a
4 total penalty of 25 percent.

5 2. The amount of interest to be charged is 1% for each
6 thirty days or fraction thereof, not to exceed a
7 total of 12% per annum.

8 (b) In addition to the penalties and interest otherwise
9 provided, the Commission may impose an additional penalty upon a
10 utility for failure to pay regulatory assessment fees in a timely
11 manner in accordance with s. 367.161, F.S.

12 ~~(a) A penalty, as set out in s. 350.113, F.S. (1985), shall~~
13 ~~apply to any such delinquent amounts.~~

14 ~~(b) Interest at the rate of 12% per annum shall apply to any~~
15 ~~such delinquent amounts.~~

16 (6) Any utility which requests an extension of not more than
17 30 days and remits, by the due date, an estimated fee payment of
18 at least 90% of the actual fee due shall not be charged interest
19 or penalty on the balance due if paid within the extension period.

20 (7) Any utility which fails to pay a penalty within 30 days
21 after its assessment by the Commission shall be subject to
22 interest applied to the penalty up to and including the date of
23 payment of the penalty. Such interest shall be compounded
24 monthly, based on the 30-day commercial paper rate for high-grade,
25 unsecured notes sold through dealers by major corporations in
26 multiples of \$1,000 as regularly published in the Wall Street
27 Journal.

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

29 Law Implemented: 350.113, F.S.

30 History: New 5/18/83, formerly 25-10.24, Amended 10/16/86,

31 Transferred from 25-10.024 and Amended 11/9/86.

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

FLORIDA PUBLIC SERVICE COMMISSION
INFORMATION FOR FILING REGULATORY ASSESSMENT FEE RETURN
(WATER UTILITY)

I. WHO MUST FILE:

Each regulated utility under the jurisdiction of the Commission for any part of the 12-month period, January 1 through December 31, preceding the due date as reflected under Paragraph II.

II. WHEN TO FILE:

To avoid payment of penalties and interest, a Regulatory Assessment Fee Return [Form PSC/WAS-10(Rev.01/90)] must be filed on or before March 31 for the report period, January 1 through December 31. (When March 31 falls on a Sunday, remittance may be made on April 1 without penalty.)

III. FEES:

Each Commission-regulated utility shall pay the appropriate percentage of its gross operating revenues derived from intrastate business as reported on Annual Report Schedule F-3. The presently established percentages appear on Lines 26 and 27 of the enclosed Regulatory Assessment Fee Return [Form PSC/WAS-10(Rev.01/90)]. To assure an accurate recording of your fee payment, it is most important that you identify each certificate number in the appropriate space.

IV. FAILURE TO FILE BY DUE DATE:

Failure to file a return by the established due date will result in a penalty being added to the amount of fee due, 5% for each 30 days or fraction thereof, not to exceed a total penalty of 25% (Line 30). In addition, interest shall be added in the amount of 1% for each 30 days or fraction thereof, not to exceed a total of 12% per year (Line 31).

V. EXTENSIONS:

A utility, for good cause shown in a written request, may be granted an extension for a period not to exceed thirty days. Such request should be made by filing the attached Form PSC/ADM-124(Rev.01/90), Request for Extension to File Regulatory Assessment Fee Return, in sufficient time to allow Commission action prior to the normal due date. If an extension is granted, a charge shall be added to the amount due:

0.75% of the fee to be remitted for an extension of 15
days or less, OR

1.5% of the fee for an extension of 16 to 30 days.

In lieu of paying the charges outlined above, a utility may file a return and remit payment based upon estimated gross operating revenues. If such return is filed by the normal due date, the utility will be granted a 30-day extension period in which to file and remit the actual fee due without paying the above charges, provided the estimated fee payment remitted is at least 90% of the actual fee due for the period.

An automatic 30-day extension to file an actual return may be obtained by checking the "Estimated Return" space on the Regulatory Assessment Fee Return [Form PSC/WAS-10(Rev.01/90)].

VI. AUTHORITY:

The authority to collect regulatory assessment fees is granted to the Commission by Sections 350.113 and 367.161, Florida Statutes.

VII. REGULATORY ASSESSMENT FEE DUE:

Amounts are due and payable to the Florida Public Service Commission by March 31. If there are no revenues OR if revenues are insufficient to generate a minimum annual fee of \$25, remit the \$25 minimum fee.

VIII. FEE ADJUSTMENTS:

Computation errors and/or differences in gross operating revenues reported for regulatory assessment fee purposes and those reported in the annual report may cause adjustments to amounts paid the Commission. You will be notified, via PSC/ADM-125(Rev.10/89), as to the amount and reason for any adjustment. Penalty and interest charges may be applicable to additional amounts owed the Commission by reason of the adjustment.

IX. MAILING INSTRUCTIONS:

To assure a more accurate and expeditious recording of your payment, it is important that you use the enclosed preaddressed envelopes in remitting your fees. If you are unable to use these envelopes, please address your remittance as shown below:

_____ _____ _____
Florida Public Service Commission 101 East Gaines Street Tallahassee, Florida 32399-0876
ATTENTION: FISCAL SERVICES

PLEASE REMEMBER: Envelopes containing fee payments must be postmarked on or before the due date in order to avoid possible penalty and interest charges. However, when March 31 falls on a Sunday, the envelopes may be postmarked on April 1 without penalty.

ADDITIONAL ASSISTANCE: If you need additional information or assistance in preparing your Regulatory Assessment Fee Return, please contact the Division of Water & Sewer at the above address or call that division at (904) 488-8482.

WATER UTILITY
REGULATORY ASSESSMENT FEE RETURN
FLORIDA PUBLIC SERVICE COMMISSION

FOR PSC USE ONLY	
\$ _____	0604001 003001
\$ _____	P 0604001 004010
\$ _____	I

STATUS:
 Actual Return
 Estimated Return

PERIOD COVERED:
 _____ January 1 - December 31, 1990

(Place Label Here)

F.E.I. NO. _____

TELEPHONE: () _____

UTILITY'S CONTACT _____

FLORIDA PUBLIC SERVICE COMMISSION CERTIFICATE

#_ _ _ _ _ #_ _ _ _ _ #_ _ _ _ _

WATER OPERATING REVENUES:

1. Unmetered Water Revenue (460) \$ _ _ _ _ _ \$ _ _ _ _ _ \$ _ _ _ _ _

Metered Water Revenue

2. Residential Customers (461.1) \$ _ _ _ _ _ \$ _ _ _ _ _ \$ _ _ _ _ _
 3. Commercial Customers (461.2) _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _
 4. Industrial Customers (461.3) _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _
 5. Public Authorities (461.4) _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _
 6. Multiple Family Dwelling (461.5) _____ _____ _____
 7. TOTAL METERED SALES \$ _____ \$ _____ \$ _____

Fire Protection Revenue

8. Public Fire Protection (462.1) \$ _ _ _ _ _ \$ _ _ _ _ _ \$ _ _ _ _ _
 9. Private Fire Protection (462.2) _____ _____ _____
 10. TOTAL FIRE PROTECTION REVENUE \$ _____ \$ _____ \$ _____
 11. Other sales to Public Authorities (464) \$ _ _ _ _ _ \$ _ _ _ _ _ \$ _ _ _ _ _
 12. Sales to Irrigation Customers (465) _____ _____ _____
 13. Sales for Resale (466) _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _
 14. Interdepartmental Sales (467) _____ _____ _____
 15. TOTAL WATER SALES
 (Lines 1+7+10+11+12+13+14) \$ _____ \$ _____ \$ _____

FLORIDA PUBLIC SERVICE COMMISSION CERTIFICATE

_ _ _ _ # _ _ _ _ # _ _ _ _

Other Water Revenues

16. Guaranteed Revenues (Include Revenues from A.F.P.I. Charges) (469)	\$ _ _ _ _	\$ _ _ _ _	\$ _ _ _ _
17. Forfeited Discounts (470)	- - - -	- - - -	- - - -
18. Miscellaneous Service Revenues (471)	- - - -	- - - -	- - - -
19. Rents from Water Property (472)	- - - -	- - - -	- - - -
20. Interdepartmental Rents (473)	- - - -	- - - -	- - - -
21. Other Water Revenues (474) Describe:	- - - -	- - - -	- - - -
<hr/>			
22. TOTAL OTHER WATER REVENUES (Lines 16+17+18+19+20+21)	\$ _ _ _ _	\$ _ _ _ _	\$ _ _ _ _
23. TOTAL WATER OPERATING REVENUES* (Line 15 + Line 22)	\$ _ _ _ _	\$ _ _ _ _	\$ _ _ _ _
24. LESS: Expense for Purchased Water from FPSC-Regulated Utility	_ _ _ _	_ _ _ _	_ _ _ _
25. NET WATER OPERATING REVENUES (Line 23 less Line 24)	\$ _ _ _ _	\$ _ _ _ _	\$ _ _ _ _
26. Regulatory Assessment Fee Due (2-1/2% of One-half of Line 25)			_ _ _ _
27. Regulatory Assessment Fee Due (4-1/2% of One-half of Line 25)			_ _ _ _
28. LESS: <u>Approved</u> Prior-Period Credit			_ _ _ _
29. NET REGULATORY ASSESSMENT FEE (Line 26 + Line 27 Less Line 28)**			\$ _ _ _ _
30. Penalty for Late Payment			_ _ _ _
31. Interest for Late Payment			_ _ _ _
32. TOTAL AMOUNT DUE			\$ _ _ _ _

*These amounts must agree with Annual Report Schedule F-3
 **Minimum Fee - \$25 Annually

If service was purchased from a regulated utility, please insert its name below.

NAME OF UTILITY: _____

I, the undersigned owner/officer of the above-named utility, have read the foregoing. Under penalties of perjury, I declare that, to the best of my knowledge and belief, the above is a true and correct statement of gross revenues derived from intrastate business for the period indicated.

COMPANY OFFICIAL: _____ (Signature) _____ (Title)

DATE: _____

FLORIDA PUBLIC SERVICE COMMISSION
INFORMATION FOR FILING REGULATORY ASSESSMENT FEE RETURN
(WASTEWATER UTILITY)

I. WHO MUST FILE:

Each regulated utility under the jurisdiction of the Commission for any part of the 12-month period, January 1 through December 31, preceding the due date as reflected under Paragraph II.

II. WHEN TO FILE:

To avoid payment of penalties and interest, a Regulatory Assessment Fee Return [Form PSC/WAS-17(Rev.01/90)] must be filed on or before March 31 for the report period, January 1 through December 31. (When March 31 falls on a Sunday, remittance may be made on April 1 without penalty.)

III. FEES:

For 1990, the Regulatory Assessment Fee percentage shall be as reflected below:

2-1/2% for the period January 1 through June 30, 1990
4-1/2% for the period July 1 through December 31, 1990

Each Commission-regulated utility shall pay the appropriate percentage of its gross operating revenues derived from intrastate business as reported on Annual Report Schedule F-3. The established percentages appear on Lines 28 and 29 of the enclosed Regulatory Assessment Fee Return [Form PSC/WAS-17(Rev.01/90)]. To assure an accurate recording of your fee payment, it is most important that you identify each certificate number in the appropriate space.

IV. FAILURE TO FILE BY DUE DATE:

Failure to file a return by the established due date will result in a penalty being added to the amount of fee due, 5% for each 30 days or fraction thereof, not to exceed a total penalty of 25% (Line 32). In addition, interest shall be added in the amount of 1% for each 30 days or fraction thereof, not to exceed a total of 12% per year (Line 33).

V. EXTENSIONS:

A utility, for good cause shown in a written request, may be granted an extension for a period not to exceed thirty days. Such request should be made by filing the attached Form PSC/ADM-124(Rev.01/90), Request for Extension to File Regulatory Assessment Fee Return, in sufficient time to allow Commission action prior to the normal due date. If an extension is granted, a charge shall be added to the amount due:

0.75% of the fee to be remitted for an extension of 15
days or less, OR
1.5% of the fee for an extension of 16 to 30 days.

In lieu of paying the charges outlined above, a utility may file a return and remit payment based upon estimated gross operating revenues. If such return is filed by the normal due date, the utility will be granted a 30-day extension period in which to file and remit the actual fee due without paying the above charges, provided the estimated fee payment remitted is at least 90% of the actual fee due for the period.

An automatic 30-day extension to file an actual return may be obtained by checking the "Estimated Return" space on the Regulatory Assessment Fee Return [Form PSC/WAS-17(Rev.01/90)].

VI. AUTHORITY:

The authority to collect regulatory assessment fees is granted to the Commission by Sections 350.113 and 367.161, Florida Statutes.

VII. REGULATORY ASSESSMENT FEE DUE:

Amounts are due and payable to the Florida Public Service Commission by March 31. If there are no revenues OR if revenues are insufficient to generate a minimum annual fee of \$25, remit the \$25 minimum fee.

VIII. FEE ADJUSTMENTS:

Computation errors and/or differences in gross operating revenues reported for regulatory assessment fee purposes and those reported in the annual report may cause adjustments to amounts paid the Commission. You will be notified, via PSC/ADM-125(Rev.10/89), as to the amount and reason for any adjustment. Penalty and interest charges may be applicable to additional amounts owed the Commission by reason of the adjustment.

IX. MAILING INSTRUCTIONS:

To assure a more accurate and expeditious recording of your payment, it is important that you use the enclosed preaddressed envelopes in remitting your fees. If you are unable to use these envelopes, please address your remittance as shown below:

_____ _____ _____
Florida Public Service Commission 101 East Gaines Street Tallahassee, Florida 32399-0876
ATTENTION: FISCAL SERVICES

PLEASE REMEMBER: Envelopes containing fee payments must be postmarked on or before the due date in order to avoid possible penalty and interest charges. However, when March 31 falls on a Sunday, the envelopes may be postmarked on April 1 without penalty.

ADDITIONAL ASSISTANCE: If you need additional information or assistance in preparing your Regulatory Assessment Fee Return, please contact the Division of Water & Sewer at the above address or call that division at (904) 488-8482.

WASTEWATER UTILITY
 REGULATORY ASSESSMENT FEE RETURN
 FLORIDA PUBLIC SERVICE COMMISSION

FOR PSC USE ONLY	
	0604001
\$ _____	003001
\$ _____	P
	0604001
	004010
\$ _____	I

STATUS:
 ___ Actual Return
 ___ Estimated Return

PERIOD COVERED:
 ___ January 1 - December 31, 1990

(Place Label Here)

F.E.I. NO. _____

TELEPHONE: () _____

UTILITY'S CONTACT _____

FLORIDA PUBLIC SERVICE COMMISSION CERTIFICATE

_____ # _____ # _____

WASTEWATER OPERATING REVENUES:

Flat-Rate Revenues

1. Residential Revenues (521.1)	\$ _____	\$ _____	\$ _____
2. Commercial Revenues (521.2)	_____	_____	_____
3. Industrial Revenues (521.3)	_____	_____	_____
4. Revenues from Public Authorities (521.4)	_____	_____	_____
5. Multiple Family Dwelling Revenues (521.5)	_____	_____	_____
6. Other Revenues (521.6)	_____	_____	_____
7. TOTAL FLAT-RATE REVENUES	\$ _____	\$ _____	\$ _____

Measured Revenues

8. Residential Revenues (522.1)	\$ _____	\$ _____	\$ _____
9. Commercial Revenues (522.2)	_____	_____	_____
10. Industrial Revenues (522.3)	_____	_____	_____
11. Revenues from Public Authorities (522.4)	_____	_____	_____
12. Multiple Family Dwelling Revenues (522.5)	_____	_____	_____
13. TOTAL MEASURED REVENUES	\$ _____	\$ _____	\$ _____
14. Revenues from Public Authorities (523)	\$ _____	\$ _____	\$ _____
15. Revenues from Other Systems (524)	_____	_____	_____
16. Interdepartmental Revenues (525)	_____	_____	_____
17. TOTAL (Lines 7+13+14+15+16)	\$ _____	\$ _____	\$ _____

FLORIDA PUBLIC SERVICE COMMISSION CERTIFICATE

_ _ _ _ # _ _ _ # _ _ _

Other Wastewater Revenues

18. Guaranteed Revenues (Include Revenues from A.F.P.I. Charges) (530)	\$ _ _ _ _	\$ _ _ _ _	\$ _ _ _ _
19. Sales of Sludge (531)	- - - -	- - - -	- - - -
20. Forfeited Discounts (532)	- - - -	- - - -	- - - -
21. Rents from Wastewater Property (534)	- - - -	- - - -	- - - -
22. Interdepartmental Rents (535)	- - - -	- - - -	- - - -
23. Other Wastewater Revenues (536) Describe:			
24. TOTAL OTHER WASTEWATER REVENUES (Lines 18+19+20+21+22+23)	\$ _____	\$ _____	\$ _____
25. TOTAL WASTEWATER OPERATING REVENUES* (Line 17 + Line 24)	\$ _____	\$ _____	\$ _____
26. LESS: Expense for Purchased Wastewater Treatment from FPSC-Regulated Utility	_____	_____	_____
27. NET WASTEWATER OPERATING REVENUES (Line 25 less Line 26)	\$ _____	\$ _____	\$ _____
28. Regulatory Assessment Fee Due (2-1/2% of one-half of Line 27)			_____
29. Regulatory Assessment Fee Due (4-1/2% of one-half of Line 27)			_____
30. LESS: <u>Approved</u> Prior-Period Credit			_____
31. NET REGULATORY ASSESSMENT FEE (Line 28 + Line 29 less Line 30)**			\$ _____
32. Penalty for Late Payment			_____
33. Interest for Late Payment			_____
34. TOTAL AMOUNT DUE			\$ _____

*These amounts must agree with Annual Report Schedule F-3

**Minimum Fee - \$25 Annually

If service was purchased from a regulated utility, please insert its name below.

NAME OF UTILITY: _____

I, the undersigned owner/officer of the above-named utility, have read the foregoing. Under penalties of perjury, I declare that, to the best of my knowledge and belief, the above is a true and correct statement of gross revenues derived from intrastate business for the period indicated.

UTILITY OFFICIAL: _____ (Signature) _____ (Title)

DATE: _____

M E M O R A N D U M

November 14, 1989

TO: DIVISION OF APPEALS (BROWN)
FROM: DIVISION OF RESEARCH (HEWITT) *CBK* *OMA* *YMB*
SUBJECT: ECONOMIC IMPACT STATEMENT FOR PROPOSED REVISIONS TO RULE
25-30.120, FAC, REGULATORY ASSESSMENT FEES; WATER AND WASTEWATER

SUMMARY OF THE RULE

Rule 25-30.120, FAC, sets regulatory assessment fees (RAFs) for water and wastewater utilities (WAW) as applicable and as provided in Section 350.113, Florida Statutes. Section (1)(a) of the current rule sets the assessment fee for WAWs at 2.5 percent of gross operating revenues. The RAFs are due on a semiannual basis, July 30 and January 30, based on the previous six months of intrastate operating revenues. The fees collected are placed in the Florida Public Service Regulatory Trust Fund (Fund) which provides funding for the Florida Public Service Commission (FPSC) to carry out its statutory duties and other legislatively designated programs.

The proposed revisions were initiated by statutory changes to Chapter 367, FS, to raise the RAFs rate for WAWs to a maximum 4.5 percent of gross operating revenues and to change the remittance due date. The new RAFs rate of 4.5 percent would become effective July 1, 1990. An annual payment on March 31, 1991, for all 1990 RAFs, would replace current semiannual filings. The proposed increase would set RAFs for WAWs closer to the actual FPSC costs for regulating WAWs.

The major increase in RAFs would be eased by implementing the new rate July 1990 at the beginning of the Commission's budget or fiscal year. The bifurcation would create a blended RAFs' rate for 1990 of 3.5 percent. The 4.5 percent rate would be effective for all of 1991 and thereafter.

Forms for filing RAFs returns would be included by reference upon adoption of the proposed rule changes. Form PSC/WAS-10 for water utilities and form PSC/WAS-17 for wastewater utilities would require reporting utilities to list the steps in calculating their RAFs. Other changes would clarify remittance requirements and penalties and interest if applicable.

DIRECT COSTS TO THE AGENCY

The Commission would have some additional costs and savings due to adoption of the proposed rule revisions.

If WAWs file for rate cases or limited proceedings more often due to an increase in RAFs, FPSC staff workload would increase. Small WAWs are eligible for staff-assisted rate cases and may be more likely to file in order to include the increased RAFs in rates. Some large WAWs have indicated they would be filing rate cases in the near future in any event, but any net increase in rate cases filed due to a change in RAFs cannot be determined at this time. Staff overtime may increase due to a heavier workload and more staff may eventually be necessary, but an increase cannot be predicted with accuracy.

Currently, RAF payments for revenues generated January to June are due by July 30 and RAFs for July to December revenues are due January

30 of the following year. Due to statutory changes, there would be one RAFs due date coinciding with the filing of the annual financial report on March 31 of the following year.

The Commission would directly benefit from the increase in RAFs because the current regulatory costs for WAWs are greater than current RAFs collected and the proposed RAF rate increase would bring fees more in line with costs. RAFs are generated and trued-up on a calendar year basis. However, the Commission collects and budgets the RAF-related income on a fiscal year basis. RAF collections from WAWs for fiscal year 1990-1991 would be an estimated \$3,705,975 based on the current 2.5 percent rate. The proposed change in the RAFs rate to 4.5 percent effective July 1, 1990, would generate approximately \$1,482,390 in additional fees collected in fiscal year 1990-1991.

However, RAFs for January-June 1990, currently payable July 30, and RAFs for July-December 1990, currently payable January 30, 1991, would not be paid until March 31, 1991, with the proposed rule revision. Eight months' interest (July payment) of approximately \$105,003 plus two months' interest (January payment) of approximately \$26,251 would be lost due to the proposed change in payment due dates. This would result in an estimated net gain of \$1,315,136 ($\$1,482,390 - \$131,254$) in contributions to the fiscal year 1990-1991 budget.

RAF collections from WAWs for fiscal year 1991-1992, at the new 4.5 percent rate for the whole year, are estimated to be \$6,670,755 or \$2,964,780 in additional fees. Two months (January 30 to March 31, 1992) of forgone interest income would be approximately \$26,251 and eight months (July 30, 1991 to March 31, 1992) of forgone interest would be

approximately \$105,003; with a total net gain of \$2,833,526. Forgone interest is estimated on amounts collected at the old rate because the additional RAFs collected at the higher rate would be imposed and due on the new date only upon adoption of the proposed rule revisions.

Changing the amounts of regulatory assessment fees collected should not increase direct costs to the Commission because present staff would handle the larger fees.

As mentioned above, the Commission would send a copy of the Regulatory Assessment Fee Return form to utilities once a year by January 15 which would save postage and handling because RAFs statements are currently sent twice a year. Utilities would remit once and the revenues the RAFs are based on must agree with the operating revenues reported in the annual report, saving FPSC staff time from checking between two reports. Also, first half payments and second half payments currently must be trued-up, a task which would be eliminated for additional staff time savings. These savings would likely be absorbed within current staffing.

In the longer term, net annual benefits to the Fund would be similar in nominal dollars depending on the growth in WAWs revenues.

COSTS AND BENEFITS TO THOSE PARTIES DIRECTLY AFFECTED BY THE RULE

The directly affected parties would be WAWs subject to FPSC jurisdiction, their shareholders in the short run, and ratepayers in the long run. The RAFs rate would increase, due date of RAFs would change, new return forms would be required, and remittance requirements, penalties, and interest rates would be incorporated in the rule.

Increase in Regulatory Assessment Fee Rates. In 1990 assessable revenues for HAWs are estimated to be \$148,239,000. The proposed RAF rate increase from 2.5 percent of gross operating revenues to 4.5 percent effective July 1, 1990, would cause RAFs to increase by approximately \$1,482,390 for 1990 and \$2,964,780 for 1991. The increased fees would be proportional to the size of the utilities' gross revenues.

The actual projected burden of the increased rate on HAWs and their shareholders could be less than the funds received by the Commission because the increase in fees may reduce federal taxes. The additional fees would become expenses to the utilities rather than income and federal taxes would not have to be paid on these funds; thus the net cost born by shareholders would be less than the RAF increase for those utilities with taxable profits.

As a hypothetical example, a utility has gross operating revenues of \$1,000 and expenses of \$900 (including \$25 RAF) for a gross operating income of \$100. Net income after federal income taxes would be \$66, assuming a 34 percent average and marginal federal tax rate (and ignoring state income tax effects). With the RAFs rate increase, expenses rise to \$920 and gross income falls to \$80. But federal taxes drop to \$27.20 from \$34 for a net income of \$52.80 or a decrease of \$13.20 rather than the \$20 increase in the RAFs. It is not possible to project the actual effect of an increase in RAFs rate on an individual utility's shareholders return or in total because future revenues and earnings are unknown.

Until subsequent Commission or legal modifications, increased RAFs would be absorbed by affected HAWs as additional expense and would decrease the level of net operating income.

In the long run, when the increased RAFs are included in rates as regulatory expense, ratepayers would be directly affected because the increased expense would increase water and sewer bills as the fees are passed on to ratepayers. However, the increase in RAFs would allow the Commission to continue to effectively regulate the WAWs.

Some ratepayers may be induced to supply their own water or wastewater facilities if possible, and businesses supplying related equipment or services would benefit. WAWs would lose some customers and revenues. The extent of utility defections would likely be small due to monetary, physical, and legal constraints.

Change in the RAFs Due Date. The proposed change of due dates of RAFs payments from July 30 and January 30 for the preceding six-month periods to March 31 for the preceding year would benefit WAWs since unpaid fees could earn interest until the due date. WAWs could earn approximately \$131,255 in interest for delaying fee payments until March 31 the following year. In addition, paying annually instead of semiannually would save about 50 percent of the time and effort for administrative and clerical work involved in figuring and filing the RAFs.

Other Changes. Another proposed rule change clarifies that all jurisdictional WAWs are subject to RAFs and must remit them irrespective of whether or not the utility has applied for or received a certificate. Also, the gross revenues reported for RAFs purposes must agree with the amount reported as operating revenue in the annual reports. Reporting the calculations on the returns form should not be a significant cost to WAWs since the figures are readily available and must be reported in the annual financial statement due at the same time.

Proposed language would be added to the rule that eliminates any possible ambiguity concerning when fees are late and penalties due: fees would be ". . . considered timely paid if properly addressed, with sufficient postage and postmarked no later than the due date." Additional language would be added concerning registered and certified mail postmark dates that clarifies when these are timely mailings.

For extensions of the due date, requests would have to be in writing and for good cause and received by the FPSC five working days before the due date.

Language would be added to the rule reflecting statutory requirements concerning penalties and interest charges for filing late RAFs. Also, a new interest charge would be made any penalty that is not paid within 30 days after its assessment by the Commission, based on the 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.

Calculations used to figure the RAFs would have to be reported on a new form to be submitted with the RAFs. Other rule changes would codify current practices concerning timely filing of RAFs, and penalties and interest. Interest would be charged for assessed penalties that are not paid within thirty days.

These other changes should aid WAWs' understanding of when to file and what the statutory requirements are concerning penalties and interest but not add significant costs in complying with the rule.

Summary. WAWs under FPSC jurisdiction would be subject to a RAFs rate of 4.5 percent of intrastate operating revenues beginning

July 1, 1990, which would cost the WAWs and their shareholders \$1,482,390 for 1990 and an estimated \$2,964,780 for a full year in 1991 unless placed in the utility rates (minus any reduction in taxes as mentioned above). Ratepayers would pay the increased RAFs when placed in rates. The due date of the RAFs would be changed from every six months to an annual payment coinciding with filing annual reports which would benefit WAWs since they have the use of half a year's fees for an additional two months from January 30 to March 31 and for an additional eight months from July 30 to March 31. The additional interest that could be earned would be approximately \$131,255 each year.

The other revisions should streamline the filing of RAFs payments and benefit WAWs and FPSC with minimal additional costs.

IMPACT ON SMALL BUSINESSES

Many of the affected WAWs are small businesses as referred to in Chapter 120, FS (1987). Some of the WAWs could move from a net positive earnings posture to a negative one with payment of the higher RAFs rate, but the small businesses are liable for the RAFs by statute and could not be exempted from the increased RAF rate. Small business utilities are eligible for staff-assisted rate cases and could thereby mitigate any potential losses by having the RAF rate increase included in rates as soon as possible.

Some small businesses supplying well or septic tank equipment or services may benefit if ratepayers substitute their own well or septic tank system. But the numbers should be small because of monetary, physical and legal barriers.

IMPACT ON COMPETITION

The proposed rule revision would affect all regulated WAWs proportionally and an increased RAFs rate should not affect competition between WAWs.

In the long term, as the WAWs are able to pass the higher RAFs on to ratepayers, higher marginal rates could theoretically encourage users to substitute.

Wastewater utilities have few, if any, close competitors and should also experience no significant change in their competitive status. However, with an increase in total price, builders, developers, or individuals may choose to install, where possible, a septic tank system as a substitute. This could affect growth and revenues of some wastewater utilities.

Given the low level of estimated rate increases from the increased RAFs rate, few residential or commercial customers would likely be induced to make a switch. But some large industrial or agricultural users may be induced to dig their own wells if possible. Substitution would tend to decrease the number of customers and revenues to some utilities but the monopoly nature of the industry would continue.

IMPACT ON EMPLOYMENT

There may be some increase in regulatory related employment if the number of rate case filings increase due to the increased burden of higher RAFs. If some ratepayers are induced to have their own wells dug or septic tank systems installed, there could be a slight increase in employment in those areas.

Reductions in ratepayer and shareholder expenditures on goods and services are unlikely to be much different than expenditures on regulatory costs, creating a wash in employment between those areas in the long term.

METHODOLOGY

Discussions were held with FPSC staff concerning the potential impact of the proposed rule revisions. Estimates of projected and estimated revenues and RAFs for 1989 and 1990 were provided by the FPSC Bureau of Fiscal Services and the Division of Water and Sewer (WAS). Revenue estimates were not available for 1991, so revenues were assumed to be the same as 1990. The proposed change in WAWs RAF rate from 2.5 percent to 4.5 percent of gross revenues constitutes an 80 percent increase which was used to calculate the increase in fees. The 30-day commercial paper interest rate of 8.5 percent as of October 30, 1989, was used to calculate the opportunity cost of delayed payment of RAFs. Standard microeconomic theory was used to assess the partial equilibrium effects in employment and competition and the costs and benefits of the change in the RAF rate.

CBH:jn/3528R