

Florida Public Service Commission
Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850

M E M O R A N D U M

DECEMBER 5, 1991

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF APPEALS (RULE) *MR*
DIVISION OF ADMINISTRATION (SEWELL) *SM*
DIVISION OF RESEARCH AND REGULATORY REVIEW (TROMBINO) *JYT*

SUBJECT: DOCKET NO. 911130-EI - REVISION OF RULE 25-6.0131,
F.A.C., REDUCTION TO REGULATORY ASSESSMENT FEE FOR
INVESTOR-OWNED ELECTRIC UTILITIES.

AGENDA: 12/17/91 - CONTROVERSIAL AGENDA - PARTIES MAY
PARTICIPATE

PANEL: FULL COMMISSION

CRITICAL DATES: NONE

BACKGROUND

The Commission's collection of regulatory assessment fees is governed by Section 350.113, Florida Statutes (1989). Section 350.113 (3) requires that "[t]he fees shall, to the extent practicable, be related to the cost of regulating [each] type of regulated company...." The statute sets the maximum amount which may be charged each type of regulated company.

Rule 25-6.0131, Florida Administrative Code, currently sets the regulatory assessment fee for investor-owned electric companies at the statutory maximum of one-eighth of one percent of gross operating revenues derived from intrastate business. The current fee produces more revenue than is necessary to meet the cost of regulating these utilities.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission propose the attached revision to Rule 25-6.0131, Florida Administrative Code?

RECOMMENDATION: Yes. The proposed revision decreases the regulatory assessment fee imposed upon investor-owned electric utilities from one-eighth of one percent to one-twentieth of one percent for a six month period, and thereafter, to approximately one-twelfth of one percent. Lowering the fee to one-twentieth of one percent for 6 months will reduce the large cash balance in the Regulatory Trust Fund. Thereafter, projected revenue at one-twelfth of one percent will provide the Regulatory Trust Fund with sufficient cash to cover the Commission's estimated regulatory cost for investor-owned electric utilities.

STAFF ANALYSIS: Rule 25-6.0131, Florida Administrative Code, presently imposes upon investor-owned electric utilities a regulatory assessment fee of one eighth of one percent of gross operating revenues derived from intrastate business. The present fee is the statutory maximum amount which may be charged to investor-owned electric utilities.

According to Section 350.113 (3), Florida Statutes (1989), the fee must be "related to the cost of regulating such type of regulated company". If the regulatory assessment fee is not reduced, revenues from investor-owned electric utilities for the 1991-1992 period will greatly exceed regulatory costs. A stepped reduction is recommended to reduce the cash balance of the Regulatory Trust Fund on a short term basis and to collect the appropriate amount thereafter to cover the cost of regulating investor-owned utilities.

Regulatory cost figures which result in the recommended fee decrease were derived from the Commission's 1991-1992 approved operating budget. Regulatory cost figures for the 1992-1993 period are based upon the Commission's legislative budget request. The portion of the regulatory cost allocated to investor-owned electric utilities is based upon fiscal year 1990-1991 statistics obtained through the Commission's Management Information System.

The estimated impact on each investor-owned electric company is shown in the attached economic impact statement. However, the regulatory assessment fees associated with fuel expenses will be reduced in the fuel docket, and the figures shown are pretax numbers, so the actual economic benefit to each utility will be lower than that shown.

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As shown in the attached economic impact statement, estimated fiscal year 1991-1992 revenues generated from the present regulatory assessment fee are approximately \$9.9 million. A reduction to one-twentieth of one percent would produce approximately \$6.9 million in revenues for that period, which should be sufficient to meet the estimated costs of regulation.

Regulatory assessment fees are included in the base rates of investor-owned electric companies. Therefore increases and decreases in the fees are absorbed by or act to benefit each company, and therefore, its shareholders. The present decrease will not flow through to ratepayers until the next rate case of each utility. In the short term, the decrease in fees will contribute to operating income and thereby benefit shareholders.

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ISSUE 2: Should the revised rule be filed with the Secretary of State and the docket closed if there are no comments or requests for hearing?

RECOMMENDATION: Yes.

STAFF ANALYSIS: If no comments or requests for hearing are timely filed, the revised rule should be filed for adoption with the Secretary of State and this docket should be closed.

assmtrec.mer

Attachment

1 25-6.0131 Regulatory Assessment Fees; Investor-owned Electric
2 Companies, Municipal Electric Utilities, Rural Electric
3 Cooperatives.

4 (1) As applicable and as provided in s. 350.113, F.S. (1985),
5 each company, utility, or cooperative shall remit to the Commission
6 a fee based upon its gross operating revenue. This fee shall be
7 referred to as a regulatory assessment fee. Regardless of the
8 gross operating revenue of a company, a minimum annual regulatory
9 assessment fee of \$25 shall be imposed.

10 (a) On January 30, 1992, eEach investor-owned electric
11 company shall pay a regulatory assessment fee in the amount of 0.05
12 ~~one-eighth of one~~ percent of gross operating revenues derived from
13 intrastate business, excluding sales for resale between public
14 utilities, municipal electric utilities and rural electric
15 cooperatives or any combination thereof. Beginning on July 30,
16 1992 and continuing thereafter, each investor-owned electric
17 company shall pay a regulatory assessment fee in the amount of
18 0.08330 percent of gross operating revenues derived from intrastate
19 business, excluding sales for resale between public utilities,
20 municipal electric utilities and rural electric cooperatives or any
21 combination thereof.

22 (b) Each municipal electric utility and rural electric
23 cooperative shall pay a regulatory assessment fee in the amount of
24 one-sixty-fourth of one percent of its gross operating revenues
25 derived from intrastate business, excluding sales for resale

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1 between public utilities, municipal electric utilities and rural
2 cooperatives or any combination thereof.

3 (2) Regulatory assessment fees are due each January 30 for
4 the preceding period or any part of the period from July 1 until
5 December 31, and on July 30 for the preceding period or any part of
6 the period from January 1 until June 30. Each company, utility, or
7 cooperative shall have up to and including the due date in which
8 to:

9 (a) Remit the total amount of its fee, or

10 (b) Remit an amount which the company, utility, or
11 cooperative estimates is its full fee, or

12 (c) Seek and receive from the Commission a 30-day extension
13 of its due date.

14 (3) Where the company, utility, or cooperative remits less
15 than its full fee pursuant to subsection (2)(b) of this Rule, the
16 remainder of the full fee shall be due on or before the 30th day
17 from the due date and shall, where the amount remitted was less
18 than 90% of the total regulatory assessment fee, include interest
19 as provided by subsection (5)(b) of this Rule.

20 (4) Where a company, utility, or cooperative receives a
21 30-day extension of its due date pursuant to subsection (2)(c) of
22 this rule, then the entity shall remit a charge in addition to the
23 regulatory assessment fee, as set out in s. 350.113(5), F.S.
24 (1985).

25 (5) The delinquency of any amount due to the Commission from

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1 the company, utility, or cooperative pursuant to the provisions of
2 s. 350.113, F.S. (1985) and this rule, begins with the first day
3 after any date established as the due date either by operation of
4 this rule or by an extension pursuant to this rule.

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

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

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

10 Law Implemented: 350.113, F.S.

11 History: New 5/18/83, Amended 2/9/84, formerly 25-6.131, Amended
12 6/18/86, 10/16/86, 3/7/89, _____.

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15 rule6131.mec

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MEMORANDUM

November 25, 1991

TO: DIVISION OF APPEALS (RULE)

FROM: DIVISION OF RESEARCH AND REGULATORY REVIEW (TROMBINO, HOPPE) *AND MAB*

SUBJECT: ECONOMIC IMPACT STATEMENT FOR PROPOSED REVISION TO RULE 25-6.0131, FAC, REGULATORY ASSESSMENT FEES FOR INVESTOR-OWNED ELECTRIC UTILITIES

SUMMARY OF THE RULE

Rule 25-6.0131, FAC, codifies applicable regulatory assessment fees (RAFs) for investor-owned electric companies (IOUs), municipal electric utilities (MUNIs), and rural electric cooperatives (RECs). The existing rule requires each IOU, MUNI, and REC to submit a fee to the Public Service Commission (Commission) based upon a given percentage of gross operating revenues. A minimum fee of \$25 is imposed by the Commission each year, regardless of the level of IOU, MUNI, and REC operating revenues. RAFs are due semiannually each January 30 and July 30 for the preceding period. The utility may: (a) remit the entire amount of the fee due, or (b) receive a 30-day extension of the due date from the Commission.

Should the IOU remit less than 90 percent of the full RAF due, the balance of the fee shall be due on or before the 30th day from the due date and shall include interest of 12 percent per annum. If said utility receives a 30-day extension of its due date, the utility shall remit a charge, in addition to the RAF, of 12 percent per annum.

The only revision to the rule would be a decrease in the RAF rate for investor-owned electric utilities from 0.125 percent to 0.05 percent of gross operating revenue for collections associated with the period July 1, 1991, through December 31, 1991. In addition, the rate for subsequent collections for future periods would change to 0.0833 percent.

DIRECT COSTS TO THE AGENCY

The Commission is presently meeting its estimated expenditures and costs of regulating the IOUs. However, the Division of Administration provided an updated estimate of cash contributions to the Regulatory Trust Fund based on the new RAF rate for IOUs. It appears that these estimated RAF collections would more closely match the estimated costs of regulating the IOUs for fiscal year 1991-1992. No changes in the Commission's workload are expected from the proposed rule revision, and it would not impact costs to the agency. Estimated fiscal year 1991-1992 revenues generated from the 0.125 percent RAF rate are approximately \$9.9 million. Under the proposed rule change, the 0.05 percent rate would produce about \$6.9 million in revenues, sufficient to cover expected costs of regulating the IOUs.

COSTS AND BENEFITS TO THOSE PARTIES DIRECTLY AFFECTED BY THE RULE

The parties directly affected by the proposed rule modification would be the IOUs, shareholders, and ratepayers. The decrease in the RAF would contribute to operating income for each electric IOU and benefit shareholders in the short run. Total benefits would not flow through to the ratepayer until the time of each individual IOU's next rate cases.

Shown below is an estimate of RAFs collected from the five IOUs for the calendar year 1991, based on the current and proposed rates, and the resulting difference from the proposed rule change. These estimates are based solely on the doubling of actual revenues for January 1, 1991, through June 30, 1991. The companies will not remit RAFs for July 1, 1991, through December 31, 1991, revenues until after the calendar year.

UTILITY	ESTIMATED FEES CURRENT RATE (0.125%)	ESTIMATED FEES PROPOSED RATE (0.05%)	DIFFERENCE
Florida Power and Light	\$6,135,612	\$4,294,928	\$1,840,684
Florida Power Corporation	1,905,108	1,333,576	571,532
Florida Public Utilities Company	38,100	26,670	11,430
Gulf Power Company	560,318	392,222	168,096
Tampa Electric Company	1,119,606	783,724	335,882
TOTAL	\$9,758,744	\$6,831,120	\$2,927,624

Any projected benefit to shareholders in the short run will be somewhat less than shown above. This is due to the fact that RAFs associated with fuel expenses would be updated in the fuel adjustment proceedings. In addition, the stated differences are pretax numbers.

IMPACT ON SMALL BUSINESSES

None of the affected electric IOUs are small businesses as referred to in Section 288.702(1) of Florida Statutes. Therefore there will not be any direct effects on small businesses.

IMPACT ON COMPETITION

The proposed rule revision would affect electric IOUs proportionally, and there should be no change in competition within the industry. Lower RAFs may promote some industrial users to move from oil or gas to electricity in the long run. However, since the estimated decreases in the RAF rates are small, it is unlikely that any industrial users would switch energy sources. Moreover, if some customers purchased greater quantities of electricity, the resulting change in demand would not alter the competitive structure.

IMPACT ON EMPLOYMENT

Although the Regulatory Trust Fund revenues for 1991-92 would decrease with the proposed rule revision, employment within the Commission should not change.

The utilities should not experience any changes in employment in the short term or long term with the slight decrease in the RAF. Shareholders may encounter minimal increases in expenses because the utilities would have greater revenue available; however, long term costs should not affect employment.

METHODOLOGY

Discussions were held with Commission staff regarding the potential impact of the proposed rule revision. Estimates of hypothetical fee decreases and projected and estimated revenues and expenses were provided by the Bureau of Fiscal Services. Standard microeconomic analysis was used to evaluate the effects of the proposed rule change on the agency and the parties.

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