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April 29, 1992

ORIGINAL FILE COPY

Hand-Deliver

Mr. Steve Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0850

RE: Docket No. 911082-WS
Proposed Revision of PSC Water and Wastewater Rules

ACK ✓ Dear Mr. Tribble:

AFA ___

APP ___ Enclosed is an original and fifteen (15) copies of the Comments of the Florida Waterworks Association on Proposed New and Amended Water and Wastewater Rules.

CAF ___

CMU ___ Please acknowledge receipt of the foregoing by stamping the enclosed extra copy of this letter and returning same to my attention. Thank you for your assistance.

CTR ___

EAG ___

LEG 1

LIN 6

OPC ___

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SEC 1

WAS 2

OTH ___

Sincerely,

Wayne L Schiefelbein

Wayne L. Schiefelbein

RECEIVED & FILED
FPSC-BUREAU OF RECORDS

WLS/dc

Enclosure

cc: (w/enc.)
Chuck Hill
Bill Lowe
Suzanne F. Summerlin, Esq.
Noreen S. Davis, Esq.
Christiana Talbird Moore, Esq.

DOCUMENT NUMBER-DATE
04234 APR 29 1992
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 911082-WS

COMMENTS
OF THE FLORIDA WATERWORKS ASSOCIATION
ON PROPOSED NEW AND AMENDED WATER AND WASTEWATER RULES

Submitted for Filing
April 29, 1992

1. 25-22.0406 NOTICE AND PUBLIC INFORMATION
(pp. 1-9) No formal position.

2. 25-22.0407 NOTICE AND PUBLIC INFORMATION
(pp. 10-22)

A) Delete (2) requirement of service of petition and MFRs to chief executive officer of each municipality and county affected.

B) Lengthen (4) timeframe within which approved synopsis must be provided (to utility's office, to municipality/county, and to public library) from 15 days to 30 days after being notified that MFRs are met.

C) Clarify (4)(b), given deletion of (2), to require provision of synopsis to chief executive officer of each municipality and county within the service areas affected by the petition for rate increase.

D) Do not oppose (5)(g) requirement of notice regarding service availability charges even where no change requested by petition for rate increase. However, the MFRs should be modified so as to require support for existing service availability charges, although no change is requested. This will lessen the likelihood of unilateral Staff changes made without regard for the case for retaining existing charges.

3. 25-22.0408 NOTICES/AFPI
(pp. 23-26) No formal position.

4. 25-30.010 RULES FOR GENERAL APPLICATION
(pp. 27-28) No formal position.

5. 25-30.011 APPLICATION AND SCOPE
(pp. 29-32) No formal position.

6. 25-30.020 FEES
(pp. 33-40)

A) Delete (1) and (2)(i) fees for application for a name change.

B) Increase (3) definition of ERC for purposes of determining fees to equal 350 (not 250) gpd, excluding fire flow capacity.

7. 25-30.025 OFFICIAL DATE OF FILING
(pp. 41-42) No formal position.

8. 25-30.030 NOTICE OF APPLICATION
(pp. 43-50)

A) Clarify (2) and (4)(f) to require notice to neighboring PSC-certificated utilities, avoiding requirement of notice to non-PSC regulated utilities. Also, for utilities whose existing or requested service area is within 4 miles of a county border, require notice to all PSC-certificated utilities in the bordering county as well.

B) Delete (6) requirement of notice to all residents obtaining service through a private well or septic tank.

9. 25-30.032 APPLICATIONS
(pp. 51-54) No formal position.

10. 25-30.033 APPLICATION FOR ORIGINAL CERTIFICATES
(pp. 55-64)

A) Revise existing rule (1)(f) to provide a statement that "to the best of the applicant's knowledge," the provision of service will be consistent with the local comp plan "at the time the application is filed."

B) Revise existing rule (1)(j) to allow warranty deed, long-term lease, or written easement as evidence of assurance of continued use of treatment facilities site.

C) Delete existing rule (1)(q) requirement regarding reasons for not using spray irrigation as means of effluent disposal.

D) Revise existing rule (1)(t) requirement to read: "a list of all entities which have provided or will provide funding to the utility, and an explanation of the manner and level of such funding, which may include their financial statements or copies of any financial agreements. This rule shall not apply to any person or entity holding less than 10% ownership interest in the utility, unless that person or entity is also providing other funding to the utility."

E) Revise (3) to provide that return on common equity "shall" be established using the current leverage formula in the absence of a showing that another return should be employed.

11. 25-30.034 APPLICATION FOR CERTIFICATE/EXISTING UTILITY CURRENTLY CHARGING
(pp. 65-70)

A) Revise existing rule (1)(e) to allow warranty deed, long-term lease or written easement as evidence of assurance of continued use of treatment facilities site.

12. 25-30.035 GRANDFATHER CERTIFICATES
(pp. 71-74)

A) Revise existing rule (6) to allow warranty deed, long-

term lease or written easement as evidence of assurance of continued use of treatment facilities site.

13. 25-30.036 AMENDMENTS
(pp. 75-82)

A) Oppose (1)(b) requirement to identify any other utilities that could potentially provide such service, (within 4 mile radius, as under existing rule, or without geographic limits, as under staff proposal).

B) Revise existing rule (1)(e) to allow warranty deed, long-term lease or written easement as evidence of assurance of continued use of treatment facilities site.

14. 25-30.037 TRANSFERS
(pp. 83-93)

A) Oppose (2)(m) requirement to provide reason why negative acquisition adjustment should not be included.

B) Apply requirement that buyer has or will obtain all federal income tax returns of seller from date utility first established (or if not steps taken to obtain them) only where rate base never previously established for system being acquired.

C) Clarify (2)(q) requirement of statement from buyer that "after reasonable investigation, the system being acquired appears to be in satisfactory condition," given concern over latent defects.

D) Clarify (2)(q) requirement regarding statement of compliance with DER standards, to include list of all unresolved notices of violation, pending enforcement

actions, and outstanding consent orders. Support requirement of list of needed repair or improvement and approximate cost.

E) Limit (4)(d) requirement, for transfers to government authority, of list of utility assets not transferred to the government authority, to only if those remaining assets constitute a system providing or proposing to provide service for compensation.

15. 25-30.0371 RATE BASE ESTABLISHED AT TIME OF TRANSFER (pp. 95-98)

A) Support (1) definition of rate base and indication that PSC may consider conditions of purchased assets in determining whether removed from rate base.

B) Otherwise oppose (2) and (4) vague standards for evaluating acquisition adjustments, and (3) assigning burden of proof to utility to justify nonrecognition of negative acquisition adjustment. Instead, support newly created 25-30.0372, as follows:

1. As a general principle, rate base for utility plant includes only the original cost of the property to the first owner dedicating the plant to public service. Therefore, if plant is purchased at a price less than or in excess of the seller's original cost, net of accumulated depreciation and unamortized contributions-in-aid-of-construction, the buyer's rate base associated with the acquired plant is set at that original cost of the seller.

2. Any premium above the net original cost of the seller that is paid by the buyer is referred to as a positive acquisition adjustment. Positive acquisition adjustments are generally excluded from rate base and amortized below-the-line (i.e., excluded from cost of service for rate-making purposes), under the premise that the premium paid provides no additional benefit to ratepayers.

3. Any discount below the net original cost that is paid by the buyer is referred to as a negative acquisition adjustment. Negative acquisition adjustments are generally not recognized in the calculation of the buyer's rate base. The purpose of this policy is to create an incentive for the acquisition of small, thinly capitalized utilities by larger utilities with the managerial, financial, technical and operational resources necessary to make needed plant improvements and to otherwise provide a substantially improved quality of service.

4. It shall be a rebuttable presumption that the purchase of a utility system at a premium or a discount should not affect rate base.

5. Compelling justification must be provided for recognition of any acquisition adjustment. In that regard, the following factors should be considered in determining whether a positive acquisition adjustment should be recognized:

(a) whether the purchase was the result of an arms-length transaction;

(b) whether the purchase price was below the replacement cost of the facilities remaining in service;

(c) operating efficiencies resulting from the purchase create lowered operating costs that offset the effect of the premium paid;

(d) the integration of the acquired system with other systems owned or operated by the buyer will result in substantial improvement in customer service;

(e) other customer benefits, such as lower rates for service.

C) Oppose (5) provision that PSC may set rate base at zero where no records. Instead propose that "where it is shown by a buyer that there has been a good faith, unsuccessful effort to obtain original cost documentation, the Commission may accept studies reconstructing and estimating the original cost of plant in service and/or the level of contributions-in-aid-of-construction collected."

16. 25-30.038 EXPEDITED APPLICATION FOR ACQUISITION OF EXISTING SMALL SYSTEM.
(pp. 99-114)

A) Take no overall position on this well-intentioned, fatally flawed effort to provide an optional application procedure to address regulatory lag where small systems

with very low rates, are acquired.

B) Amend (4)b to indicate that absence of system maps should not delay approval of application.

C) As for (4)k regarding compliance with environmental standards, see Comment 14D above.

D) As for (4)l, m and n regarding original cost, books and records, tax records, see Comments 14B and 15C above.

E) Modify (11)c to delete need to give reasons why a negative acquisition adjustment should not be included.

17. 25-30.039 NAME CHANGE
(pp. 115-118)

A) Streamline rule so that only requirement is to notify PSC within 30 days of a name change.

B) If (A) is not approved, modify (2)(e) requirement for sole proprietorship, general partnership, or any other type of entity, not chartered by Florida or other state, that statement that ownership and control will not change, may be signed by "duly authorized representative" instead of "all owners."

C) Oppose 2(g) requirement of evidence of ownership/long term lease for treatment plant site.

18. 25-30.060 EXEMPTIONS
(pp. 119-128)
No formal position.

19. 25-30.090 ABANDONMENTS
(pp. 129-132)

A) Modify (5) to indicate that while a receiver is responsible for fulfilling the utility's obligations: "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."

20. 25-30.110 RECORDS AND REPORTS
(pp. 133-148)

A) Modify (1)(c) to indicate that utility with out-of-state records is responsible for staff travel costs only to the extent that such costs exceed the costs that would be incurred had the records been kept in Florida.

21. 25-30.111 EXEMPTION FOR RESALE
(pp. 149-150)
No formal position.

22. 25-30.117 ACCOUNTING FOR PENSION COSTS
(pp. 151-152)
No formal position.

23. 25-30.135 TARIFFS, RULES and MISCELLANEOUS
(pp. 153-154)

A) Oppose (3) utility obligation to make available to customer inspection copies of current Rules and Statutes.

B) Oppose (3) utility obligations to make available to customer inspection the system maps, which are usually maintained at the plant and used in maintaining the system.

24. 25-30.220 WATER & WASTEWATER UTILITY STANDARDS
(pp. 155-156)

A. Oppose Commission's adoption by reference of standards set forth in various publications. Instead, advocate

that in its review of utility plant constructed, the Commission shall apply the approved engineering design of such plant, as set forth in the construction permit for the plant issued by the Florida Department of Environmental Regulation.

25. 25-30.255 MEASUREMENT OF SERVICE
(pp. 157-158)

A. Oppose (4) requirement to individually meter separate occupancy units for which construction is commenced after 1/1/93, as an unduly heavy-handed approach to conservation.

26. 25-30.311 CUSTOMER DEPOSITS
(Omitted from staff draft)

A. Lower (4) interest rate on deposits to recognize current market conditions.

27. 25-30.320 REFUSAL OR DISCONTINUANCE OF SERVICE
(pp. 159-166)

A. Qualify (2)(j) prohibition of utility discontinuing service "if unauthorized or fraudulent use of service has ceased and/or been eliminated prior to arrival of utility to discontinue service" so that discontinuance is allowed (i) unless the fraudulently obtained service has been paid for, (ii) unless the utility has been shown that the fraudulent use has been permanently stopped (through proof of piping changes, etc.), and (iii) unless all other applicable fees and charges have been paid.

28. 25-30.335 CUSTOMER BILLING
(pp. 167-172)
No formal position.

29. 25-30.360 REFUNDS
(pp. 173-182)
No formal position.

30. 25-30.430 TEST YEAR APPROVAL
(pp. 183-186)
No formal position.

31. 25-30.430 TEST YEAR NOTIFICATION
(pp. 187-192)

A. Oppose alternative proposal of 90 days advance notice of an application for general rate increase.

32. 25-30.432 USED AND USEFUL IN RATE CASES
(pp. 193-200)

A. Propose rule rewrite as follows:

(1) This Commission shall allow a utility to recover, through authorized rates, charges and fees, the costs incurred in meeting its statutory obligations to provide safe, efficient and sufficient service. The utility's investment, prudently incurred, in meeting its statutory obligations shall be considered used and useful.

(2) It is the policy of this Commission to encourage utility planning that recognizes conservation, environmental protection, economies of scale, and which is economically beneficial to its customers over the long term.

(3) In determining those portions of water and wastewater systems that are used and useful in serving the public, the Commission shall consider:

(a) the design and construction requirements set forth in Chapter 17-555, F.A.C. Permitting and Construction of Public Water Systems and Chapter 17-600, F.A.C. Domestic Wastewater Facilities;

(b) the investment in land acquired or facilities

constructed or to be constructed in the public interest within a reasonable time in the future;

(c) the prudency of the investment, taking into consideration such factors as (i) the treatment process, (ii) water storage capacity, (iii) economies of scale, (iv) the historical and projected rate of growth in customers and demand, (v) seasonal demand characteristics, (vi) residential and commercial mix, and (vii) the configuration of the service area.

(4) In order to encourage long-term planning and least cost system design, the Commission, at a minimum, shall consider as used and useful the level of investment that would have been required had the utility designed and constructed the system to serve only its existing customer base.

(5) For the purpose of calculating used and useful, the following specific factors shall apply. When applying these factors, references to customer demand shall mean the demand per ERC used for design and/or permitting or the actual demand per ERC, whichever is greater.

(a) Margin Reserve -

1. The Commission recognizes, that in order for a utility to be able to meet its statutory responsibility, it must have sufficient capacity and investment to meet the existing and changing demands of present customers, and the demands of potential customers within a reasonable time. The investment needed to meet the demands of potential customers and the changing demands of existing customers, is defined as margin reserve. As a matter of

policy, the Commission recognizes margin reserve as a component of used and useful rate base.

2. In determining the allowable investment in margin reserve, the Commission shall consider, but not be limited to (i) the functions of each component of plant (treatment, transmission, distribution, etc.), (ii) the treatment process, (iii) regulatory requirements, including those requiring plant redundancies, (iv) regulatory lag, (v) the rate of growth in customers and demand, (vi) seasonal demand characteristics, (vii) the economies of scale, and (viii) the construction time frame.

3. As a part of its rate filing, the utility shall submit historical data for a minimum of five years preceding the test year for (i) the number of customers by class and meter size, (ii) annual sales by class, (iii) annual treated or pumped flows for the system, (iv) and monthly system peak day flows.

4. Unless otherwise justified, the following margin reserve allowances shall be used:

i. Water source and treatment facilities and wastewater treatment and disposal facilities: 20% of the permitted or actual ERC capacity, whichever is greater;

ii. Water transmission mains and offsite wastewater force and gravity collector mains and pumping stations shall be considered 100% used and useful, and margin reserve shall therefore not be a factor.

iii. Noncontributed on-site water distribution mains and services and onsite wastewater collection mains, pumping

stations and laterals: 20% of the ERCs capable of being served. However, where the utility reasonably demonstrates that such portions of the system will likely reach build-out within five years after the test year, such portions of the system shall be considered 100% used and useful, and margin reserve shall therefore not be a factor.

(b) Fire Flow -

1. Fire flow shall be considered in used and useful calculations for any utility that requests that fire flow be a consideration of its system requirements.

2. Insufficient capacity to provide adequate fire flows shall not be grounds to exclude fire flows as a factor in determining used and useful; however the Commission may require the utility to take the steps necessary to provide adequate fire flow capacity. In so doing, the Commission shall set a reasonable time table for compliance and may withhold that portion of the rates associated with the required additions and fire flow capacity allowed, until the requirements set by the Commission are met.

3. When fire flow requirements are set by the governmental authority, those requirements shall be the basis for determining the fire flow component of used and useful. In such cases, as part of its rate filing, the utility shall identify and file with the Commission a copy of the applicable governmental fire flow requirements. In all other cases, unless specific support is provided, the Commission shall consider a minimum fire flow demand

to be 500 gpm for single family and 1,500 gpm for multiple family and commercial areas for a duration of two (2) hours for needed fire flows up to 2500 gpm, and three (3) hours for needed fire flows of 3000 and 3500 gpm. Such requirements shall be satisfied without causing deterioration of water pressure below 20 psi.

(c) Unaccounted-for Water -

1. It is the policy of this Commission to recognize conservation of water as a fundamental and proper concern of water system operation. The Commission encourages water utilities to exercise good operational and economic management toward preventing depletion and wasteful use of this important natural resource. Good modern water utility practice dictates that, wherever possible, all customer services and plant output and plant uses be metered and reasonable records be kept.

2. Unaccounted-for water is all water produced or purchased by a water utility that is neither sold, metered nor accounted for in the records of the utility. Water, other than that sold, which can and should be accounted for includes, but is not limited to, water for plant operations, line flushing, hydrant testing, hydrant use, sewer cleaning, street cleaning, line breaks, leakage, theft, unauthorized use, malfunctions and meter errors.

> [NOTE: The Commission should recognize however that there may be extenuating circumstances beyond the utility's control, with hydrant use and testing conducted by fire fighters, for example, where an accurate accounting of the water is very difficult to attain).

3. The Commission recognizes that some uses of water are readily measurable and others are not. The Commission

encourages each utility to establish procedures to measure or estimate the quantity of water used but not sold, by cause, and to maintain documentation for those measurements and estimates.

4. The Commission shall consider the amount of unaccounted-for water in determining used and useful expenses and shall allow the AWWA Standards' design level of leakage [C-600-87]plus 10% of water produced and/or purchased, without further explanation. Reductions to purchased power and chemical expenses may be made where inadequate explanation is given for unaccounted-for water in excess of this amount.

(d) Infiltration and Inflow -

1. It is the policy of this Commission to consider the impact of infiltration and inflow on wastewater treatment and collection systems in determining the appropriate level of operation and maintenance expenses. Infiltration refers to those extraneous flows (usually from groundwater sources) that enter the wastewater system through openings in pipes that may be caused by normal deterioration, corrosion, or damage from ground movement or structural overload. Inflow refers to extraneous flows from sources other than infiltration, such as surface water run-off into manholes or from unauthorized connections to surface water sources. Although a utility has little control over the amount of inflow, it should provide an estimate, with support, of the annual flows in its system due to inflow. Without specific support, allowable inflow will be 10% of treated flows. Infiltration should be kept at

an economically acceptable level.

[NOTE: The Commission should recongize that customer service lines themselves can be a major avenue of infiltration.]

2. The Commission recognizes as reasonable the Infiltration Specification Allowances set forth in Water Pollution Control Federation Manual of Practice No. 9. Absent sufficient justification to the contrary, excess infiltration is defined as flows in excess of 500 gpd/in. diam/mile. for all lines, including service laterals.

(e) Cost/benefit Analysis - The Commission may order a utility to perform a cost/benefit analysis to determine the amount of water losses or wastewater infiltration that may be economically eliminated. The actual or estimated cost of any cost/benefit analysis ordered by the Commission shall be recoverable through rates in the rate proceeding pending at the time of such order. If the analysis is ordered by the Commission in the course of evaluating a rate application, the cost shall be recovered through the revenues authorized in that rate proceeding, and the cost shall be amortized over three years. If the analysis is ordered outside of a formal rate proceeding, the utility may request the cost to be recovered through a limited proceeding, pursuant to Section 367.0822, Florida Statutes.

(f) Used and Useful Analysis -

1. As a part of its rate filing, each utility shall provide a determination of the used and useful percentage for each primary plant account along with the supporting formulas and documentation.

2. In lieu of presenting evidence in support of used and useful percentages, the utility may elect to use the following formulas for calculating used and useful percentages for treatment plants and distribution and collection systems.

DETERMINATION OF A WATER SYSTEM'S USED AND USEFUL CAPACITY
MINIMUM REQUIRED CAPACITY BASED UPON THE FORMULA METHOD

t formulas used to calculate used and useful water facilities in the provision of safe, effective and sufficient service. It should be noted that these formulas are ne absence of specific engineering information presented to support the utility's position. These default formulas do reflect sound engineering judgement, but f scale, changes in customer demands, major component costs or current or proposed regulations since these factors are very system specific.

er Supply(3)	Water Treatment Equipment(4)	Finished Water Storage(5)	Water High Service Pumping(6)	Other Water Facilities(7)	Water Trans-mission System (8)	Water Distribution System (9)		
						Developer Related Utilities		Non-Developer Related
						Single Family Developments	Mixed, SF, MF and Commercial	
MR	MDD+MR / FRC	EQ+FF+ES+MR / FRC	ID+MR or PHD+FF+MR / FRC	100%	100%	Lots Served+Fill-in Lots+MR / Lots With Service +FFA	ERCs (Connected+Fill-in)+MR / ERC Capacity +FFA	100%
D+FF+MR	ID+MR or MDD+FF+MR / FRC	—	—	100%	100%	Lots Served+Fill-in Lots+MR / Lots With Service +FFA	ERCs (Connected+Fill-in)+MR / ERC Capacity +FFA	100%
MR	MDD+MR / FRC	EQ+FF+ES+MR / FRC	PHD+MR or MDD+FF+MR / FRC	100%	100%	Lots Served+Fill-in Lots+MR / Lots With Service +FFA	ERCs (Connected+Fill-in)+MR / ERC Capacity +FFA	100%
D+FF+MR	PHD+MR or MDD+FF+MR / FRC	—	—	100%	100%	Lots Served+Fill-in Lots+MR / Lots With Service +FFA	ERCs (Connected+Fill-in)+MR / ERC Capacity +FFA	100%
MR	SmdA+MR / FRC	EQ+FF+ES+MR / FRC	PHD+MR or MDD+FF+MR / FRC	100%	100%	Lots Served+Fill-in Lots+MR / Lots With Service +FFA	ERCs (Connected+Fill-in)+MR / ERC Capacity +FFA	100%
+MR	SmdA+FF+MR / FRC	—	—	100%	100%	Lots Served+Fill-in Lots+MR / Lots With Service +FFA	ERCs (Connected+Fill-in)+MR / ERC Capacity +FFA	100%

DETERMINATION OF A WATER SYSTEM'S USED AND USEFUL CAPACITY
MINIMUM REQUIRED CAPACITY BASED UPON THE FORMULA METHOD (Continued)

taneous Demand is the greatest demand that a water system attains. Typically used only as a design criteria on small systems with no storage and a small distribution system that does not have ility to absorb these instantaneous demands through depressurization of the distribution system. Table 1 should be used to determine the instantaneous demand unless specific quantitative nation indicates greater demands.

Hour Demand is the greatest demand over a sustained period of sixty minutes. Typical design criteria allows a peak hour demand of two times the maximum day demand (MDD) or 1.1 gpm per

aximum Day Demand that a water system attains during the past 5 years of time, exclusive of emergency or fire flow events. Typical design criteria allow 0.55 gpm per ERC.

erage of the five greatest days during the past 5 years exclusive of emergency or fire flow events.

zation volume is the quantity of storage necessary to meet the customers greatest demands which are beyond the throughput capacity of the source of supply and or water treatment equipment. l design criteria allows four hours storage at the 16 hour day demand.

ncy Storage is required to meet the emergency-like demands of the customers. Typically emergency storage is available when it is more cost effective to provide the storage and pumping s than to add redundancy to the system for emergency conditions. Emergency condition demands are typically assumed to occur at approximately one half of the annual average demand. The y of storage need is a function of the duration of the emergency condition. The extent of the emergency condition determines the duration.

eliable Capacity is the capacity of a particular component in which at least the largest unit is assumed to be out of service. If the used and useful category contains several components, the firm capacity is assumed to be the limiting component in that category with the largest unit out of service. For finished water storage, the firm reliable capacity excludes any unusable or dead

e Flow requirement is as defined in 25-30.432(5)(b) F.A.C.

rgin Reserve is as defined in 25-30.432(5)(a).

l number of unoccupied residential lots on isolatable sections of the distribution system in which no less than 25% of the lots are currently or in the past have been provided active water

l number of residential lots that are currently or in the past have been provided active water service plus lots occupied but never connected to the system that are capable of being provided by the existing distribution system.

l number of residential lots that currently have the water distribution system immediately available.

DETERMINATION OF A WATER SYSTEM'S USED AND USEFUL CAPACITY
MINIMUM REQUIRED CAPACITY BASED UPON THE FORMULA METHOD (Continued)

: for distribution systems calculated based upon the following formula:

$$\left[\frac{F}{MDD}\right]\times\left[1-\frac{(b+c)}{a}\right]$$

:ity of distribution system in ERCs.
ıge number of ERCs connected to the distribution system.
in Reserve in ERCs.

d upon FDER 17-602, F.A.C. operations requirements. Small systems require something less than a one hour visit for Category IV and V systems (aeration and chlorination) and less Category I, II & III systems (filtration, softening or R.O.). A medium system requires less than 24 hour per day operations but greater operational requirements than a small system. A t a single shift of operations for Category IV and V systems, double shift operations for Category II and III systems and 24 hour operations for Category I systems.

ate available storage capacity for fire flow determines which category of design criteria is used for the different facility categories. If the firm reliable storage capacity does not meet the that does not mean that the existing storage is not used and useful. The storage is useful for disinfection and aeration detention time purposes.

'ells, infiltration galleries, lakes and the pumps, motors, electrical and control systems to move the water through the raw water transmission system to the water treatment equipment if

is the facilities necessary to provide any physical or chemical treatment to the water and includes aerators, softening units, R.O. equipment, iron removal filters, but exclusive of any :ategory includes all the equipment including pumps, motors, clearwells, chemical storage and feed equipment, degassifiers, filters, backwashing facilities, etc., involved in the treatment

: storage facilities subsequent to any treatment operations and prior to or subsequent to any disinfection operations.

pumps, motors, electrical and control systems, piping and buildings associated with pumping the treated water into the transmission and distribution system.

iary facilities associated with a water system and include disinfection units, emergency generators, auxiliary engines, customer service lines and meters, laboratory equipment, utility equipment.

nes from the water supply and/or treatment facilities up to the water distribution system. Typically, transmission lines are defined as being pipes eight inches in diameter and greater.

es that provide the local service to the customer service area from the terminus of the transmission system to the customer service line. Typically, public fire protection such as hydrants ibution system.

DETERMINATION OF A WATER SYSTEM'S USED AND USEFUL CAPACITY
MINIMUM REQUIRED CAPACITY BASED UPON THE FORMULA METHOD

TABLE 1

INSTANTANEOUS DEMANDS PER ERC(1)

No. of ERCs	Instantaneous Demand (GPM)	No. of ERCs	Instantaneous Demand (GPM)	No. of ERCs	Instantaneous Demand (GPM)	No. of ERCs	Instantaneous Demand (GPM)
1	15	26	124	51	203	76	279
2	20	27	128	52	206	77	282
3	25	28	132	53	209	78	285
4	30	29	136	54	212	79	288
5	35	30	140	55	215	80	291
6	40	31	143	56	218	81	294
7	45	32	146	57	221	82	297
8	50	33	149	58	224	83	300
9	55	34	152	59	227	84	303
10	60	35	155	60	230	85	306
11	64	36	158	61	233	86	309
12	68	37	161	62	237	87	312
13	72	38	164	63	240	88	315
14	76	39	167	64	243	89	318
15	80	40	170	65	246	90	321
16	84	41	173	66	249	91	324
17	88	42	176	67	252	92	327
18	92	43	179	68	255	93	330
19	96	44	182	69	258	94	333
20	100	45	185	70	261	95	336
21	104	46	188	71	264	96	339
22	108	47	191	72	267	97	342
23	112	48	194	73	270	98	345
24	116	49	197	74	273	98	348
25	120	50	200	75	276	100(2)	351

Notes:

(1) Source: Community Water Systems Source Book, 5th Edition, 1971, by Joseph S. Ameen, Page 62.

(2) For Systems greater than 100 ERCs, ID = 351 x $\frac{\text{ERCs}}{100}$ in GPM

DETERMINATION OF A WASTEWATER SYSTEM'S USED AND USEFUL CAPACITY
MINIMUM REQUIRED CAPACITY BASED UPON THE FORMULA METHOD

Below is a series of default formulas used to calculate used and useful wastewater facilities in the provision of safe, effective and sufficient service. It should be noted that these formulas are used only as a default in the absence of specific engineering information presented to support the utility's position. These default formulas do reflect sound engineering judgment, but do not reflect economies of scale, changes in customer usages, major component costs or current or proposed regulations since these factors are very system specific.

Wastewater Collection and Pumping Stations (1)			Waste-water Force Mains (2)	Other Wastewater Facilities (3)	Wastewater Treatment Equipment (4)	Effluent Disposal Facilities (5)
Developer Related Utilities		Non-Developer Related				
Single Family Developments	Mixed, SF, MF and Commercial				MMF + MR ----------(4) FRC	MMF + MR ----------(5) FRC
Lots Served + Fill-in Lots + MR ---------- Lots With Service	Lots (Connected + Fill-in) + MR ---------- ERC Capacity	100%	100%	100%		

DEFINITIONS:

Fill-in Lots = The total number of unoccupied residential lots on isolatable sections of the collection system in which no less than 25% of the lots are currently or in the past have been provided active wastewater service.

Lots Served = The total number of residential lots that are currently or in the past have been provided active wastewater service plus lots occupied but never connected to the system that are capable of being provided service by the existing collection system.

Lots with Service = The total number of residential lots that currently have the wastewater collection system immediately available.

MR = The Margin Reserve is as defined in 25-30.432(5)(a).

DETERMINATION OF A WASTEWATER SYSTEM'S USED AND USEFUL CAPACITY
MINIMUM REQUIRED CAPACITY BASED UPON THE FORMULA METHOD (Continued)

MMF = Maximum Monthly Flow is the average daily flow for the wastewater treatment facilities during the maximum total monthly flow during the past five years.

FRC = Firm Reliable Capacity is the capacity of a particular component in which at least the largest unit is assumed to be out of service. If the used and useful category contains several components, the firm reliable capacity is assumed to be the limiting component in that category with the largest unit out of service.

NOTES:

(1) Wastewater Collection and Pumping Stations includes all the gravity collection lines from the customer sewer lateral to and including the wastewater pumping stations.

(2) Wastewater Force Mains includes the force mains from the discharge of the pumping stations to the influent structure at the wastewater treatment facilities.

(3) Other Wastewater Facilities are the auxiliary facilities associated with a wastewater system and include disinfection units, emergency generators, auxiliary engines, customer service laterals, laboratory equipment, utility office and other general plant equipment.

(4) Wastewater Treatment Equipment includes the influent structure, pretreatment facilites, pumping, aeration, clarification, filtration, chlorine contact and effluent pumping equipment.

(5) Effluent disposal facilities includes the transmission lines, percolation and evaporation ponds, sprayfields, irrigation systems, deep wells, etc. utilized in the disposal of effluent or reclaimed water.

33. 25-30.433 RATE CASE PROCEEDINGS

(pp. 201-206)

A. Add to (1) criteria in evaluating quality of service the utility's attempts to address customer satisfaction.

B. Replace (2) with the following:

The utility may calculate and include in rate base a provision for its annual working capital needs under whatever method can best reflect those needs. The most common methods utilized for this purpose are use of a lead-lag study, the balance sheet method, or 1/8 of operating and maintenance expense (formula method). Unless a utility demonstrates that another method is more appropriate, working capital shall be calculated utilizing the formula approach.

[NOTE: The balance sheet method is not only costly for a utility which combines operations into a single balance sheet, but also only reflects its actual or an estimated projection of liquidity, not its expected working capital needs. Because a utility may not have generated adequate cash to pay its bills, due to a deficiency in rates, does not mean that it does not have a working capital requirement. Conversely, when a utility is in the position of being able to invest its cash after paying its bills, it may result in a negative working capital because the cash is excluded from the calculation. This does not mean that the utility does not have a working capital need. Additionally, the cost and inaccuracy of calculating working capital when the balance sheet is combined or consolidated makes it impractical. There also exists a risk of manipulation when the utility owns or is affiliated with several systems and uses a balance sheet which is only a part of the systems. The balance sheet is therefore even less useful and accurate in estimating the working capital needs for such systems, than for single system utilities. There is no rational basis for utilizing the balance sheet method in determining working capital under those circumstances.]

C. Replace (3) with the following:

Deferred debits shall be considered as a separate line item in the rate base calculation. Debit deferred taxes created due to income taxes associated with used and useful contributions-in-aid-of-construction shall be included with other deferred debits, as a separate line item in rate base and shall not be netted against credit deferred taxes in the capital structure.

[NOTE: Deferred debits are <u>not</u> current assets, just as deferred credits are not current liabilities. The past Commission practices have been to consider deferred credits as cost free capital, and generally to ignore deferred debits or to dilute them by netting them against deferred credits or by including them in working capital (using the balance sheet method), often times reducing them by what may have otherwise been a negative working capital.

Deferred debits are costs which have been capitalized as plant assets, but having either a less tangible characteristic or a shorter life. This does not diminish the fact that they are an investment of the utility, and should be included as such a separate line item of rate base.

A mismatching would occur if only used and useful deferred debits were to be netted against <u>all</u> credit deferred taxes. This is because tax credits associated with non-used assets would be used to reduce the debits. Further, the capital structure is adjusted to equal rate base by pro-rating the components. Often the capital structure is a higher amount than rate base because it includes financing of nonused plant. When the components are pro rated down to equal rate base, the deferred debits are again reduced by non-used adjustments. This results in a double reduction to the level of deferred debits.]

D. Oppose (7) disallowance of income tax expense for partnerships, sole proprietorships, sub s corps.

E. Ask for clarification of (9) regarding forced abandonment as to whether the net loss is divided by the sum of the annual depreciation expense for the net or for the gross plant.

F. Revise (10) to refer to the alternatives of a "long-term" lease (not a "99 year lease") and written easements for treatment plant site.

34. 25-30.434 AFPI
(pp. 207-214)

A. Revise (4)f as follows:

The dollar amount of the non-used and useful plant, the accumulated depreciation which has been recovered in previous AFPI charges, and the methodology used to determine these amounts. The net of these two amounts shall be considered the cost of qualifying assets. Separate balances shall be reported for the water treatment plant, wastewater treatment plant, water transmission and distribution system and wastewater collection system.

35. 25-30.435 APPLICATION FOR RATE INCREASE BY APPLICANT WHICH OWNS MULTIPLE SYSTEMS.
(pp. 215-224)

A. Clarify (2) "total" earnings to be from water and sewer services.

B. Limit requirement of MFRs for all systems owned by applicant with multiple systems, to all systems subject to PSC jurisdiction. However, support requirement of information regarding allocations among systems, as under

proposed Rule 25-30.436(4)(h), regardless of jurisdictional status. Request clarification of (6) what constitutes good cause for waiver of requirement.

C. Revise (4) as follows:

The utility shall calculate working capital using a lead-lag study, the balance sheet, or 1/8 of operating and maintenance expense (formula method). If the lead-lag or balance sheet methods are used, adjustments shall be made so that the calculation properly reflects the working capital needs of the utility. If the utility does not present evidence that the lead-lag or balance sheet methods are more appropriate, the formula method shall be used. Deferred debits shall not be considered in the calculation, and shall be included as a separate line item in the rate base calculation.

36. 25-30.436 GENERAL INFORMATION FOR CLASS A & B UTILITIES IN RATE CASE
(pp. 217-224)

A. Take no formal position on (4)h allocation of costs.

B. Revise 4(i) to refer to the alternatives of a "long-term" lease (not a "99 year lease") for treatment facilities.

C. Take no formal position on (7) post-decision rate case expense submittal However, rule should affirmatively provide that this information shall be made readily accessible to interested persons by the PSC for rate cases over the previous five (5) years.

37. 25-30.437 FINANCIAL, RATE AND ENGINEERING INFORMATION FOR CLASS A & B UTILITIES IN RATE CASE

(PP. 225-230)

A. Take no formal position on (6) requirement for system-specific rates.

B. Regarding requirement of BFC rate structure, ask that rule codify BFC/gallonage ratios or indicate which accounts are to be recovered by BFC/gallonage charges.

38. 25-30.439 TARIFFS
(pp. 231-232)

A. Oppose requirement of filing proposed tariff pages with MFRs.

39. 25-30.440 ADDITIONAL ENGINEERING INFORMATION - CLASS A & B - RATE INCREASE (omitted from staff's draft)

A. To cut down on unnecessary expense, modify rule so that maps, customer information, plant reports, permits, chemical analyses, employee lists, customer complaints, etc. are required to be available for inspection upon 7 days notice at designated location when MFRs are filed (instead of actually filing this voluminous information.)

B. Revise (1)b so that the map shows "the location of applicant's customers that are currently or in the past have been provided active water service. In addition, indicate the lots occupied but never previously connected to the system that are capable of being provided service by the existing distribution and collection lines."

40. 25-30.441 ENGINEERING INFORMATION/CONSTRUCTION REQUIRED BY GOVERNMENTAL AUTHORITY
(pp. 233-236)

A. Modify rule to be consistent with current statutory language, as follows:

If an applicant proposes to include in its rate base investment the cost of investment made "in the public interest," pursuant to Section 367.081(2), Florida Statutes (1991), the applicant shall provide the following engineering information to the Commission:

(1) A copy of the order or directive of the agency, if any, which required the applicant to make the improvement or the investment for which the applicant seeks recovery.

(2) An estimate by an engineer, or other appropriate professional, 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, which relates to financial support required for the investment or improvement.

41. 25-30.443 MFRs - CLASS C
(pp. 237-242)

A. Regarding (2)e requirement of BFC rate structure, ask that rule codify BFC/gallonage ratios or indicate which accounts are to be recovered by BFC/gallonage charges.

B. Take no formal position on (3) post-decision rate case expense submittal. However, rule should affirmatively provide that this information shall be made readily accessible to interested perons by the PSC for rate cases

over the previous five (5) years.

C. Take no formal position on (5) system-specific rate information requirement.

42. 25-30.455 STAFF ASSISTANCE IN RATE CASES

A. Add the following to 25-30.455(1): "In accordance with 367.0814(4), F.S., a utility that requested staff assistance gives up its right to appeal, and agrees 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. If a utility that chooses to utilize the staff assistance option employs outside expertise to assist in developing information for staff or to assist in evaluating staff's schedules and conclusions, such reasonable 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., without prejudice and without being penalized by being denied recovery of reasonable rate case expense."

B. Add the following to Rule 25-30.455(6): "A utility that is denied staff assistance may file for a rate increase under the provisions of Rule 25-30.443, F.A.C., without prejudice and without being penalized by being denied recovery of reasonable rate case expense. If a utility's application for staff assistance is accepted, staff shall

prepare a rate increase filing in accordance with the requirements of Rule 25-30.443, F.A.C."

C. Revise (10) so that full Commission (not Chairman) disposes of reconsideration of denial of eligibility.

D. Delete (14) rate case apportionment, given repeal of statutory provision.

43. 25-30.456 STAFF ASSISTANCE IN ALTERNATIVE RATE SETTING (pp. 255-266)

A. Clarify (8)f so that eligibility is not affected by prior owners' history of noncompliance.

B. Revise (8)g so that eligibility is not affected by utility's previous applications for assistance but whether utility was previously granted assistance.

C. Revise (10) so that full Commission (not Chairman) disposes of reconsideration of denial of eligibility.

D. Ask that (12) be clarified to provide criteria for the comparison of O & M expenses. Staff-proposed rule is too vague. If operating ratios are to be developed, rule should also address transition to a subsequent rate case using traditional rate base regulation for that utility.

44. 25-30.460 MISCELLANEOUS SERVICE CHARGES (pp. 267-270)

No formal position.

45. 25-30.465 PRIVATE FIRE PROTECTION (pp. 271-277)

No formal position.

46. 25-30.470 RATE REDUCTION AFTER 4 YEAR AMORTIZATION OF RATE CASE EXPENSE (pp. 273-274)

A. Oppose on grounds that this methodology ignores impact that customer growth or loss can have on revenue reduction.

47. 25-30.475 EFFECTIVE DATES
(pp. 275-284)

No formal position.

48. 25-30.510 APPLICABILITY/SERVICE AVAILABILITY
(pp. 285-286)

A. Oppose repeal of grandfathering provision.

49. 25-30.515 DEFINITIONS
(pp. 287-296)

A. NOTE: The existing water and sewer rules address definitions in three rules. Rule 25-30.210 (Part III Service Provisions), Rule 25-30.410 (Part V Rate Adjustment Changes) and Rule 25-30.515 (Part V Service Availability). Each rule indicates that the definitions apply only to that part. We recommend that the Association proposal be one definition section for the W&S rules that applies for all purposes, including service availability (SAC). The definitions in the Service section are necessary to understand the SAC definitions and the SAC definitions will come into play in the used and useful portion of the Rate Adjustment section. The definitions shown below are meant to be useable for all sections. They are also coordinated with the standard tariff. They should be added to the definitions in the other referenced sections.

25-30.515 DEFINITIONS. When used in ~~this~~ any part of the Water and Wastewater Rules, including ~~or in~~ service availability policies or in service availability contracts or agreements or guaranteed revenue agreements, the following terms have the following meanings:

(1) Active Connection means a connection to the utility's system at the point of delivery of service, whether or not service is currently being taken by an active customer.

(2) Service Connection (Tap-in) Charge means any payment made to the utility for the cost of installing a service pipe [see Rule 25-30.210(4)] from the utility's water or wastewater main [see Rule 25-30.210(2)] to the customer's point of delivery [see Rule 25-30.210(6)] at the service connection [see Rule 25-30.210(5)].

(3) Contribution-in-aid-of-construction (CIAC) means any amount or item of money, services, or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents a donation or contribution to the capital of the utility, and which is used to offset the acquisition, improvement, or construction costs of the utility property, facilities, or equipment used to provide utility services. [NOTE: We have reworded the preceding definition to exactly match the statutory definition at 367.021(3). The current definition, which the staff has not changed, is slightly different. Since CIAC is defined in the statutes, we do not think the PSC has the authority to modify it.] The term "capital" shall mean plant, land and equipment or other tangible or intangible assets. The term CIAC includes, but is not limited to monies received in the form of system capacity charges, plant capacity charges, main extension charges, customer connection charges and meter installation fees. The term <u>does not</u> include monies received to compensate for the income taxes payable on CIAC. A CIAC shall not entitle the contributor to possession of the property which was contributed, or towards which a contribution was made.

(4) Contributor means any person, corporation, governmental agency, builder, developer or other entity who makes a

contribution-in-aid-of-construction.

(5) Customer Installation, Water means all pipes, shut-off valves, fixtures and appliances or apparatus of every kind and nature which are located on the customer's side of the "Point of Delivery" and used in connection with or forming a part of the installation necessary for rendering water service to the customer's premises regardless of whether such installation is owned by the customer or used by the customer under lease or other agreement. [As cumbersome as this language is, it exactly matches the definition in the standard tariff. They should be the same. If this is too cumbersome for the rule, it is too cumbersome for the tariff.]

(6) Customer Installation, Wastewater means all pipes, shut-off valves, fixtures and appliances or apparatus of every kind and nature which are located on the customer's side of the "Point of Collection" and used in connection with or forming a part of the installation necessary for disposing of sewage collected from the customer's premises regardless of whether such installation is owned by the customer or used by the consumer under lease or other agreement. [As cumbersome as this language is, it exactly matches the definition in the standard tariff. They should be the same. If this is too cumbersome for the rule, it is too cumbersome for the tariff.]

(7) Developer's Agreement means a written agreement setting forth in detail the terms and conditions under which a utility will render service to a developer's property. A Developer's Agreement may include terms regarding CIAC, AFPI, construction advances, guaranteed revenues, conditions for refund, and rates and charges.

(8) Economic Feasibility means a test by which the operating

income of a utility to be earned from prospective customers within the area to be served by a proposed extension of facilities is divided by the investment in such facilities to determine if the utility will earn a fair return on its investment in the proposed extension. An extension is assumed to be economically feasible if the cost of the extension, net of CIAC from the prospective customers in the first four years of service, is less than or equal to the net present value of the after tax income discounted by the utility's authorized rate of return generated by the estimated prospective customers in the first four years of service.

(9) Equivalent Residential Customer (ERC) is the base customer on a utility system to which all other customers are equated for the purpose of determining production, treatment or other capacity unitized requirements and related unit costs.

(a) When it is appropriate to determine unit requirements or costs on an average use basis, ERC means the greater of:

(i) 350 gallons of water per day per single family residential connection and 280 gallons of wastewater per day per single family residential connection; or

(ii) the number of gallons a utility demonstrates is the average daily flow for a single residential connection; or

(iii) the number of gallons which has been approved by the Department of Environmental Regulation for a single residential unit.

(b) When it is appropriate to determine unit requirements or costs on a peak use basis, such as for the peak day or peak hour,

the above quantities must be modified, using generally accepted engineering criteria.

(10) Guaranteed Revenue Charge - No change.

(11) Hydraulic Share means the pro rata share of the utility's capacity related facilities to be made available for service to a contributor. If the contribution for such facilities is based on the hydraulic share, then the pro rata share is multiplied by the unit cost (per gallon) of providing the facilities to determine the proportional share of the cost thereof to be borne by the contributor.

(12) Inspection Fee means the utility's actual or average cost to review engineering plans related to construction, and to inspect or have inspected, facilities constructed by a contributor or independent contractor for connection with the existing facilities of the utility. Such fees, when authorized in a utility's tariff, shall be paid by the contributor, in addition to all other charges, as a condition precedent to service.

(13) Main Extension Charge means a charge made by the utility, and authorized by the Commission, for the purpose... to specified property. The charge may be determined on the "hydraulic share" basis or other acceptable method reasonably reflecting the cost of the main extension.

(14) Meter Installation Fee - No change.

(15) Off-Site Facilities - No change.

(16) On-Site Facilities - No change.

(17) Refundable Advance means money paid... which may not be

100 percent used and useful for a period of time. The advance is made... feasible. The advance ~~is~~ may be returned, in part or in full, ... the system. Portions of the advance not returned during the life of the agreement shall be treated as CIAC.

(18) Service Availability Policy means the utility's policy regarding the general applicability, availability, and, as applicable, standard definitions, standard fees and charges, conditions to be met, and uniform methods of determining the charges to be paid by applicants in order to obtain water or wastewater service.

(19) Special Service Availability Contract - No change.

(20) System Capacity Charge means the charge made by a utility for each new connection to the system which charge is designed to defray a portion of the total cost of the utility system, without specifically delineating between areas of investment.

(21) Treatment Facilities - No change.

(22) Plant Capacity Charge - No change.

50. 25-30.554 GUARANTEED REVENUE
(pp. 297-298)

A. No formal position.

51. 25-30.565 APPLICATIONS/SERVICE AVAILABILITY
(pp. 299-310)

A. Oppose (4)w filing of proposed tariff sheets.

52. 25-30.570 IMPUTATION OF CIAC
(pp. 311-312)

A. Oppose repeal of rule which provides for waiver of imputation of CIAC "in case of hardship."