

**PROPOSED NEW AND AMENDED RULES  
FOR WATER AND WASTEWATER  
DOCKET NUMBER 911082-WS  
COMMENTS OF  
PATRICIA W. MERCHANT  
ON BEHALF OF THE STAFF**

DOCUMENT NUMBER-DATE

05324 MAY 18 88

WFOC-RECORDS/REPORTING

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**PREFILED COMMENTS OF PATRICIA W. MERCHANT**

**Q. PLEASE STATE YOUR NAME AND PROFESSIONAL ADDRESS.**

A. My name is Patricia W. Merchant and my business address is 101 East Gaines Street, Tallahassee, Florida 32399-0873.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am employed by the Florida Public Service Commission as a Regulatory Analyst Supervisor in the Division of Water and Wastewater.

**Q. HOW LONG HAVE YOU BEEN EMPLOYED BY THE COMMISSION?**

A. I began employment with the Commission in September, 1981.

**Q. WOULD YOU STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE?**

A. I received a Bachelor of Science with a major in accounting from Florida State University in August, 1981. Upon graduation, I was employed by the Commission as a Public Utilities Auditor in what is now the Division of Auditing and Financial Analysis. My primary responsibility in that capacity was to perform audits on the books and records of electric, gas, telephone, water and wastewater public utilities. In August, 1983, I joined what is now the Division of Water and Wastewater as a Regulatory Analyst in the Bureau of Accounting. In May, 1989, I became a

1 Regulatory Analyst Supervisor in what is now the  
2 Accounting Section of the Bureau of Economic  
3 Regulation. I currently hold that same position. I  
4 have attended various regulatory seminars and  
5 Commission in-house training and professional  
6 development meetings concerning regulatory matters.

7 Q. ARE YOU A CERTIFIED PUBLIC ACCOUNTANT?

8 A. Yes, I am. In September, 1983, I was issued a  
9 certificate and a license to practice in the State of  
10 Florida by the Florida Board of Accountancy.

11 Q. TO WHAT PROFESSIONAL ASSOCIATIONS ARE YOU A MEMBER?

12 A. I am a member in good standing of the American  
13 Institute of Certified Public Accountants and the  
14 Florida Institute of Certified Public Accountants  
15 (FICPA). I am on the Board of Governors of the FICPA  
16 for the two years ended June 30, 1994. I have also  
17 been a board member of the Tallahassee Chapter of the  
18 FICPA since 1989. I will be the President of the  
19 chapter in July, 1993.

20 Q. HAVE YOU EVER TESTIFIED BEFORE THE FLORIDA PUBLIC  
21 SERVICE COMMISSION?

22 A. Yes, I have testified in the following cases: Docket  
23 No. 840047-WS, Application of Poinciana Utilities,  
24 Inc. for increased water and wastewater rates; Docket  
25 No. 850031-WS, Application of Orange/Osceola

1 Utilities, Inc. for increased water and wastewater  
2 rates; Docket No. 850151-WS, Application of Marco  
3 Island Utilities for increased water and wastewater  
4 rates; and Docket No. 881030-WU, Investigation of  
5 Sunshine Utilities rates for possible overearnings.

6 Q. WERE YOU ACCEPTED AS AN EXPERT IN THE AREA OF  
7 REGULATORY ACCOUNTING?

8 A. Yes, I was.

9 Q. WOULD YOU EXPLAIN WHAT YOUR GENERAL RESPONSIBILITIES  
10 ARE AS A REGULATORY ANALYST SUPERVISOR IN THE  
11 ACCOUNTING SECTION OF THE BUREAU OF ECONOMIC  
12 REGULATION?

13 A. I am responsible for the supervision of six regulatory  
14 analysts in the accounting section. This section is  
15 responsible for the financial and accounting review  
16 and evaluation of complex formal rate proceedings  
17 before the Commission. This specifically includes the  
18 analysis of file and suspend rate cases, overearnings  
19 investigation, and the review of annual reports filed  
20 by Class A and B water and wastewater utilities under  
21 the jurisdiction of the Florida Public Service  
22 Commission. The accounting section is also  
23 responsible for the review of smaller filings of Class  
24 A and B utilities, such as allowance for funds used  
25 during construction (AFUDC), allowance for funds

1 prudently invested (AFPI) and other limited  
2 proceedings. My staff, as well as myself, coordinate,  
3 prepare and present staff recommendations before the  
4 Commission on the above type cases. This section is  
5 also responsible for preparing testimony, testifying  
6 and writing cross-examination questions for hearings  
7 involving complex accounting and financial issues.

8 Q. WHAT IS THE PURPOSE OF YOUR COMMENTS?

9 A. The purpose of my comments is to present staff's  
10 position on the proposed rule changes to Rules 25-  
11 30.430, 25-30.436, 25-30.437, and 25-30.443. I am  
12 also commenting on the proposed new rules 25-30.117,  
13 25-30.433, and 25-30.434, of the Florida  
14 Administrative Code.

15 Q. WHAT IS THE PURPOSE OF THE PROPOSED RULE 25-30.117  
16 REGARDING ACCOUNTING FOR PENSION COSTS?

17 A. This new rule is designed to provide consistency  
18 throughout the water and wastewater industry and  
19 require compliance with generally accepted accounting  
20 principles with respect to pensions. Those utilities  
21 with established, defined benefit plans should be  
22 required to account for pension costs pursuant to  
23 Statement of Financial Accounting Standards (FAS)  
24 No.87. OPC filed comments on this rule and added the  
25 requirement that these costs be funded and properly

1           escrowed. In general, most utilities fund defined  
2           benefit pension plans. However, utilities will fund  
3           only the amount that is tax deductible, which can lead  
4           to many differences between the amount funded and the  
5           FAS 87 amount. I believe that the rule should only  
6           state compliance with FAS 87 and the funding or escrow  
7           requirements should be heard on a case by case basis.

8           **Q. WHAT IS THE PURPOSE OF THE CHANGES TO RULE 25-30.430**  
9           **ON TEST YEAR APPROVAL?**

10          **A.** There are two changes to this rule. First, section  
11           (3) of the rule relating to prefiled direct testimony  
12           is being deleted from this rule and added to Rule 25-  
13           30.436(2). No changes to the language are proposed,  
14           it is only being moved in entirety. Language is also  
15           added to allow the Director of the Division of Water  
16           and Wastewater to grant extensions for filing MFRs if  
17           the extension will not cause the approved test year to  
18           be non-representative. Currently the Chairman  
19           approves extension requests. This change will save  
20           time and steps for the Commission since these  
21           extensions are not controversial in nature and occur  
22           before the statutory clock has begun.

23          **Q. CAN YOU EXPLAIN WHY THE COMMISSION HAS A TEST YEAR**  
24           **APPROVAL REQUIREMENT FOR THE WATER AND WASTEWATER**  
25           **INDUSTRY?**

1           A.    The reason the water and wastewater industry has a  
2                    test year approval instead of a test year notification  
3                    procedure like the other industries is that many  
4                    utilities in this industry lack the sophistication and  
5                    expertise to select an appropriate test year.  The  
6                    industry's history of inappropriate test year  
7                    selection led to the adoption of the existing test  
8                    year approval rule.  This policy began in 1975 and it  
9                    has eliminated problems in this industry.  A test year  
10                   notification rule was adopted for the communications  
11                   industry in 1991 and notification rules for the  
12                   electric and gas industries were adopted approximately  
13                   six months ago.  Staff believes the test year approval  
14                   process should be retained for the water and  
15                   wastewater industry.  The applicable rules for the  
16                   other industries are as follows: Telephone = 25-4.140,  
17                   Electric = 25-6.140, Gas = 25-6.140.

18           **Q.    WHAT IS THE PURPOSE OF THE PROPOSED RULE 25-30.433**  
19                   **REGARDING RATE CASE PROCEEDINGS?**

20           A.    The sections of this new rule recognize an attempt to  
21                   simplify rate cases and lower rate case expense.  This  
22                   rule codifies issues that reflect the Commission's  
23                   current practice to be addressed in rate cases.  
24                   Argument on these issues will no longer be necessary  
25                   in the hearing process of a rate case.  I will provide

1           comments on this rule except Section 1 regarding  
2           quality of service and Section 6 on the imputation of  
3           CIAC on the margin reserve, which will be provided by  
4           Mr. Willis.

5           **Q.   WHAT IS THE PURPOSE OF SECTION (2) ON WORKING CAPITAL?**

6           **A.**   This section requires that the formula of one-eighth  
7           of operation and maintenance expenses, with no  
8           provision for deferred debits to be included in the  
9           rate base for working capital. The support for this  
10          calculation is based on Commission Order No. 21202,  
11          issued on May 8, 1989, in Docket No. 880883-WS. This  
12          limited proceeding was instituted by the Commission  
13          and its purpose was to investigate possible  
14          alternatives to existing rate-setting procedures and  
15          alternatives for the water and wastewater industry.  
16          Three workshops and a hearing were held including  
17          representatives from utilities, the Office of Public  
18          Counsel and Commission staff.

19  
20          Prior to the issuance of Order No. 21202, the  
21          Commission utilized the balance sheet method of  
22          calculating working capital. In that order, the  
23          Commission stated that the balance sheet approach was  
24          the most accurate reflection of a utility's investment  
25          in working capital and it allows the capital structure



1 to be reconciled with rate base. The balance sheet  
2 method was found not to be cost effective for the  
3 water and wastewater industry. The cost savings in  
4 rate case expense by using the formula approach will  
5 offset the exactness of the balance sheet approach.  
6 The formula approach also will allow a working capital  
7 requirement for a utility that cannot prove its  
8 working capital investment, but still has working  
9 capital needs. The Commission further determined that  
10 no additional allowance for deferred debits would be  
11 added in addition to the formula approach. The  
12 Commission concluded that if any utility requested to  
13 use the balance sheet approach, it would not receive  
14 recovery in rate case expense for the cost incurred to  
15 calculate working capital.

16  
17 In addition to the Commission's decision in the above  
18 order, I believe that many water and wastewater  
19 utilities that are operating at a loss will have a  
20 negative working capital allowance using the balance  
21 sheet approach. In such cases, the Commission would  
22 allow a zero working capital allowance. By its very  
23 nature, all utilities require working capital to  
24 timely meet its day-to-day obligations. To disallow  
25 a working capital allowance in such a case would

1           exacerbate the losses incurred and the utility could  
2           be prevented from paying for its working capital needs  
3           on a timely basis.

4           **Q.   WHY DOES THE PROPOSED RULE NOT PROVIDE FOR RECOVERY OF**  
5           **DEFERRED DEBITS IN ADDITION TO THE FORMULA METHOD OF**  
6           **WORKING CAPITAL?**

7           **A.   I believe that the formula method has an implicit**  
8           **assumption that the deferred debits have already been**  
9           **considered when determining the working capital needs**  
10          **of a utility.  If the Commission was to allow**  
11          **additional deferred debits on top of the formula**  
12          **determination, the utility's investment in working**  
13          **capital would be overstated.  Further, if one was to**  
14          **allow the deferred debits to be added, then it would**  
15          **only be appropriate to reduce the calculation by the**  
16          **amount of other deferred credits in the balance sheet.**  
17          **The Florida Waterworks Association's (FWA) argument**  
18          **that it has an investment in other non-plant items**  
19          **that will not be recovered under the formula only**  
20          **method is in error.  The FWA's comments do not mention**  
21          **deferred credits.  After we have determined what**  
22          **deferred debits and credits are appropriate to include**  
23          **in the working capital allowance, we are essentially**  
24          **back to the balance sheet method of calculating**  
25          **working capital.  It fully defeats the savings the**

1 Commission intended to be incurred by allowing the  
2 formula method to be used.

3 Q. WHAT IS THE PURPOSE OF SECTION (3) ON DEBIT DEFERRED  
4 TAXES?

5 A. Section (3) of this rule addresses deferred debits  
6 created due to income taxes associated with used and  
7 useful contributions-in-aid-of-construction (CIAC).  
8 The deferred debits on CIAC are material to most  
9 utilities having to pay the tax. Therefore, the  
10 Commission's policy has been to allow the portion of  
11 the deferred debits associated with used and useful  
12 CIAC to be netted against all used and useful deferred  
13 tax credits. If the resulting difference is a credit,  
14 then the amount will be included in the capital  
15 structure at zero cost. If the resulting difference  
16 is a debit balance, it will be included in the rate  
17 base.

18  
19 The Florida Waterworks Association (FWA) believes that  
20 all deferred debits should be included in the rate  
21 base and all deferred credits should be included in  
22 the capital structure. It believes that a mismatch  
23 occurs when only used and useful deferred debits are  
24 netted against all deferred credits, and the resulting  
25 balance is a deferred debit included in rate base.

1 This is because the capital structure is typically  
2 larger than rate base and when the pro rata reduction  
3 to make them equal is made, the deferred debits are  
4 further reduced by non-used adjustments. The FWA  
5 argues that this is a classic case of tracing funds,  
6 and is no different than other adjustments to rate  
7 base that get further reduced by the pro rata  
8 reduction. The Commission makes used and useful  
9 adjustments to both plant and CIAC, then reduces the  
10 capital structure to match. As the Commission does  
11 not trace the funds in the capital structure for these  
12 adjustments, the FWA does not see any rationale for  
13 tracing the funds in this one instance.

14  
15 I believe that this proposed rule is consistent with  
16 Commission policy on rate base and capital structure.  
17 The concerns of the utilities are not material and to  
18 make adjustments as they propose would require the  
19 Commission to trace funds in the capital structure.  
20 The current practice considers a ratio of used and  
21 useful to total, which is consistent with the used and  
22 useful calculations made in rate cases. This is not  
23 considered tracing of funds and by making used and  
24 useful adjustments to both sides results in proper  
25 matching of the rate base to capital structure.

1 Q. WHAT IS THE PURPOSE OF SECTION (4) WHICH REQUIRES THE  
2 USE OF A SIMPLE AVERAGE CALCULATION OF RATE BASE?

3 A. This rule requires use of the simple beginning and end  
4 of year average instead of a thirteen-month average.  
5 The Commission has previously decided in the  
6 Alternative Rate-setting Procedures Docket 880883-WS,  
7 by Order No. 21202, that the additional detail  
8 provided by a 13-month average does not justify the  
9 increased rate case expense for this industry.  
10 Further, the simple average is not likely to cause a  
11 material change in a water and wastewater utility's  
12 revenue requirement.

13 Q. WHAT IS THE PURPOSE OF SECTION (5) WHICH REQUIRES THAT  
14 USED AND USEFUL ADJUSTMENTS SHOULD BE MADE TO  
15 DEPRECIATION EXPENSE IN A UTILITY'S RATE APPLICATION?

16 A. Section (5) codifies current Commission practice by  
17 requiring used and useful percentages applied to plant  
18 accounts to be consistently applied to the appropriate  
19 depreciation expense accounts. The wording of this  
20 rule could be interpreted literally, i.e., the same  
21 dollar amount of plant adjustments made to  
22 depreciation expense, which would be incorrect.  
23 Better wording could be as follows:

24 Non-used and useful plant adjustments shall  
25 be applied to the applicable depreciation

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

expense.

This is not a controversial rule and the rule essentially codifies a policy that has been followed consistently by utilities for more than 10 years. OPC added comments on this section stating that used and useful property taxes adjustments should be added to the rule. I agree with OPC that in many cases a used and useful adjustment should be made to property taxes. However, in some instances, counties do not tax non-used and useful plant. In those cases, it would be incorrect to make a blanket non-used and useful adjustment to taxes that are already reflected as used and useful. I believe that given the number of different tax treatments by the counties, that this used and useful adjustments to property taxes be addressed on a case by case basis.

**Q. PLEASE EXPLAIN THE PURPOSE OF SECTION (7) REGARDING INCOME TAX EXPENSE.**

**A.** This section provides that income taxes are not allowed for Subchapter S, partnerships and sole proprietorships companies that do not pay income taxes. The taxes for those entities flow through to the shareholders or owners. This issue was addressed fully for a subchapter S company in the following cases: Docket No. 890360-WS, South Broward Utility,

1 Inc., Order No. 22844, issued on 4/23/90; and Docket  
2 No. 800641-W, Keystone, Orders Nos. 10392 and 10465,  
3 issued on 11/6/81 and 12/21/81, respectively).  
4 Section 7, as well as the remaining sections (8-11) of  
5 Rule 25-30.433 codify current Commission practice for  
6 many issues.

7 Q. WHAT IS THE PURPOSE OF SECTION (8) - AMORTIZATION OF  
8 NON-RECURRING EXPENSES?

9 A. This section establishes a five-year time frame for  
10 the amortization of non-recurring expenses. This is  
11 not based on any specific rationale, but it has been  
12 frequently used by the Commission when no other  
13 rationale was provided. If support is provided that  
14 shows that a longer or shorter time-frame is  
15 justified, then the five-year period should not be  
16 used.

17 Q. PLEASE EXPLAIN THE PURPOSE OF SECTION (9) REGARDING  
18 THE AMORTIZATION PERIOD FOR FORCED ABANDONMENT OR  
19 PRUDENT RETIREMENT OF PLANT.

20 A. Section 9 establishes an amortization period for  
21 forced abandonments or the prudent retirement of plant  
22 before the useful life of the assets has expired. The  
23 rule states that the retirement be made in compliance  
24 with NARUC Uniform System of Accounts. The  
25 amortization period is calculated as the ratio of the

1 net loss to the revenue effect of the asset if it had  
2 remained in service. The net loss is calculated as  
3 the rate base components of the asset plus any cost to  
4 retire, less any salvage value. The specific  
5 circumstances of the abandonment or retirement may  
6 provide some different amortization period.

7  
8 This calculation has been consistently used by the  
9 Commission for many years, most recently in the Mad  
10 Hatter Utility case, Dkt. 910637-WS, Order No. PSC-93-  
11 0295-FOF-WS, issued on February 24, 1993. It was also  
12 done in the PPW (Docket No. 910020-WS, Order No.  
13 25821, issued on 2/27/92) and Commercial Utilities  
14 rate cases (Docket No. 910766-WS, Order No. PSC-93-  
15 0233-FOF-WS, issued on 2/12/93).

16 **Q. WHAT IS THE PURPOSE OF SECTION (10) REGARDING THE LAND**  
17 **OWNERSHIP REQUIREMENT?**

18 **A.** This rule requires a utility to own the land upon  
19 which the treatment plant is located or possess the  
20 right of continued use, which is consistent with the  
21 rules regarding original, grandfather and transfer  
22 certificate applications. This rule adds the  
23 ownership requirement to existing utilities adding new  
24 land. Land purchased after such applications as  
25 stated above could go unnoticed in a rate increase



1 filing, which could place the utility customers at  
2 risk. The basis behind the original rule was to  
3 insure that the utility land is protected in the event  
4 of a sale of the land to a non-utility owner who might  
5 want to remove the utility from the land.

6 Q. PLEASE EXPLAIN SECTION (11) WHICH ALLOWS THE USE OF  
7 THE RETURN ON EQUITY LEVERAGE FORMULA TO CALCULATE THE  
8 COST OF EQUITY IN A RATE CASE.

9 A. Section 11 adopts the use of the leverage formula for  
10 determining a utility's return on equity. This is a  
11 procedure that is used in lieu of presenting evidence  
12 in a rate case based on the equity ratio allowed in  
13 the utility's capital structure.

14 Q. THE NEXT PROPOSED RULE YOU MENTIONED WAS 25-30.434.  
15 WHAT IS THE PURPOSE OF THE PROPOSED NEW RULE ON  
16 ALLOWANCE FOR FUNDS PRUDENTLY INVESTED (AFPI) CHARGES?

17 A. This is a new rule to codify the filing  
18 requirements and Commission policy regarding an  
19 application for AFPI. Section 1 provides a definition  
20 AFPI. Section 2 establishes notice requirements  
21 consistent with Rule 25-22.0408 regarding service  
22 availability and AFPI charges. This rule is addressed  
23 by legal staff. Section 3 requires applicants to  
24 provide the minimum information that is needed by  
25 staff to analyze the utility's requested rates.

1 Q. IS THERE A CONTROVERSIAL ISSUE INCLUDED IN THE FILING  
2 REQUIREMENTS FOR AFPI?

3 A. Yes. The only controversial area of this section is  
4 the requirement that net plant be used instead of  
5 gross plant in determining the amount of qualifying  
6 assets for AFPI. This has been an issue in cases only  
7 over the last 18 months. Utilities have stated that  
8 100% recovery of the non-used and useful investment  
9 will be impossible if net plant is allowed. The  
10 Commission has addressed this in the most recent SSU  
11 case, Dkt. 920199-WS. Net plant recognizes that the  
12 plant has previously been depreciated and in order to  
13 receive gross plant, the utility should request AFPI  
14 at the time the plant goes in service.

15 Q. PLEASE CONTINUE WITH THE REMAINING SECTIONS OF THE  
16 AFPI RULE.

17 A. Section 4 specifies a beginning date for accruing the  
18 AFPI charge as the month following the end of the test  
19 year used to establish the charge. This is Commission  
20 practice that allows the utility to collect the time  
21 value of the charge at the time a customer connects  
22 onto the system. It minimizes the amount of carrying  
23 costs of which the utility does not receive recovery.

24  
25 Section (5) is based on the Commission practice that

1 provides a presumption that it is prudent for a  
2 utility to have an investment in future use plant for  
3 no longer than five years beyond the test year. A  
4 longer period may be appropriate if there is  
5 sufficient evidence presented by the utility proving  
6 prudence.

7 Q. WHAT ARE THE PROPOSED CHANGES TO RULE 25-30.436 WHICH  
8 DELINEATES GENERAL INFORMATION AND INSTRUCTIONS IN AN  
9 APPLICATION FOR RATE CASE?

10 A. The changes to this rule for Class A and B utilities  
11 were designed to reduce rate case expense and direct  
12 the utility in its filing of prefiled direct  
13 testimony. In Section 2, this change requires  
14 prefiled direct testimony within 30 days of meeting  
15 the minimum filing requirements unless the PAA option  
16 is chosen. The utility is required at a minimum to  
17 explain why the rate increase is necessary and other  
18 anticipated issues at the time of filing.

19  
20 Section 3(f) is a new rule requiring that a return on  
21 equity be set even if there is no equity in the  
22 capital structure. This establishes an equity return  
23 for future overearnings investigations or interim rate  
24 setting in instances where utilities have equity  
25 balances in the future.

1 Section 3(g) is a new section requiring utilities to  
2 follow the used and useful and rate case policies set  
3 forth in the proposed new rules 25-30.432 and 433.  
4 Rules 25-30.432 and 433 reflect the policy and Rule  
5 25-30.436(3)(g) requires the utility comply with those  
6 policies when filing a rate case.

7  
8 Section 3(h) requires that information on all  
9 allocations of costs from any source be provided with  
10 the MFRs. This is based on the Commission's request  
11 that in addition to MFR schedule B-12, the filing  
12 contain more substantive support for the methods and  
13 amounts of allocated costs. Utilities have stated  
14 that the allocation information is too voluminous to  
15 put in the MFRs. However, the Commission requires  
16 that all electric, gas and telephone companies submit  
17 this information with the annual reports. To have  
18 this information submitted only at the time of filing  
19 of a rate case meets the Commission's requirements to  
20 obtain the data on affiliate transactions at a much  
21 reduced cost than the other industries. Further, the  
22 cost of compiling the data can be recovered in rate  
23 case expense, which if it were required annually, the  
24 utility not recover the cost through rates until the  
25 completion of a rate case.

1 Section 3(i) is a new section that requires a utility  
2 to provide copies documenting land ownership of the  
3 treatment facilities with a rate increase application.  
4 This provides up-front documentation to the Commission  
5 on any new land purchased to comply with the  
6 Commission's policy on ownership of land. Any  
7 problems surrounding the land can then be analyzed in  
8 more detail if the needs arise.

9  
10 Section 7 is a new section that requires utilities to  
11 submit to the Commission the final rate case costs  
12 incurred after the final order or any order on  
13 petition for reconsideration is issued in a rate case.  
14 This requirement is currently stated in the staff's  
15 recommendation as required by the Deputy Executive  
16 Director- Technical. Having this in rule form will  
17 eliminate the need to address this issue in every rate  
18 case final order and will save the Commission time.

19 Q. WHAT ARE THE PROPOSED CHANGES TO RULE 25-30.437  
20 FINANCIAL, RATE AND ENGINEERING INFORMATION REQUIRED  
21 OF CLASS A AND B WATER AND WASTEWATER UTILITIES IN AN  
22 APPLICATION FOR RATE INCREASE?

23 A. In Section 3, the changes provide guidance in  
24 completing the MFR forms to eliminate problems that  
25 staff has observed since the form was developed. This

1 will simplify the instructions when a utility is  
2 filing a projected test year and will reduce amount of  
3 time required by staff for clarification of the rule.

4  
5 The new Section 6 states the filing requirements for  
6 utility systems requesting combined rates for systems  
7 never before combined. A filing of this nature at a  
8 minimum will allow the staff to analyze the stand-  
9 alone as well as the combined basis to fully  
10 understand the effects of a uniform rate. This has  
11 been Commission practice (non-rule) for the utilities  
12 that have requested uniform rates in the past.

13  
14 Section 7 is a new section that requires utilities  
15 filing a rate case to use the base facility and usage  
16 charge rate structure. Ms. Messer will handle this  
17 issue.

18 Q. WHAT ARE THE PROPOSED CHANGES TO RULE 25-30.443  
19 MINIMUM FILING REQUIREMENTS FOR CLASS C WATER AND  
20 WASTEWATER UTILITIES?

21 A. The changes in this rule are essentially the same as  
22 in 25-30.437 above. The recommended change in  
23 30.437(3) also should be made in this section (2)(c),  
24 but was not included. The recommended change is as  
25 follows:

1           30.437(3)(c)    If a projected test year is used,  
2           provide a complete set of the Commission Form PSC/WAS  
3           18 (6/90), entitled "Financial, Rate and Engineering  
4           Minimum Filing Requirements - Class C Utilities" (as  
5           described above) which require a designation of  
6           historical or projected information. Such schedules  
7           shall be submitted for the historical base year, and  
8           any projected year subsequent to the base year and  
9           prior to the projected test year, in addition to the  
10          projected year. If no designation is shown on a  
11          schedule, submit that schedule for the test year  
12          only. In lieu of providing separate pages for the  
13          above required schedules, the information required can  
14          be combined on the same page by adding additional  
15          columns. In the rate base schedules, Section A, the  
16          beginning and end of year balances shall be shown.  
17          For any intermediate period or year, only the year-end  
18          balance shall be shown. If a historical test year is  
19          used, Schedule E-5 will not be required. A schedule  
20          shall ~~should~~ also be included which describes in  
21          detail all methods and bases of projection, explaining  
22          the justification for each method or basis employed.  
23          If a historical test year is used, Schedule E-5 is not  
24          required.