

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

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PPSC-RECORDS/REPORTING

1 **PREFILED COMMENTS OF MARSHALL W. WILLIS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 **A. Marshall Willis, 101 East Gaines Street, Tallahassee,**
4 **Florida, 32399-0850**

5 **Q. BY WHOM ARE YOU EMPLOYED?**

6 **A. I am employed by the Florida Public Service Commission in**
7 **the Division of Water and Wastewater.**

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

9 **A. Sixteen years.**

10 **Q. WHAT IS YOUR POSITION AND GENERAL RESPONSIBILITIES WITH THE**
11 **COMMISSION?**

12 **A. I am the Bureau Chief of the Bureau of Economic Regulation.**
13 **I am directly responsible for the processing of any water**
14 **and wastewater file and suspend rate case filed with the**
15 **Commission. I am also responsible for the processing of**
16 **applications for limited proceedings, allowance for funds**
17 **prudently invested, service availability, tariff filings,**
18 **developer agreements and the review of potential**
19 **overearnings of Class A and B utilities. My responsibility**
20 **also requires processing of new or revised rules and**
21 **statutes and of course the administrative requirements of**
22 **running a large Bureau.**

23 **Q. WHAT ARE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUNDS?**

24 **A. I received a Bachelor of Arts Degree in Accounting from the**
25 **University of West Florida in June of 1976. After**

1 graduation, I was employed by the Florida Public Service
2 Commission as a Utility Auditor. In 1978, I joined the
3 Accounting Department as an Accounting Analyst. In
4 September of 1980, during a structural reorganization of
5 the Commission, I joined the newly created Water and Sewer
6 Department. In October of 1980, I became the Supervisor of
7 Accounting which later became the Bureau Chief of
8 Accounting. On July 1, 1990, as part of a new
9 reorganization, I became the Bureau Chief of Economic
10 Regulation with the old Bureaus of Accounting, Rates and
11 Engineering now under my control as sections. I also am a
12 Class B practitioner which makes me eligible to practice
13 before the Commission. I have also been a member of
14 faculty at the NARUC Eastern Rate Seminar and was a
15 lecturer at the Florida District Court of Appeals Public
16 Service Commission Seminar held in 1981. I am also
17 coauthor of the 1984 NARUC Uniform System of Accounts for
18 Water and Wastewater Utilities.

19 **Q. ARE YOU A CERTIFIED PUBLIC ACCOUNTANT?**

20 **A.** Yes. I was issued a certificate and license to practice in
21 the State of Florida in August of 1980.

22 **Q. HAVE YOU HAD CAUSE TO PREVIOUSLY TESTIFY BEFORE THE FLORIDA
23 PUBLIC SERVICE COMMISSION?**

24 **A.** Yes. I have testified in over 40 proceedings before this
25 Commission and the Division of Administrative Hearings.

1 Q. WHAT IS THE PURPOSE OF YOUR PREFILED COMMENTS?

2 A. The purpose of my comments is to present staff's position
3 on the proposed new Rule 25-30.433(6), 25-30.435 and 25-
4 30.4415 to the Florida Administrative Code. I also cover
5 the proposed deletion of Rule 25-30.441, Florida
6 Administrative code.

7 Q. PLEASE EXPLAIN PROPOSED RULE 25-30.433(6) AND WHY IT IS
8 NECESSARY?

9 A. This rule concerns the imputation of contributions in aid
10 of construction (CIAC) on the margin reserve included in
11 rate base. The proposed rule is a change in Commission
12 policy. The policy has in the past been to impute CIAC on
13 the margin reserve. The new rule states that no CIAC
14 should be imputed on the margin reserve. The new rule
15 actually reflects what occurs in the industry. It reflects
16 that the margin reserve is a moving target for which the
17 utility will continually have an investment in unless the
18 utility collects prepaid CIAC or is at build out. Because
19 of this continuing investment the rule correctly proposes
20 that no CIAC should be imputed.

21 Q. PLEASE EXPLAIN PROPOSED RULE 25-30.435 AND WHY THIS RULE IS
22 NECESSARY?

23 A. Mr. Hill has also provided comments on this rule proposal
24 and to an alternative proposal. My comments here only
25 address the original proposal which I will now explain.

1 This proposed rule applies to a company that owns more than
2 one regulated system. The proposed rule requires that
3 those companies who intend to file under Sections 367.081
4 and 367.082, Florida Statutes, must file the required
5 minimum filing requirement information for all of its
6 systems regardless of whether or not they are asking for
7 increases in all of the company's systems. This rule also
8 requires that any need for rate increases or reductions
9 must be based on the earnings level of all systems. The
10 rule does provide a waiver provision for just cause.
11 This rule is necessary because I believe that it is more
12 efficient and effective to regulate these companies with
13 multiple systems as one company. The most effective way to
14 realize this is to look at the savings in rate case expense
15 which is a direct benefit to the customers. The Commission
16 has had recent experience with this with the Southern
17 States rate cases. Normally rate case expense has been
18 averaging from \$40,000 to \$150,000 per system when filed
19 separately or when filed with a related water or sewer
20 system. When Southern States filed its case in 1990 it
21 included 34 of the companies utility systems. This case
22 did eventually get dismissed, but staff in its final
23 recommendation recommended rate case expense that equated
24 to \$22,490 per system. Far less than the average when
25 filed separately. The new case just completed by the

1 Commission, which included 127 of its systems, resulted in
2 an expense of just \$10,253 per system. I believe that this
3 one fact alone shows that this rule is beneficial.

4 This rule also has a requirement that a need for increased
5 or decreased rates is tested by looking at all the total
6 company, not just the underearning or overearning system.
7 This requirement helps generate rate stability. In other
8 words a utility must be earning below its authorized range
9 before it can file for a rate increase. Likewise, it also
10 must be earning outside its authorized range to have its
11 rates decreased. If one system has a revenue need that
12 would generate a rate case on a stand alone basis but on a
13 system wide basis did not cause the company to fall below
14 its last authorized range, then the utility could not file
15 for a rate increase.

16 Other means to further generate rate stability can also be
17 explored with this type of filing which could not otherwise
18 have been studied. An example of this would be
19 implimentation of regional or statewide rates.

20 Further benefits can be derived from this type of filing
21 such as reviews of allocations of expenses and general
22 plant. Normally when a company files by system, the
23 Commission sees a small slice of these allocations. It
24 then becomes a task to make sure that in other filings
25 during the year and in future years that there is no over

1 or under recovery of these allocations. It is difficult to
2 get a handle on company allocations when a company owns
3 many systems and files separate cases for each. Especially
4 when they are not all filed in the same year. By requiring
5 this type of filing, this problem does not exist, because
6 you are setting rates for all systems at one time.

7 **Q. PLEASE EXPLAIN THE PROPOSED DELETION OF RULE 25-30.441 AND**
8 **WHY IT IS NECESSARY?**

9 **A.** This rule is proposed to be deleted as it is being replaced
10 completely by proposed new Rule 25-30.4415, Florida
11 Administrative Code.

12 **Q. PLEASE EXPLAIN PROPOSED RULE 25-30.4415 AND WHY IT IS**
13 **NECESSARY?**

14 **A.** This rule lists the information that staff needs to analyze
15 requested projected plant additions. This information is
16 to be filed in conjunction with the minimum filing
17 requirements. The rule is necessary because it requires
18 the filing of information that is necessary to begin our
19 review of the utilities projected plant additions.