

FLORIDA PUBLIC SERVICE COMMISSION

FILE COPY

DOCKET NO. 960258-WS

RULE TITLE:

RULE NO.:

Margin Reserve

25-30.431

PURPOSE AND EFFECT: The purpose of this rule is to codify the current policy on margin reserve and imputation of contributions-in-aid-of-construction (CIAC) on margin reserve calculations for water and wastewater utilities.

SUMMARY: Rule 25-30.431 defines "margin reserve"; provides that upon request and justification, margin reserve will be included in the used and useful determination in certain rate cases; that unless otherwise justified, the margin reserve period will be 18 months for water source and treatment facilities and wastewater treatment and effluent disposal facilities, and 12 months for water transmission and distribution lines and the wastewater collection system; and describes the mechanical aspects and data submission requirements. If margin reserve is authorized, a corresponding provision for the imputation of CIAC is prescribed; however, it is limited to the rate base component associated with margin reserve.

RULEMAKING AUTHORITY: 367.121 FS.

LAW IMPLEMENTED: 367.081 FS.

HEARING: A HEARING WILL BE HELD AT THE DATE AND PLACE SHOWN BELOW:

TIME AND DATE: 9:30 A.M., December 10, 1996, continuing on December 11, 1996, if necessary.

PLACE: Room 148, Betty Easley Conference Center, 4075 Esplanade Way, Tallahassee, Florida.

PERSONS WHO INTEND TO PARTICIPATE IN THIS RULEMAKING PROCEEDING

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

SHOULD FILE A NOTICE OF INTENT TO PARTICIPATE WITH THE FPSC, DIVISION OF RECORDS AND REPORTING, WITHIN 21 DAYS OF THE DATE OF THIS NOTICE. AN ORDER WILL BE ISSUED ESTABLISHING PREHEARING AND HEARING PROCEDURES TO BE FOLLOWED. WRITTEN COMMENTS AND TESTIMONY ON THE PROPOSED RULE MAY BE FILED NO LATER THAN OCTOBER 18, 1996. RESPONSIVE COMMENTS AND TESTIMONY MAY BE FILED NO LATER THAN NOVEMBER 15, 1996.

THE PERSON TO BE CONTACTED REGARDING THIS RULE AND THE ECONOMIC IMPACT STATEMENT IS: Director of Appeals, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, Florida 32399.

THE FULL TEXT OF THE RULE IS:

25-30.431 Margin Reserve

(1) "Margin reserve" is defined as the amount of plant capacity needed to meet the expected demand due to customer growth.

(2) "Margin reserve period" is defined as the time period needed to install the next economically feasible increment of plant capacity that will preclude a deterioration in the quality of service.

(3) Margin reserve is an acknowledged component of the used and useful rate base determination that when requested and justified shall be included in rate cases filed pursuant to section 367.081, Florida Statutes.

(4) Unless otherwise justified, the margin reserve period for water source and treatment facilities and wastewater treatment and effluent disposal facilities will be 18 months. Unless otherwise justified, the margin reserve period for water transmission and distribution lines and the wastewater collection system will be 12

months. In determining whether another margin reserve period is justified, the Commission shall consider the rate of growth in the number of equivalent residential connections (ERCs); the time needed to meet the guidelines of the Department of Environmental Protection (DEP) for planning, designing, and constructing of plant expansion; and the technical and economic options available for sizing increments of plant expansion.

(5) (a) Margin reserve for water source and treatment facilities and wastewater treatment and effluent disposal facilities shall be calculated as follows:

$$\underline{EG \times MP \times D = MR}$$

where:

EG = Equivalent Annual Growth in ERCs determined pursuant to (c) or (d) below

MP = Margin Reserve Period determined pursuant to subsection (4)

D = Demand per ERC (customer demand applied in the used and useful calculations for water and wastewater facilities)

MR = Margin reserve expressed in gallons per day (GPD)

(b) Margin reserve for water transmission and distribution lines and the wastewater collection system shall be calculated as follows:

$$\underline{EG \times MP = MR}$$

where:

EG = Equivalent Annual Growth in ERCs
determined pursuant to (c) or (d)
below

MP = Margin Reserve Period determined
pursuant to subsection (4)

MR = Margin reserve expressed in ERCs

(c) The equivalent annual growth in ERCs (EG) is measured in terms of the projected annual growth and shall be calculated in Schedules F-9 and F-10 of Form PSC/WAW 19 for Class A utilities and Form PSC/WAW 20 for Class B utilities, incorporated by reference in Rule 25-30.437.

(d) The utility shall also submit a linear regression analysis using average ERCs for the last 5 years. The utility may submit other information that will affect growth in ERCs.

(6) As part of its application filed pursuant to Rule 25-30.437, the utility shall submit its most recent wastewater capacity analysis report, if any, filed with DEP.

(7) Contributions-in-aid-of-construction (CIAC) shall be imputed when a margin reserve is authorized. The amount of imputed CIAC shall be determined based on the number of ERCs included in the margin reserve period and the projected CIAC that will be collected from those ERCs. However, the imputed CIAC shall not exceed the rate base component associated with margin reserve.

Specific Authority 367.121, FS.

Law Implemented 367.081, FS.

History-New.

NAME OF PERSON ORIGINATING PROPOSED RULE: Charles H. Hill

NAME OF SUPERVISOR OR PERSON(S) WHO APPROVED THE PROPOSED RULE:
Florida Public Service Commission.

DATE PROPOSED RULE APPROVED: July 16, 1996.

If any person decides to appeal any decision of the Commission with respect to any matter considered at the rulemaking hearing, if held, a record of the hearing is necessary. The appellant must ensure that a verbatim record, including testimony and evidence forming the basis of the appeal is made. The Commission usually makes a verbatim record of rulemaking hearings.

Any person requiring some accommodation at this hearing because of a physical impairment should call the Division of Records and Reporting at (904) 413-6770 at least five calendar days prior to the hearing. If you are hearing or speech impaired, please contact the Florida Public Service Commission using the Florida Relay Service, which can be reached at: 1-800-955-8771 (TDD).

1 25-30.431 Margin Reserve

2 (1) "Margin reserve" is defined as the amount of plant
3 capacity needed to meet the expected demand due to customer growth.

4 (2) "Margin reserve period" is defined as the time period
5 needed to install the next economically feasible increment of plant
6 capacity that will preclude a deterioration in the quality of
7 service.

8 (3) Margin reserve is an acknowledged component of the used
9 and useful rate base determination that when requested and
10 justified shall be included in rate cases filed pursuant to section
11 367.081, Florida Statutes.

12 (4) Unless otherwise justified, the margin reserve period for
13 water source and treatment facilities and wastewater treatment and
14 effluent disposal facilities will be 18 months. Unless otherwise
15 justified, the margin reserve period for water transmission and
16 distribution lines and the wastewater collection system will be 12
17 months. In determining whether another margin reserve period is
18 justified, the Commission shall consider the rate of growth in the
19 number of equivalent residential connections (ERCs); the time
20 needed to meet the guidelines of the Department of Environmental
21 Protection (DEP) for planning, designing, and constructing of plant
22 expansion; and the technical and economic options available for
23 sizing increments of plant expansion.

24 (5)(a) Margin reserve for water source and treatment
25 facilities and wastewater treatment and effluent disposal

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

1 facilities shall be calculated as follows:

2 EG x MP x D = MR

3 where:

4 EG = Equivalent Annual Growth in ERCs
5 determined pursuant to (c) or (d)
6 below

7 MP = Margin Reserve Period determined
8 pursuant to subsection (4)

9 D = Demand per ERC (customer demand
10 applied in the used and useful
11 calculations for water and
12 wastewater facilities)

13 MR = Margin reserve expressed in gallons
14 per day (GPD)

15 (b) Margin reserve for water transmission and distribution
16 lines and the wastewater collection system shall be calculated as
17 follows:

18 EG x MP = MR

19 where:

20 EG = Equivalent Annual Growth in ERCs
21 determined pursuant to (c) or (d)
22 below

23 MP = Margin Reserve Period determined
24 pursuant to subsection (4)

25 MR = Margin reserve expressed in ERCs

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1 (c) The equivalent annual growth in ERCs (EG) is measured in
2 terms of the projected annual growth and shall be calculated in
3 Schedules F-9 and F-10 of Form PSC/WAW 19 for Class A utilities and
4 Form PSC/WAW 20 for Class B utilities, incorporated by reference in
5 Rule 25-30.437.

6 (d) The utility shall also submit a linear regression
7 analysis using average ERCs for the last 5 years. The utility may
8 submit other information that will affect growth in ERCs.

9 (6) As part of its application filed pursuant to Rule 25-
10 30.437, the utility shall submit its most recent wastewater
11 capacity analysis report, if any, filed with DEP.

12 (7) Contributions-in-aid-of-construction (CIAC) shall be
13 imputed when a margin reserve is authorized. The amount of imputed
14 CIAC shall be determined based on the number of ERCs included in
15 the margin reserve period and the projected CIAC that will be
16 collected from those ERCs. However, the imputed CIAC shall not
17 exceed the rate base component associated with margin reserve.

18 Specific Authority: 367.121, F.S.

19 Law Implemented: 367.081, F.S.

20 History: New

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