

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Proposed Revisions to ) DOCKET NO. 911082-WS  
Rules 25-30.020, 25-30.025, 25- ) ORDER NO. PSC-93-1704-FOF-WS  
30.030, 25-30.032, 25-30.033, ) ISSUED: November 29, 1993  
25-30.034, 25-30.035, 25-30.036, )  
25-30.037, 25-30.060, 25-30.111, )  
25-30.135, 25-30.320, 25-30.335, )  
25-30.360, 25-30.430, 25-30.436, )  
25-30.437, 25-30.443, 25-30.455, )  
25-30.515, 25-30.565;New Rules )  
25-30,0371, 25-30.038, 25- )  
30.039, 25-30.090, 25-30.117, )  
25-30.432 to 25-30.435, 25- )  
30.4385, 25-30.465, 25-30.470 )  
and 25-30.441, F.A.C., )  
Pertaining to Water and )  
Wastewater Regulation )  
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The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
SUSAN F. CLARK  
JULIA L. JOHNSON  
LUIS J. LAUREDO

NOTICE is hereby given that the Commission, pursuant to section 120.54, Florida Statutes, has adopted Rule 25-30.433(3) with a change. The proceedings pending on this rule at the Division of Administrative Hearings have concluded and the rule was filed with the Department of State on November 24, 1993. It will be effective on December 14, 1993. A copy of the relevant portions of the certification filed with the Secretary of State is attached to this Notice.

This docket is closed upon issuance of this notice.

By ORDER of the Florida Public Service Commission this 29th day of November, 1993.

  
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STEVE TRIBBLE, Director  
Division of Records & Reporting

( S E A L )

DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

25-30.433 Rate Case Proceedings. In a rate case proceeding, the following provisions shall apply, unless the applicant or any intervenor demonstrates that these rules result in an unreasonable burden. In these instances, fully supported alternatives will be considered by the Commission. Any alternatives proposed by the utility must be filed with the minimum filing requirements.

(1) The Commission in every rate case shall make a determination of the quality of service provided by the utility. This shall be derived from an evaluation of three separate components of water and wastewater utility operations: quality of utility's product (water and wastewater); operational conditions of utility's plant and facilities; and the utility's attempt to address customer satisfaction. Sanitary surveys, outstanding citations, violations and consent orders on file with the Department of Environmental Protection (DEP) and county health departments (HRS) or lack thereof over the preceding 3-year period shall also be considered. DEP and HRS officials' testimony concerning quality of service as well as the testimony of utility's customers shall be considered.

(2) Working capital for Class A utilities shall be calculated using the balance sheet approach. Working capital for Class B and C utilities shall be calculated using the formula method (one-eighth of operation and maintenance expenses).

(3) Used and useful debit deferred taxes shall be offset against used and useful credit deferred taxes in the capital structure. Any resulting net debit deferred taxes shall be included as a separate line item in the rate base calculation. Any resulting net credit deferred taxes shall be included in the capital structure calculation. No other deferred debits shall be considered in rate base when the formula method of working capital is used.

(4) The averaging method used by the Commission to calculate rate base and cost of capital shall be a 13-month average for Class A utilities and the simple beginning and end-of-year average for Class B and C utilities.

(5) Non-used and useful adjustments shall be applied to the applicable depreciation expense. Property tax expense on non-used and useful plant shall not be allowed.

(6) Charitable contributions shall not be recovered through rates.

(7) Income tax expense shall not be allowed for Subchapter S corporations, partnerships or sole proprietorships.

(8) Non-recurring expenses shall be amortized over a 5-year period unless a shorter or longer period of time can be justified.

(9) The amortization period for forced abandonment or the prudent retirement, in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts,

of plant assets prior to the end of their depreciable life shall be calculated by taking the ratio of the net loss (original cost less accumulated depreciation and contributions-in-aid-of-construction (CIAC) plus accumulated amortization of CIAC plus any costs incurred to remove the asset less any salvage value) to the sum of the annual depreciation expense, net of amortization of CIAC, plus an amount equal to the rate of return that would have been allowed on the net invested plant that would have been included in rate base before the abandonment or retirement. This formula shall be used unless the specific circumstances surrounding the abandonment or retirement demonstrate a more appropriate amortization period.

(10) A utility is required to own the land upon which the utility treatment facilities are located, or possess the right to the continued use of the land, such as a 99-year lease. The Commission may consider a written easement or other cost-effective alternative.

(11) In establishing an authorized rate of return on common equity, a utility, in lieu of presenting evidence, may use the current leverage formula adopted by Commission order. The equity return established shall be based on the equity leverage order in effect at the time the Commission decides the case.

(12) Nonutility investment should be removed directly from equity when reconciling the capital structure to rate base unless the utility can show, through competent evidence, that to do

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otherwise would result in a more equitable determination of the cost of capital for regulatory purposes.

(13) Interest expense to be included in the calculation of income tax expense shall be the amount derived by multiplying the amount of the debt components of the reconciled capital structure times the average weighted cost of the respective debt components. Interest expense shall include an amount for the parent debt adjustment in those cases covered by Rule 25-14.004. Interest shall also be imputed on deferred investment tax credits in those cases covered by 26 CFR Part 1, s. 1.46-6(b)(2)(i), (3) and (4)(ii) issued May 22, 1986 and effective for property constructed or acquired on or after August 15, 1971.

Specific Authority: 367.121, F.S.

Law Implemented: 367.081, F.S.

History: New 11/30/93, Amended 12/14/93.