

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition to Adopt Rules ) DOCKET NO. 960258-WS  
on Margin Reserve and Imputation ) ORDER NO. PSC-96-0586-FOF-WS  
of Contributions-In-Aid-Of- ) ISSUED: May 6, 1996  
Construction on Margin Reserve )  
Calculation, by Florida )  
Waterworks Association )  

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The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman  
J. TERRY DEASON  
JOE GARCIA  
JULIA L. JOHNSON  
DIANE K. KIESLING

ORDER GRANTING PETITION TO INITIATE RULEMAKING

BY THE COMMISSION:

On March 1, 1996, pursuant to Section 120.54(5), Florida Statutes, and Rule 25-22.010, Florida Administrative Code, the Florida Waterworks Association (FWA or the association) petitioned the Commission to adopt the attached rule concerning margin reserve determinations for water and wastewater utilities. (Attachment A) The rule FWA recommends for proposal sets the margin reserve period for water source and treatment facilities and wastewater treatment and effluent disposal facilities at five years, and provides that a utility may justify a different reserve period based on factors set forth in the rule. FWA's recommended rule also states that "CIAC shall not be imputed against the allowance for margin reserve." In addition, the association recommends a 100 percent used and useful determination for reclaimed water reuse facilities.

FWA's rule does not codify our current policy, which is to include in rate base an 18-month margin reserve of plant investment that is needed to accommodate future growth. This margin is offset by imputing any CIAC projected for collection during the margin reserve period. In addition, our staff has been developing a comprehensive used and useful rule.

In its petition, FWA argues that to expedite matters, the Commission should adopt the association's more limited version of the rule. While we decline to propose FWA's recommended rule at

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FPSC-RECORDS/REPORTING

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this time, we find that rulemaking shall be initiated on this subject.

The association also requested that we require all interested persons to file written testimony and exhibits by July 1996 and that a full Commission hearing be scheduled so we can adopt a rule by the end of this year. We find that FWA's request is premature and therefore deny its request for hearing. Within 21 days from the date a proposed rule is published in the Florida Administrative Weekly, FWA or any other interested person may file comments or request a hearing, as provided in Section 120.54, Florida Statutes.

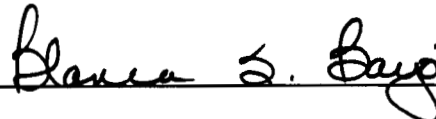
It is therefore

ORDERED by the Florida Public Service Commission that Florida Waterworks Association's petition to initiate rulemaking is granted. It is further

ORDERED that Florida Waterworks Association's request for hearing is denied. It is further

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission, this 6th day of May, 1996.



BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice

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should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

ATTACHMENT A

25-30.431 Margin Reserve

(1) Margin reserve is recognized as a component of used and useful rate base. The Commission shall include an allowance for margin reserve if requested by the utility. CIAC shall not be imputed against the allowance for margin reserve.

(2) The Commission recognizes that for a utility to meet its statutory responsibilities, 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 and in an economic manner.

(a) Margin Reserve is defined as the investment needed to meet the changing demands of existing customers and the demands of potential customers in a reasonable time and in an economic manner.

(b) Margin Reserve Period is defined as the period during which current capacity is required to be available until the next economic capacity addition can be placed in service without causing a deterioration in the quality of service. In determining the margin reserve period, the Commission shall consider, but not be limited to, the rate of growth in customers and demand, the time needed to meet the guidelines of the Department of Environmental Protection for planning, design and construction of plant expansion, and the available technical and economic options

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

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3 available for sizing increments of plant expansion. Unless  
4 otherwise justified, the margin reserve period for water source and  
5 treatment facilities and wastewater treatment and effluent disposal  
6 facilities is set at five years.

7 (3) As a part of its rate filing, the utility shall submit  
8 historical, reliable data for a minimum of five years, if  
9 available, preceding the test year, and for the test year, for the  
10 year-end number of customers by class and meter size; the annual  
11 sales by class; the annual treated or pumped flows for the system;  
12 the water system maximum day, and if available, peak hour flows  
13 for each year; and the wastewater system annual average, maximum  
14 month average, and three-month average daily flows. The utility's  
15 most recent wastewater capacity analysis report, if any, filed with  
16 DEP shall also be submitted as part of the rate filing.

17 (4) For purposes of this rule, Margin Reserve (expressed in  
18 units of demand; e.g., GPD (gallons per day)) equals:

19 
$$\underline{EG \times MP \times D}$$

20 where:

21 EG = Equivalent Annual Growth in ERCs

22 MP = Margin Reserve Period

23 D = Demand/ERC on the plant component

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

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a. The equivalent growth (EG) in ERCs is measured in terms of the projected annual growth and shall be determined by the utility based on its knowledge of growth in its certificated area. The utility shall take into consideration the growth in ERCs over the last five years, including the test year, and other factors which in the judgement of the utility affect the pattern of growth.

b. As part of its filing, the utility shall provide a calculation of the EG based on (1) a simple average of the annual ERCs for the last five years and (2) a linear regression of annual ERCs for the last five years.

(5) Reclaimed Water Reuse Facilities constructed in accordance with Section 403.064, Florida Statutes, shall be considered 100% used and useful. Margin Reserve shall therefore not be a factor.

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M E M O R A N D U M

May 2, 1996

**RECEIVED**  
MAY - 3 1996  
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FPSC-RECORDS/REPORTING

TO: DIVISION OF RECORDS AND REPORTING  
FROM: MARY ANNE HELTON, DIVISION OF APPEALS *mat*  
RE: DOCKET NO. 960258-WS

*0586-FOF*

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Attached is an ORDER GRANTING PETITION TO INITIATE RULEMAKING which is ready to be issued.

attachment

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