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ORIGINAL  
FILE COPY

March 4, 1997

Blanca S. Bayo, Director  
Division of Records & Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Docket No. 960258-WS  
Petition of the Florida Waterworks Association to Adopt Rules  
on Margin Reserve and Imputation of Contributions-in-aid-of-  
Construction on the Margin Reserve Calculation

Dear Ms. Bayo:

Enclosed for filing in the above docket on behalf of Florida  
Waterworks Association are an original and 15 copies of

1. Comments on Staff's Final Recommended Version of Rule 25-30.431, F.A.C.; and
2. our Certificate of Service.

ACK \_\_\_\_\_  
 AFA 1  
 APP 1  
 CAF \_\_\_\_\_  
 CMU \_\_\_\_\_  
 CTR \_\_\_\_\_  
 EAG \_\_\_\_\_  
 LEG \_\_\_\_\_  
 LIN 5 WLS/pav  
 OPC Enclosure  
 RCH 1  
 SEC 1  
 WAS \_\_\_\_\_  
 OTH \_\_\_\_\_

Please acknowledge receipt of the foregoing by stamping the enclosed extra copy of this letter and returning same to my attention. Thank you for your assistance.

Sincerely,

*Wayne L. Schiefelbein*  
Wayne L. Schiefelbein

DOCUMENT NUMBER-DATE

02305 MAR-45

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of the Florida ) Docket No. 960258-WS  
Waterworks Association to adopt ) Filed: March 4, 1997  
rules on Margin Reserve and )  
Imputation of Contribution-in- )  
aid-of-Construction on the )  
Margin Reserve Calculation. )

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 4th day of March, 1997, true and correct copies of the Florida Waterworks Association's Comments on Staff's Final Recommended Version of Rule 25-30.431, F.A.C., have been furnished by hand-delivery to **CHRISTIANA T. MOORE, ESQ.**, Office of the General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and by regular U.S. Mail to the following:

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Petition of the Florida Waterworks Association to Adopt Rules  
on Margin Reserve and Imputation of Contributions-in-Aid-of-  
Construction on the Margin Reserve Calculation

Dear Ms. Bayo:

On behalf of Florida Waterworks Association, we provide the  
following comments on "Staff's Final Recommended Version of Rule  
25-30.431, F.A.C."

(1) FWA supports Staff's recommended definition of "margin  
reserve."

(2) The Staff's recommended definition of "margin reserve  
period" is too narrow and inconsistent with its definition of  
"margin reserve." As indicated in its January 16, 1997, Post-  
Hearing Comments, FWA believes that "margin reserve period"  
should be 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 of the quality of service." The need to  
maintain service quality to customers sets the boundaries for  
timing and the limits for economic choices.

(4) FWA believes that the Staff recommendation of five year  
margin reserve periods for source, treatment and disposal  
"unless otherwise justified," which "in no case shall be less  
than 3 years" is confusing and inconsistent. The purpose of  
the rule should be to set presumptively valid margin reserve  
periods. There is nothing in the record for this proceeding  
to support a three-year margin reserve period for source,

DOCUMENT NUMBER-DATE

02305 MAR-4 97

FPSC-RECORDS/REPORTING

treatment and disposal, other than a desire to forge a compromise. The presumptively valid margin reserve period for source, treatment, and non-reuse disposal should be set at 5 years.

FWA is opposed to Staff's unexplained recommendation to delete from the rule any provision for margin reserve for water and wastewater lines. FWA maintains that the rule should provide that "unless otherwise justified, the margin reserve period for on-site water distribution lines and services and on-site wastewater collection lines and laterals will be 24 months." Further, the rule should provide that "prudently constructed water transmission and off-site wastewater force and gravity collectors and pump stations are considered 100% used and useful; margin reserve shall therefore not be a factor."

FWA is also opposed to Staff's recommended rule which apparently intends to treat reuse facilities as any other effluent disposal facilities. The record strongly supports FWA's proposal that the rule provide that "the prudently incurred cost of studies and facilities for the purpose of reusing reclaimed water, that meet the requirements of section 403.064, Florida Statutes, shall be considered 100% used and useful. Margin reserve shall therefore not be a factor."

(5) FWA takes no issue with the substance of Staff's recommended formula for source, treatment and disposal. There is a scrivener's error in the Staff recommended rule. The definition of EG refers to subsections 5c and d, which, under the Staff revisions, are now renumbered 5b and c.

FWA maintains that its proposed formula for water transmission and distribution lines and wastewater collection systems should be adopted by the Commission. That proposal is as follows:

$$EG \times MP = MR$$

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.

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\* These subparagraph references follow the sequence of the FWA's proposed rule, as attached to the FWA's Posthearing Comments filed on January 16, 1997.

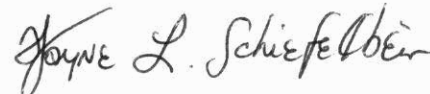
FWA supports the Staff's recommended requirements for filing data pursuant to Staff's renumbered sub-sections 5b and 5c.

(6) FWA supports the Staff's recommended requirement for filing capacity analysis reports.

(7) FWA strongly supports the Staff recommendation to provide that CIAC shall not be imputed when a margin reserve is authorized.

Please note that FWA's positions in this proceeding are set out at length in its Post-Hearing Comments, as filed with the Commission on January 16, 1997.

Sincerely,

A handwritten signature in cursive script that reads "Wayne L. Schiefelbein".

Wayne L. Schiefelbein

WLS/pav