

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed amendment of
25-30.420, F.A.C.,
Establishment of Price Index,
Adjustment of Rates; Requirement
of Bond; Filings after
Adjustment; Notice to Customers;
and 25-30.425, F.A.C., Pass
Through Rate Adjustment

DOCKET No. 980561-WS

STAFF REPLY

Staff provides the following reply to Citizens' Comments filed by the Office of Public Counsel regarding Rule 25-30.420(1)(a), F.A.C., on price index establishment and rate adjustments. The Commission proposed the following changes to Rule 25-30.420(1)(a), F.A.C.:

25-30.420(1)(a) The index shall be applied to all operation and maintenance expenses, except for amortization of rate case expense, costs subject to pass-through adjustments pursuant to section 367.081(4)(b), F.S., and adjustments or disallowances made in a utility's most recent rate proceeding. In determining major

~~categories of operating costs to which the index will apply, the Commission may consider whether the cost category is material to the operation of water and wastewater utilities, whether the cost category is applicable to all utilities regardless of size and geographic location, and whether sufficient data is available regarding price increases or decreases.~~

The purpose of the proposed change is not to expand the costs


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that the index will apply to. Rather, the change to "operation and maintenance expenses" is to clarify that the term "operating costs" does not include depreciation, amortization, taxes other than income, and income taxes. This will codify the decision the Commission has made each year in its annual order establishing the index. Because the Commission only applies the index to "operation and maintenance expenses" (as defined by the NARUC uniform system of accounts) with the exception of amortization of rate case expense, costs subject to pass-through adjustments pursuant to section 367.081(4)(b), F.S., and adjustments or disallowances made in a utility's most recent rate proceeding, Staff believes the existing rule should be clarified to articulate that. Revision of the rule language will also eliminate the necessity of including the issue of what costs the index should apply to in Staff's annual index establishment recommendation. Staff disagrees with Public Counsel's comment that this change expands the Commission's authority beyond the statute.


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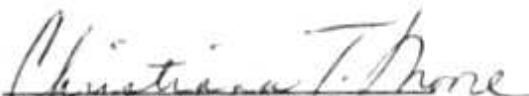
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by U.S. Mail this 30th day of November, 1998, to the following:

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