

M E M O R A N D U M

October 20, 2000

TO : DIVISION OF RECORDS & REPORTING

FROM : MARY ANNE HELTON, ASSOCIATE GENERAL COUNSEL *MAH*

RE : DOCKET NO. 001062-WS - PROPOSED REPEAL OF RULE 25-30.470, F.A.C., CALCULATION OF RATE REDUCTION AFTER RATE CASE EXPENSE IS AMORTIZED.

Attached is an original and three copies of the certification of Rule 25-30.470. The Department of State must receive the original and two copies of the certification no later than 5:00 p.m., October 23, 2000. The Certification includes:

- (1) An original and two certified copies of Rule 25-30.470, F.A.C.,;
- (2) A summary of the rule;
- (3) A summary of the hearing on the rule; and
- (4) A written statement of the facts and circumstances justifying the rule.

CRT30470.MAH
 Attachments

APP _____
 CAF _____
 CMP _____
 COM _____
 CTR _____
 ECR _____
 LEG _____
 OPC _____
 PAI _____
 RGO _____
 SEC 7 _____
 SER _____
 OTH _____

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DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

CERTIFICATION OF
PUBLIC SERVICE COMMISSION ADMINISTRATIVE RULES
FILED WITH THE
DEPARTMENT OF STATE

I do hereby certify:

(1) That all statutory rulemaking requirements of Chapter 120, F.S., have been complied with; and

(2) There is no administrative determination under subsection 120.56(2), F.S., pending on any rule covered by this certification; and

(3) All rules covered by this certification are filed within the prescribed time limitations of paragraph 120.54(3)(e), F.S. They are filed not less than 28 days after the notice required by paragraph 120.54(3)(a), F.S., and;

(a) Are filed not more than 90 days after the notice;
or

(b) Are filed not more than 90 days after the notice not including days an administrative determination was pending;
or

(c) Are filed more than 90 days after the notice, but not less than 21 days nor more than 45 days from the date of publication of the notice of change; or

(d) Are filed more than 90 days after the notice, but

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not less than 14 nor more than 45 days after the adjournment of the final public hearing on the rule; or

✓/ (e) Are filed more than 90 days after the notice, but within 21 days after the date of receipt of all material authorized to be submitted at the hearing; or

✓/ (f) Are filed more than 90 days after the notice, but within 21 days after the date the transcript was received by this agency; or

✓/ (g) Are filed not more than 90 days after the notice, not including days the adoption of the rule was postponed following notification from the Joint Administrative Procedures Committee that an objection to the rule was being considered; or

✓/ (h) Are filed more than 90 days after the notice, but within 21 days after a good faith written proposal for a lower cost regulatory alternative to a proposed rule is submitted which substantially accomplishes the objectives of the law being implemented; or

✓/ (i) Are filed more than 90 days after the notice, but within 21 days after a regulatory alternative is offered by the small business ombudsman.

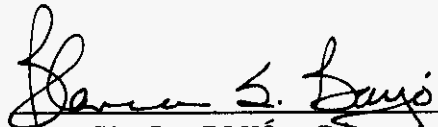
Attached are the original and two copies of each rule covered by this certification. The rules are hereby adopted by the undersigned agency by and upon their filing with the Department of State.

Rule No.

25-30.470

Under the provision of subparagraph 120.54(3)(e)6., F.S.,
the rules take effect 20 days from the date filed with the
Department of State or a later date as set out below:

Effective: _____
(month) (day) (year)



BLANCA S. BAYÓ, Director
Division of Records & Reporting

Number of Pages Certified

(S E A L)

MAH

1 25-30.470 Calculation of Rate Reduction After Rate Case
2 Expense is Amortized.

3 ~~To calculate the rate reduction to be made 4 years after a~~
4 ~~rate case as required by section 367.0816, F.S., the following~~
5 ~~methodology shall be used. The annual amount of rate case expense,~~
6 ~~which is equal to one fourth of the total allowed rate case~~
7 ~~expense, shall be divided by the regulatory assessment fee gross up~~
8 ~~factor. The resulting number shall then be divided by the revenue~~
9 ~~requirement to determine the percentage of the rate reduction. The~~
10 ~~percentage is then multiplied against the new rates to determine~~
11 ~~the amount of the future rate reduction. Revised tariff sheets~~
12 ~~implementing the reduction shall be filed no later than 1 month~~
13 ~~before the end of the fourth year.~~

14 Specific Authority: 350.127(2), 367.121, F.S.

15 Law Implemented: 367.0816, 367.121, F.S.

16 History: New 11/30/93, Repealed _____.

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

Specific Authority 367.121 FS. Law Implemented 367.121 FS. History—New 11-30-93.

25-30.465 Private Fire Protection Rates. The rate for private fire protection service shall be a charge based on the size of the connection rather than the number of fixtures connected. The rate shall be one-twelfth the current base facility charge of the utility's meter sizes, unless otherwise supported by the utility.

Specific Authority 367.121 FS. Law Implemented 367.121 FS. History—New 11-30-93.

25-30.470 Calculation of Rate Reduction After Rate Case Expense Is Amortized. To calculate the rate reduction to be made 4 years after a rate case as required by section 367.0816, F.S., the following methodology shall be used. The annual amount of rate case expense, which is equal to one-fourth of the total allowed rate case expense, shall be divided by the regulatory assessment fee gross up factor. The resulting number shall then be divided by the revenue requirement to determine the percentage of the rate reduction. The percentage is then multiplied against the new rates to determine the amount of the future rate reduction. Revised tariff sheets implementing the reduction shall be filed no later than 1 month before the end of the fourth year.

Specific Authority 367.121 FS. Law Implemented 367.121 FS. History—New 11-30-93.

25-30.475 Effective Date of Approved Tariffs. Effective dates shall be as follows unless otherwise authorized by the Commission:

(1) For recurring rates or charges:

(a) Metered or flat recurring rates shall be effective for service rendered as of the stamped approval date on the tariff sheets provided customers have received notice. The tariff sheets will be approved upon staff's verification that the tariffs are consistent with the Commission's decision, that the proposed customer notice is adequate, and that any required security has been provided.

(b) If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on and after the effective date of the new rates.

(c) In no event shall the rates be effective for service rendered prior to the stamped approval date.

(2) Non-recurring charges (such as service availability, guaranteed revenue charges, allowance for funds prudently invested, miscellaneous services) shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets provided customers have received notice. The tariff sheets will be approved upon staff's verification that the tariffs are consistent with the Commission's decision and that the proposed customer notice is adequate. In no event shall the rates be effective for

service rendered prior to the stamped approval date.

Specific Authority 367.121 FS. Law Implemented 367.121 FS. History—New 11-30-93.

PART VI SERVICE AVAILABILITY — WATER AND WASTEWATER SYSTEMS — SERVICE AVAILABILITY CHARGES

25-30.510 Applicability. The provisions of this part, Rules 25-30.510 through 30.585, shall apply to a utility when it files for a change in its service availability policy or charges or when the Commission initiates a show cause proceeding to require the utility to change such policy or charges. The provisions are not applicable to policies implemented and contracts entered into prior to the effective date of this part.

Specific Authority 367.121(1), 367.101 FS. Law Implemented 367.101 FS. History—New 6-14-83. Formerly 25-30.51, 25-30.051.

25-30.515 Definitions. When used in this part or in service availability policies or in service availability contracts or agreements, the following terms have the following meanings:

(1) Active Connection means a connection to the utility's system at the point of delivery of service, whether or not service is currently being provided.

(2) Customer Connection Charge means any payment made to the utility for the cost of installing a connection from the utility's water or wastewater lines, including but not limited to the cost of piping and the meter installation fee.

(3) Contribution-in-aid-of-construction (CIAC) means any amount or item of money, services, or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility, and which is utilized to offset the acquisition, improvement, or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public. The term includes, but is not limited to, system capacity charges, main extension charges and customer connection charges.

(4) Contributor means a person, builder, developer or other entity who makes a contribution-in-aid-of-construction.

(5) Customer Installation means all the facilities on the customer's side of the point of delivery.

(6) Developer's Agreement means a written agreement setting forth in detail the terms and conditions under which a utility will render service to a developer's property.

(7) Economic Feasibility means a test by which the operating income of a utility to be earned from prospective customers within the area to be served by a proposed extension of facilities is divided by the investment in such facilities to determine if the utility will earn a fair return on its investment in the proposed extension.

25-30.515
11-30-93

SUMMARY OF RULE

The rule establishes the methodology for reducing rates at the end of the four-year amortization period for rate case expense.

SUMMARY OF HEARINGS ON THE RULE

No hearing was requested and none was held.

FACTS AND CIRCUMSTANCES JUSTIFYING THE RULE

Section 367.0816, Florida Statutes, requires rate case expense to be amortized over a four-year period. Prior to 1999, it also required "[a]t the conclusion of the recovery period, the rate of the public utility shall be reduced immediately by the amount of the rate case expense previously included in rates." Rule 25-30.470, which sets out the methodology for reducing rates at the end of the amortization period, implements this repealed language. Since the Legislature repealed this requirement in 1999, Rule 25-30.470, Florida Administrative Code, should also be repealed. Chapter 99-319, Florida Laws.

Prior to 1989, when the Legislature imposed the requirement, the Commission did not reduce rates at the end of the amortization period for rate case expense for water and wastewater utilities. Chapter 89-353, Florida Laws. Since the requirement to reduce rates was repealed by the Legislature in

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1999, the Commission has gone back to its procedure prior to 1989. In the last 5-6 water and wastewater rate cases that were filed since the Legislature repealed the rate reduction requirement, the Commission has not required rates to be decreased at the end of the amortization period for rate case expense. Since the statute does not require it and the Commission has decided in recent rate cases to not reduce rates at the end of the amortization period for rate case expense, the rule should be repealed.