

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: March 8, 2019
TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk
FROM: Adria Harper, Office of the General Counsel *AJH*
RE: Docket No. 20180141-WS

Please file the attached rule certification packet materials for Rule 25-30.4575, F.A.C., in the docket file listed above.

Thank you.

Attachment

RECEIVED-FPSC
2019 MAR -8 PM 1:25
COMMISSION
CLERK

COMMISSIONERS:
ART GRAHAM, CHAIRMAN
JULIE I. BROWN
DONALD J. POLMANN
GARY F. CLARK
ANDREW GILES FAY

STATE OF FLORIDA



OFFICE OF THE GENERAL COUNSEL
KEITH C. HETRICK
GENERAL COUNSEL
(850) 413-6199

Public Service Commission

March 8, 2019

Mr. Ernest Reddick
Florida Department of State
Administrative Code and Register Section
Room 701, the Capitol
Tallahassee, FL 32399-0250

VIA HAND DELIVERY

2019 MAR -8 AM 11:42
DEPARTMENT OF STATE
TALLAHASSEE, FLORIDA

FILED

Re: Rule Certification Packet for Rule 25-30.4575, Operating Ratio Methodology, F.A.C.

Dear Mr. Reddick:

Enclosed for filing is a complete rule certification packet for Rule 25-30.4575, F.A.C., consisting of:

- (1) One compact disc containing the coded text of the rule;
- (2) There are no materials incorporated by reference into this rule.
- (3) One original and two copies of the signed rule certification form;
- (4) One original and two copies of the signed designation of minor violation rule certification form required by Rule 1-1.010, F.A.C.;
- (5) One original and two copies of the coded text of the rule, including the legal citations and history notes;
- (6) One original and two copies of the summary of the rule;
- (7) One original and two copies of the detailed written statement of the facts and circumstances justifying the rule; and
- (8) One original and two copies of the summary of the hearings held on the rule.

Please let me know if you have any questions. The contact name and information for this rule are Adria Harper, Florida Public Service Commission, Office of General Counsel, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0250, (850) 413-6082, aharper@psc.state.fl.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Adria Harper", written in a cursive style.

Adria E. Harper
Senior Attorney

Enclosures

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

I hereby certify:

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

(2) That there is no administrative determination under Section 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 Section 120.54(3)(e), F.S. They are filed not less than 28 days after the notice required by Section 120.54(3)(a), F.S.; and

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

(b) Are filed more than 90 days after the notice, but not more than 60 days after the administrative law judge files the final order with the clerk or until 60 days after subsequent judicial review is complete; 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 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 Regulatory Advisory Committee.

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 Nos.

25-30.4575

Under the provision of Section 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)



ADAM J. TEITZMAN

Commission Clerk

Title

Number of Pages Certified

**DESIGNATION OF RULE THE VIOLATION OF WHICH IS A MINOR VIOLATION
CERTIFICATION**

Pursuant to Section 120.695(2)(c)3, Florida Statutes, I certify as agency head, as defined by section 20.05(1)(b), Florida Statutes, that:

All rules covered by this certification are not rules the violation of which would be a minor violation pursuant to Section 120.695, F.S.

The following parts of the rules covered by this certification have been designated as rules the violation of which would be a minor violation pursuant to Section 120.695, F.S.:

Rule No(s).

25-30.4575

Rules covered by this certification:

Rule No(s).

25-30.4575



Signature of Agency Head

Chairman, Florida Public Service Commission
Title

25-30.4575 Operating Ratio Methodology.

(1) Under the operating ratio methodology, instead of calculating the utility's revenue requirement based on a rate of return on the utility's rate base, the revenue requirement includes the utility's operating expenses plus a margin of 12 percent of the utility's operation and maintenance expenses. For utilities that are resellers, purchased water and purchased wastewater expenses will be removed from operation and maintenance expense before the 12 percent margin is applied. The operating ratio adjustment shall be no more than \$15,000.

(2) In rate cases processed under Rule 25-30.455, F.A.C, the Commission will use the operating ratio methodology to establish the utility's revenue requirement when:

(a) The utility's rate base is no greater than 125% of operation and maintenance expenses; and

(b) The use of the operating ratio methodology does not change the utility's qualification for a staff assisted rate case under subsection 25-30.455(1), F.A.C.

Rulemaking Authority 367.0814(9) FS. Law Implemented 367.0814(9) FS. History- New _____.

SUMMARY OF THE RULE

The rule provides the criteria for the operating ratio methodology, which may be used to determine the revenue requirement in a staff assisted rate case. The operating ratio methodology is an alternative to the traditional calculation of revenue requirement and substitutes the utility's operation and maintenance expenses for rate base in calculating the amount of return.

The rule provides that in determining the revenue requirement, the Commission will apply a margin of 12 percent of the utility's operation and maintenance expenses. There will be a \$15,000 margin cap. The rule also provides that the operating ratio methodology will be used for those utilities whose rate base is no greater than 125 percent of operation and maintenance expenses and that the operating ratio methodology will be used for utilities that continue to qualify for a staff assisted rate case.

WRITTEN STATEMENT OF THE FACTS AND CIRCUMSTANCES JUSTIFYING THE RULE

The purpose of the rule is to assist water and wastewater utilities, which have a rate base that is small or negative, to become financially viable and return to the traditional revenue requirement calculation.

SUMMARY OF ANY HEARINGS HELD ON THE RULE

No timely request for a hearing was received by the agency, and no hearing was held.