

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-**

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**DATE:** February 5, 2020

**TO:** Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

**FROM:** Sevini K. Guffey, Public Utility Analyst II, Division of Economics *S.K.G.*

**RE:** Docket No. 20200044-WS: Proposed amendment of Rule 25-30.457, F.A.C.,  
Limited Alternative Rate Increase  
**Place in Docket File**

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Please place the attached Staff's First Data Request related to the Statement of Estimated Regulatory Costs in the subject docket file.

Thank you.

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STATE OF FLORIDA



DIVISION OF ECONOMICS  
JUDY HARLOW  
DIRECTOR  
(850) 413-6410

# Public Service Commission

January 9, 2020

Mr. Troy Rendell  
Vice President - Investor Owned Utilities  
U.S. Water  
4939 Cross Bayou Boulevard  
New Port Richey, FL 34652  
trendell@uswatercorp.net

**STAFF'S FIRST DATA REQUEST**  
*via e-mail*

**Re: Draft Revisions to Rule 25-30.457, Florida Administrative Code (F.A.C.) Limited Alternative Rate Increase (LARI)**

Dear Mr. Rendell:

Commission staff is recommending revisions to Rule 25-30.457, F.A.C. The rule is applicable to water utilities whose total gross annual operating revenues are \$300,000 or less for water service and wastewater utilities whose total gross annual operating revenues are \$300,000 or less for wastewater service. The purposes of these recommended draft rule revisions are to (1) update and clarify the application filing requirements for a LARI, (2) simplify the language to make it more understandable, and (3) remove the monthly filing of refund reports with the Commission. Based on the above listed intensions of the recommended rule revisions, please respond to the following questions:

- 1) Have any of your water utility companies<sup>1</sup> utilized Rule 25-30.457, F.A.C. (LARI) to request a rate increase? If so, how many times have you utilized this rule since its inception in 2005?

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<sup>1</sup> Black Bear Waterworks  
Brendenwood Waterworks  
Brevard Utility Company  
Country Walk Utilities  
Duval Waterworks  
Gator Waterworks  
Harbor Utility Company  
HC Utility Company  
Jumper Creek Utility Company  
Lakeside Utility Company  
LP Waterworks  
Lake Idlewild Utility Company  
Merritt Island Utility

- 2) Have any of your wastewater utility companies<sup>2</sup> utilized the existing Rule 25-30.457, F.A.C. (LARI) to request a rate increase? If so, how many times have you utilized this rule since its inception in 2005?
- 3) For the water utilities that have filed a rate increase under the existing LARI Rule, would the Company, when filing a rate increase, anticipate any incremental changes to regulatory costs as a result of filing under the attached draft rule? Please explain.
- 4) For the wastewater utilities that have filed a rate increase under the existing LARI Rule, would the Company, when filing a rate increase, anticipate any incremental changes to regulatory costs as a result of filing under the attached draft rule? Please explain.
- 5) The application for a LARI requests certain information listed in paragraph (2) of the draft rule. From your previous experience in filing LARI requests, do you see any additional requests listed in paragraph (2)(a) through (m) that was not previously requested? If yes, what is the additional information that is being requested in the draft rule? What would the cost be to provide that additional information, if any, to the Commission?
- 6) The recommended revised rules require the water and wastewater companies to file the attached form *Limited Alternative Rate Increase Earnings Review* at the end of the twelve-month period as opposed to the current requirement of monthly filings. Please state the estimated incremental cost, if any, to file this form.
- 7) Is it the Company's (U.S. Water) opinion that the draft revisions to Rule 25-30.457, F.A.C., if implemented, will reduce directly or indirectly annual regulatory costs to your companies? If yes, please explain the reasons for the reduced costs and state by approximately how much the regulatory cost will be reduced annually?
- 8) Is it the Company's opinion that the recommended revised Rule 25-30.457, F.A.C., if implemented, will increase directly or indirectly annual regulatory costs, including transactional costs (such as filing fees, license fees, equipment needed, procedures to comply with the rule, monitoring-reporting costs etc.) to your companies? If yes, please explain the reasons for the additional costs and state by approximately how much the annual regulatory and transactional cost will be increased?

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Raintree Waterworks, Inc.  
Royal Waterworks  
North Charlotte Waterworks, Inc.  
Pine Harbour Waterworks, Inc.  
Seminole Waterworks, Inc.  
Sunny Hills Utility Company  
The Woods Utility Company

<sup>2</sup> *Ibd.*

Troy Rendell  
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- 9) Are any of the water and wastewater Companies you represent considered a small business pursuant to Section 120.541, Florida Statutes (F.S.)? If yes, please list separately the number of water utilities and the number of wastewater utilities that are considered small businesses pursuant to Section 120.541, F.S.

Please email your responses to me at [sguffey@psc.state.fl.us](mailto:sguffey@psc.state.fl.us) by January 17, 2020. Please contact me at the above email address or at 850.413.6204 if you have any questions regarding this data request or need additional time to file the responses.

Thank you.

*/s/Sevini Guffey*

Sevini Guffey  
Utility Analyst II

1       **25-30.457 Limited Alternative Rate Increase.**

2       (1) As an alternative to a staff assisted rate case as described in ~~R~~rule 25-30.455, F.A.C.,  
3       or to staff assistance in alternative rate setting as described in ~~R~~rule 25-30.456, F.A.C., water  
4       utilities whose total gross annual operating revenues are \$300,000 or less for water service and  
5       wastewater utilities whose total gross annual operating revenues are \$300,000 or less for  
6       wastewater service may file with the Office of Commission Clerk an application ~~petition the~~  
7       ~~Commission~~ for a limited alternative rate increase of up to 20 percent applied to metered or  
8       flat recurring rates of all classes of service ~~by filing with the Office of Commission Clerk the~~  
9       ~~information required by subsections (7), (8) and (9) of this rule.~~

10       (2) The application for limited alternative rate increase must contain the following  
11       information:

12       (a) The name of the utility as it appears on the utility's certificate and the address of the  
13       utility's principal place of business;

14       (b) The type of business organization under which the utility's operations are conducted;

15       (c) If the utility is a corporation, the date of incorporation and the names and addresses of  
16       all persons who own five percent or more of the utility's stock;

17       (d) If the utility is not a corporation, the names and addresses of the owners of the  
18       business;

19       (e) A schedule showing the annualized revenues by customer class and meter size for the  
20       most recent 12-month period using the rates in effect at the time the utility files its application;

21       (f) A schedule showing the current and proposed rates for all classes of customers;

22       (g) A statement providing the specific basis or bases for the requested rate increase;

23       (h) If the requested rate increase is based upon the utility's underearning or the utility's  
24       expectation to underearn, a statement explaining why the utility is, or is expected to, underearn  
25       its authorized rate of return;

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1 (i) A statement that the figures and calculations upon which the change in rates is based  
2 are accurate and that the change will not cause the utility to exceed its last authorized rate of  
3 return on equity;

4 (j) A statement that the utility is currently in compliance with its annual report filing in  
5 accordance with Rule 25-30.110(3), F.A.C.;

6 (k) A statement that the utility has paid all required regulatory assessment fees or is current  
7 on any approved regulatory assessment fee payment plan;

8 (l) A statement that an order in a rate proceeding that established the utility's rate base,  
9 capital structure, annual operating expenses and revenues has been issued for the utility within  
10 the 7-year period prior to the official date of filing of the application; and

11 (m) Any additional relevant information in support of the application and reasons why the  
12 information should be considered.

13 (3) Within 30 days of the application's filing date, Commission staff will notify the utility  
14 in writing that the application requirements of subsection (2) of this rule have been met or that  
15 the requirements of subsection (2) have not been met with an explanation of the application's  
16 deficiencies.

17 ~~(2) Within 30 days of receipt of the completed petition, the Commission will evaluate the~~  
18 ~~petition and determine the petitioner's eligibility for a limited alternative rate increase.~~

19 ~~(3) The Commission will notify the petitioner in writing as to whether the petition is~~  
20 ~~accepted or denied. If the petition is accepted, staff assistance in alternative rate setting will be~~  
21 ~~initiated. If the petition is denied, the notification of petition denial will state the deficiencies~~  
22 ~~in the petition with reference to the criteria set out in subsection (5) of this rule.~~

23 (4) The date of Commission staff's written notification to the utility that the requirements  
24 of subsection (2) of this rule have been met will be considered the date of official acceptance  
25 by the Commission of the application. The official date of filing is established as will be 30

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1 | days after the date of official acceptance by the Commission of the application the written  
2 | notification to the petitioner of the Commission's acceptance of the petition.

3 | ~~(5) In determining whether to grant or deny the petition, the Commission will consider the~~  
4 | ~~following criteria:~~

5 | ~~(a) Whether the petitioner qualifies for staff assistance pursuant to subsection (1) of this~~  
6 | ~~rule;~~

7 | ~~(b) Whether the petitioners' books and records are organized consistent with rule 25-~~  
8 | ~~30.110, F.A.C., so as to allow Commission personnel to verify costs and other relevant factors~~  
9 | ~~within the 30-day time frame set out in this rule;~~

10 | ~~(c) Whether the petitioner has filed annual reports;~~

11 | ~~(d) Whether the petitioner has paid applicable regulatory assessment fees;~~

12 | ~~(e) Whether the petitioner has at least one year of experience in utility operation;~~

13 | ~~(f) Whether the petitioner has filed additional relevant information in support of eligibility~~  
14 | ~~together with reasons why the information should be considered;~~

15 | ~~(g) Whether the utility was granted a rate case increase within the 2-year period prior to~~  
16 | ~~the receipt of the petition under review;~~

17 | ~~(h) Whether a final order in a rate proceeding that established the utility's rate base, capital~~  
18 | ~~structure, annual operating expenses and revenues has been issued for the utility within the 7-~~  
19 | ~~year period prior to the receipt of the petition under review.~~

20 | ~~(5)(6) The Commission will deny the application will be denied petition if the utility~~  
21 | ~~petitioner does not remit the filing fee, as provided by paragraph 25-30.020(2)(f), F.A.C.,~~  
22 | ~~within 30 days after the official acceptance of the application petition.~~

23 | ~~(7) Each petitioner for limited alternative rate increase shall provide the following general~~  
24 | ~~information to the Commission:~~

25 | ~~(a) The name of the utility as it appears on the utility's certificate and the address of the~~

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1 utility's principal place of business; and,

2 (b) The type of business organization under which the utility's operations are conducted;

3 1. If the petitioner is a corporation, the date of incorporation and the names and addresses of  
4 all persons who own five percent or more of the petitioner's stock; or

5 2. If the petitioner is not a corporation, the names and addresses of the owners of the  
6 business.

7 (8) The petitioner shall provide a schedule showing:

8 (a) Annualized revenues by customer class and meter size for the most recent 12-month  
9 period using the rates in effect at the time the utility files its petition; and,

10 (b) Current and proposed rates for all classes of customers.

11 (9) The petitioner shall provide a statement that the figures and calculations upon which  
12 the change in rates is based are accurate and that the change will not cause the utility to exceed  
13 its last authorized rate of return on equity.

14 (6)(10) A financial or engineering audit of the utility's financial or engineering books and  
15 records will ~~shall~~ not be required in determining whether to approve or deny the application  
16 conjunction with the petition under review.

17 (7)(11) The application petition will be approved, denied, or approved with modifications  
18 that may include a reduction or an increase in the requested rate increase, within 90 days from  
19 the official filing date as established in subsection (4) of this rule.

20 (8)(12) Any revenue increase granted under the provisions of this rule shall be held subject  
21 to refund with interest in accordance with rule subsection 25-30.360(4), F.A.C. for a period of  
22 15 months after the filing of the utility's annual report required by rule 25-30.110, F.A.C., for  
23 the year the adjustment in rates was implemented. Subsection 25-30.360(6), F.A.C., does not  
24 apply to any money collected subject to refund under subsection 25-30.457(8), F.A.C.

25 (9) (13) ~~To insure overearnings will not occur due to the implementation of this rate~~

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1 increase, the Commission staff will conduct an earnings review of the twelve-month period  
2 following the implementation of the revenue increase. utility's annual report to determine any  
3 potential overearnings for the year the adjustment in rates was implemented.

4 (a) At the end of the twelve-month period, the utility has 90 days to complete and file  
5 Form PSC ##### (X/XX), entitled "Limited Alternative Rate Increase Earnings Review,"  
6 which is incorporated into this rule by reference and is available at [Dep't of State hyperlink]

7 (b) In the event the utility needs additional time to complete the form, the utility may  
8 request an extension of time supported by a statement of good cause that must be filed with  
9 Commission staff within seven days prior to the 90-day deadline. "Good cause" means a  
10 showing of financial hardship, unforeseen events, or other events outside the control of the  
11 utility, but does not include reasons such as management oversight.

12 (c)(14) If, within 15 months after the filing of a utility's annual report the Commission  
13 staff's earnings review demonstrates finds that the utility exceeded the range of its last  
14 authorized rate of return on equity after an adjustment in rates, as authorized by this rule, was  
15 implemented within the year for which the report was filed, such overearnings, up to the  
16 amount held subject to refund, with interest, shall be disposed of for the benefit of the  
17 customers. If the Commission staff determines that the utility did not exceed the range of its  
18 last authorized return on equity, the revenue increase will no longer be held subject to refund.

19 (10)(15) In the event of a protest of the proposed Agency Action Order is protested  
20 pursuant to Rule 28-106.111, F.A.C., by a substantially affected person other than the utility,  
21 the utility must file a staff assisted rate case application pursuant to Rule 25-30.455, F.A.C.,  
22 within 21 days from the date the protest is filed or the utility's application for a limited  
23 alternative rate increase will be deemed withdrawn.

24 (11) Upon the utility filing a staff assisted rate case application pursuant to subsection (10)  
25 of this rule:

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1 ~~(a) unless the Proposed Agency Action Order proposes a rate reduction, T~~the utility may  
2 implement the rates established in the ~~p~~Proposed ~~a~~Agency ~~a~~Action ~~o~~Order on a temporary  
3 basis subject to refund with interest in accordance with ~~R~~rule 25-30.360, F.A.C.; ~~upon the~~  
4 ~~utility filing a staff assisted rate case application pursuant to rule 25 30.455, F.A.C., within 21~~  
5 ~~days of the date the protest is filed.~~

6 ~~(b)(16) In the event of a protest, T~~the limit on the maximum increase provided in  
7 subsection (1) of this rule will ~~shall~~ no longer apply; and

8 (c) The application will be processed under Rule 25-30.455, F.A.C.

9 ~~(17) If the utility fails to file a staff assisted rate case application within 21 days in the~~  
10 ~~event of a protest, the petition for a limited alternative rate increase will be deemed~~  
11 ~~withdrawn.~~

12 *Rulemaking Authority 350.127(2), 367.0814, 367.121 FS. Law Implemented 367.0814 FS.*

13 *History—New 3-15-05, Amended 12-16-08, 8-10-14, 7-1-18, \_\_\_\_\_.*

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FLORIDA PUBLIC SERVICE COMMISSION  
LIMITED ALTERNATIVE RATE INCREASE EARNINGS REVIEW

The 12-month period following the implementation of the revenue increase should be used for the purposes of completing this form.

<b>Utility Name</b> _____	<b>Schedule No. 1-A</b>
<b>Schedule of Water Rate Base</b>	
<b>12-Month Period Ended</b> _____	
<b>Description</b>	<b>Per Utility</b>
1 Plant in Service	_____
2 Land and Land Rights	_____
3 Non-used and Useful Components (1)	_____
4 Accumulated Depreciation	_____
5 Contribution in Aid of Construction	_____
6 Amortization of CIAC	_____
7 Net Debit Deferred Income Taxes	_____
8 Advances for Construction	_____
9 Working Capital Allowance	_____
10 Acquisition Adjustments (2)	_____
11 Accumulated Amortization of Acquisition Adjustments	_____
12 <b>Rate Base</b>	<b>_____</b>
<b>Notes:</b>	
(1) Estimate based on the methodology used in the last rate proceeding.	
(2) Include only those Acquisition Adjustments that have been approved by the Commission.	

Utility Name _____		Schedule No. 1-B
Schedule of Wastewater Rate Base		
12-Month Period Ended _____		
Description	Per Utility	
1 Plant in Service	_____	
2 Land and Land Rights	_____	
3 Non-used and Useful Components (1)	_____	
4 Accumulated Depreciation	_____	
5 Contribution in Aid of Construction	_____	
6 Amortization of CIAC	_____	
7 Net Debit Deferred Income Taxes	_____	
8 Advances for Construction	_____	
9 Working Capital Allowance	_____	
10 Acquisition Adjustments (2)	_____	
11 Accumulated Amortization of Acquisition Adjustments	_____	
12 <b>Rate Base</b>	<b>_____</b>	
Notes:		
(1) Estimate based on the methodology used in the last rate proceeding.		
(2) Include only those Acquisition Adjustments that have been approved by the Commission.		

Utility Name \_\_\_\_\_

Schedule No. 2

**Schedule of Current Cost of Capital**

12-Month Period Ended \_\_\_\_\_

Class of Capital (a)	Dollar Amount (b)	Percentage of Capital (c)	Actual Cost Rates (d)	Weighted Cost (e) = (c x d)
Common Equity	_____	_____	_____	_____
Preferred Stock	_____	_____	_____	_____
Long-Term Debt	_____	_____	_____	_____
Short-Term Debt	_____	_____	_____	_____
Customer Deposits	_____	_____	_____	_____
Tax Credits - Zero Cost	_____	_____	_____	_____
Tax Credits - Weighted Cost	_____	_____	_____	_____
Deferred Income Taxes	_____	_____	_____	_____
Other (Explain)	_____	_____	_____	_____
<b>Total</b>	_____	_____	_____	_____

Notes:

- (1) Consistent with the methodology used in the last rate proceeding.
- (2) Upper limit of the last authorized return on equity or current leverage if none has been established.

Utility Name _____		Schedule No. 3-A
Statement of Water Operations		
12-Month Period Ended _____		
Description	Per Utility	
1 Operating Revenues:	_____	
<b>Operating Expenses</b>		
2 Operation & Maintenance	_____	
3 Depreciation	_____	
4 Amortization	_____	
5 Taxes Other Than Income	_____	
6 Income Taxes	_____	
7 Total Operating Expense	_____	
8 Operating Income	_____	

Utility Name _____		Schedule No. 3-B
Statement of Wastewater Operations		
12-Month Period Ended _____		
Description	Per Utility	
1 Operating Revenues:	_____	
<b>Operating Expenses</b>		
2 Operation & Maintenance	_____	
3 Depreciation	_____	
4 Amortization	_____	
5 Taxes Other Than Income	_____	
6 Income Taxes	_____	
7 Total Operating Expense	_____	
8 Operating Income	_____	

Utility Name _____	Schedule No. 4-A
Analysis of Water Operation and Maintenance Expense	
12-Month Period Ended _____	
	Per Utility
(601) Salaries and Wages - Employees	_____
(603) Salaries and Wages - Officers	_____
(604) Employee Pensions and Benefits	_____
(610) Purchased Water	_____
(615) Purchased Power	_____
(616) Fuel for Power Production	_____
(618) Chemicals	_____
(620) Materials and Supplies	_____
(630) Contractual Services - Billing	_____
(631) Contractual Services - Professional	_____
(635) Contractual Services - Testing	_____
(636) Contractual Services - Other	_____
(640) Rents	_____
(650) Transportation Expense	_____
(655) Insurance Expense	_____
(665) Regulatory Commission Expense	_____
(670) Bad Debt Expense	_____
(675) Miscellaneous Expense	_____
Total	_____

Utility Name _____	Schedule No. 4-B
<b>Analysis of Wastewater Operation and Maintenance Expense</b>	
<b>12-Month Period Ended _____</b>	
	<b>Per Utility</b>
(701) Salaries and Wages - Employees	_____
(703) Salaries and Wages - Officers	_____
(704) Employee Pensions and Benefits	_____
(710) Purchased Sewage Treatment	_____
(711) Sludge Removal Expense	_____
(715) Purchased Power	_____
(716) Fuel for Power Production	_____
(718) Chemicals	_____
(720) Materials and Supplies	_____
(730) Contractual Services - Billing	_____
(731) Contractual Services - Professional	_____
(735) Contractual Services - Testing	_____
(736) Contractual Services - Other	_____
(740) Rents	_____
(750) Transportation Expense	_____
(755) Insurance Expense	_____
(765) Regulatory Commission Expense	_____
(770) Bad Debt Expense	_____
(775) Miscellaneous Expense	_____
<b>Total</b>	<b>_____</b>