

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 24, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Office of the General Counsel (Cowdery) *SMC*
Division of Accounting and Finance (T. Brown) *ALM*
Division of Economics (Guffey) *JGH*

RE: Docket No. 20210122-WS – Proposed amendment of Rules 25-30.025, 25-30.4345, 25-30.445, 25-30.446, 25-30.455, 25-30.456, and 25-30.565, F.A.C., related to water and wastewater utilities.

AGENDA: 04/05/22 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

RULE STATUS: Rule Hearing

SPECIAL INSTRUCTIONS: None

Case Background

Rule 25-30.445, Florida Administrative Code (F.A.C.), General Information and Instructions Required of Water and Wastewater Utilities in an Application for a Limited Proceeding (Limited Proceeding Rule), was amended and proposed for adoption, along with six other water and wastewater rules, by publication in the October 14, 2021 edition of the Florida Administrative Register (F.A.R.), Vol. 47, No. 200.¹ On November 3, 2021, the Office of Public Counsel (OPC) timely filed a petition for public hearing and requested changes to paragraph (6)(a) of the proposed Limited Proceeding Rule.

¹Rule 25-30.025, 25-30.446, 25-30.455, 25-30.456, and 25-30.565, F.A.C., were filed for adoption with the Department of State and became effective on December 8, 2021.

Pursuant to notice published in the December 15, 2021 edition of the F.A.R., Vol. 47, No. 241, a Section 120.54(3)(c)1., Florida Statutes (F.S.), rule hearing was held before the Commission on January 20, 2022, for the purpose of giving affected persons an opportunity to present evidence and argument on all issues under consideration.² At the January 20, 2022 rule hearing, argument concerning the proposed rule was made by OPC and by Sunshine Water Services (SWS). In addition, the Commission raised two issues for consideration:

- (1) Whether a definition of the term “project” should be included in the rule; and
- (2) Whether, instead of capping the number of projects that may be requested in a limited proceeding, an alternative metric should be used, such as a dollar value threshold or a percentage of the capital outlay budget.

After hearing the arguments made by OPC and SWS, comments by Commission staff, and discussion by the Commissioners, the Commission asked staff to consider the issues and provide a staff recommendation for Commission determination at a future public hearing to be held at a regularly scheduled Commission Conference.

This item is being brought back to the Commission as a Section 120.54(3)(c)1., F.S., rule hearing,³ the purpose of which is for the Commission to decide whether to change the language of Rule 25-30.445, F.S., that was proposed on October 14, 2021. The provisions of Section 120.54(3)(c)1., F.S., give affected persons the opportunity to present evidence and argument on all issues under consideration. Pursuant to Section 120.54(3)(d), F.S.:

Any change, other than a technical change that does not affect the substance of the rule, must be supported by the record of public hearings held on the rule, must be in response to written material submitted to the agency within 21 days after the date of publication of the notice of intended agency action or submitted to the agency between the date of publication of the notice and the end of the final public hearing, or must be in response to a proposed objection by the [Joint Administrative Procedures] committee.

The Commission has jurisdiction pursuant to Sections 120.54(3), 350.127(2), 367.081, 367.0812, 367.0822, 367.121(1)(a), and 367.145(2), F.S.

²The January 20, 2022 rule hearing was also held for the purpose of the Commission determining whether to make changes to proposed Rule 25-30.4345, F.A.C., Notice of Requests for New or Revised Service Availability Charges or Policies and Notice of Requests for Allowance for Funds Prudently Invested (AFPI) Charges. The Commission voted to make changes to proposed Rule 25-30.4345, F.A.C. Rule 25-30.4345, F.A.C., was filed with the Department of State on February 15, 2022, and became effective on March 7, 2022.

³Notice of this rule hearing was published in the March 1, 2022 issue of the F.A.R, Vol. 48, No. 41.

Discussion of Issues

Issue 1: Should the Commission make changes to proposed Rule 25-30.445, F.A.C., General Information and Instructions Required of Water and Wastewater Utilities in an Application for a Limited Proceeding?

Recommendation: No. The Commission should not make changes to proposed Rule 25-30.445, F.A.C., but should adopt the rule as it was proposed on October 14, 2021, as shown in Attachment A. (T. Brown, Cowdery)

Staff Analysis:

The six project cap is appropriate for all water and wastewater utility limited proceedings

Currently, under Rule 25-30.445, F.A.C., limited proceeding applications will not be accepted if a water and/or wastewater utility requests more than four projects. The proposed rule increases the maximum number of projects requested in a limited proceeding to six. OPC's petition asked the Commission to change the proposed Limited Proceeding Rule as follows:

(6) A limited proceeding will not be allowed if:

(a) The utility's filing includes more than 4 ~~six~~ separate projects for which recovery is sought unless the utility is eligible for staff assistance pursuant to Section 367.0814, Fla. Stat. Utilities eligible for staff assistance pursuant to Section 367.0814, Fla. Stat., shall be limited to 6 separate projects under this section. Corresponding adjustments for a given project are not subject to the above limitation; ...

Staff notes that to be eligible for a staff assisted rate case (SARC) pursuant to Rule 25-30.455, Staff Assistance in Rate Cases, water and wastewater utilities must have total gross annual operating revenues of \$300,000 or less for water service or wastewater service, or \$600,000 or less on a combined basis. Thus, under OPC's suggested change, water utilities or wastewater utilities with revenues over \$300,000 for either system, or over \$600,000 on a combined basis, that file for a limited proceeding may not ask for recovery of more than four separate projects, while water utilities and wastewater utilities with revenues less than those amounts may seek recovery for up to six separate projects.

Commission Rule 25-30.115, F.A.C., Uniform System of Accounts for Water and Wastewater Utilities, defines a Class A water or wastewater utility as one having annual operating revenues of \$1 million or more; Class B as having annual water or wastewater operating revenues of \$200,000 or more but less than \$1 million; and Class C as having annual water or wastewater revenues of less than \$200,000. Thus, under OPC's suggested change, some Class B utilities would be SARC-eligible and allowed up to six projects, while other Class B utilities would not be SARC-eligible and thus limited to four projects.

**January 20, 2022 Rule Hearing
OPC's position**

At the January 20, 2022 rule hearing, OPC appeared to change its position that only SARC-eligible utilities should be allowed six projects, by arguing that its “real goal” was that Class A utilities should be limited to four projects in a limited proceeding, and that Class B and C utilities could be allowed up to six projects. (TR 24, 31-34) OPC stated that after review, it could see that “staff was not off the mark” on increasing the number of projects for Class B and C utilities. (TR 32) OPC stated that the nature of limited proceedings is to provide a way for utilities to make necessary upgrades or to address unexpected material costs for which earnings do not reasonably provide recovery in between full rate cases and that capping the number of permissible projects at four was presumably to preserve the truly limited streamlined nature of the proceedings. (TR 9)

OPC witness Jena Price stated that OPC supports increasing the number of allowable projects from four to six for SARC-eligible utilities to conserve staff resources dedicated to SARCs and because the data available shows that limited proceedings offer the opportunity to provide utilities with a more expeditious process to obtain rate relief and minimize rate case expense. Witness Price stated that this approach could perhaps forestall a more expensive rate case for these utilities. (TR 12-14) However, witness Price argued that the number of rate cases filed by Class A and B utilities in the past 10 years does not indicate excessive rate case activity for larger utilities that would require increasing the project limit in limited proceedings from four to six in order to alleviate a possible excessive or congested rate case workload. (TR 15)

OPC argued that there is no need to increase the number of allowable projects for Class A or non-SARC eligible utilities. (TR 10) OPC stated that sometimes it is the number of projects that can make the case not be limited and that the more projects that are allowed, the more opportunity for complications and for potentially overlooking the overall earnings position of a utility, which seems to erode the goal of limited proceedings. (TR 10) OPC was also concerned that raising the number of allowable projects for non-SARC eligible utilities could encourage some of those utilities to add projects that may not necessarily need to be added in between rate cases in order to reach the 30 percent rate increase allowed by the rule without the comprehensive earnings-based determination of genuine need. (TR 10-11) OPC witness Price stated that with large companies where rate case expense is less likely to make OPC's intervention in a full revenue requirement case cost prohibitive, limited proceedings are more likely to be opportunities for piecemeal ratemaking, which essentially circumvents the full and thorough review of the requested revenue increase, including any offsets that may reduce the requested increase. (TR 15)

Sunshine Water Service's position

Sunshine Water Systems supports the Limited Proceeding Rule as proposed, which allows all water and wastewater utilities to seek recovery in a limited proceeding for up to six separate projects. Jared Deason, on behalf of SWS, argued that the proposed Limited Proceeding Rule made the process more efficient and achieved cost savings by allowing six projects to be considered in one limited proceeding instead of breaking it down into two proceedings, each with separate filing fees, customer service hearing costs and other processing costs. Witness Deason stated that by encouraging all utilities, not just Class B and Class C utilities, to take

advantage of a limited proceeding, it could lengthen the time between full rate cases. (TR 16-18, 24-26) Witness Deason further stated that he was not aware of any situation where companies have achieved a 30 percent rate increase in a limited proceeding. (TR 25)

Staff Analysis

After considering all evidence and argument from the rule hearing, staff believes that allowing up to six projects is appropriate for all water and wastewater utility limited proceedings and that the proposed Limited Proceeding Rule provides the necessary safeguards to preserve the efficiencies the rule affords utilities. Staff does not believe that the six project cap will increase the number of limited proceedings at the expense of rate cases because the proposed rule contains provisions that effectively prevent water and wastewater utilities from using the limited proceeding process as a means to avoid rate cases.

The seven-year limitation requires that a utility must have had a rate case within seven years, ensuring that the utility's operations have been reviewed and reflect its current operations. This provision alone prevents a utility from filing only limited proceedings. Moreover, the Limited Proceeding Rule contains a maximum percentage rate increase of 30 percent. Again, a utility cannot avoid a rate case if it has experienced significant growth in plant or an increase in expenses if the indicated rate increase exceeds that 30 percent cap. The 30 percent cap limits the customers' exposure due to potential variations in the anticipated operational changes associated with a project. Finally, the six project cap serves to limit the complexity of evaluating a utility's request while offering greater flexibility to capture the economies of scale associated with grouping related tasks in a single limited proceeding. As an additional safeguard, the Commission will continue to conduct yearly earnings surveillance as part of its review of utility annual reports.

Staff notes that Class A utilities may actually have a more heightened need for the additional projects given the size of their systems. Water and wastewater utilities that are in need of repair, upgrade, or refurbishment may be required to engage in multiple projects to meet quality standards. Providing water and wastewater utilities a more expeditious process to obtain necessary rate relief can serve to minimize rate case expense and improve service to customers. In fact, one of the primary benefits of a limited proceeding is the overall reduction of rate case expense. This is especially true for larger Class A utilities. As mentioned by witness Deason during the hearing, SWS rate case expense may range from \$40,000 to \$50,000 in a limited proceeding and from \$750,000 to more than \$1 million in a formal rate case. Moreover, staff notes that allowing the use of a limited proceeding for requests of six or fewer projects only provides for the utility to use the limited proceeding process; the Commission will ultimately determine whether any of the projects should be approved for cost recovery.

Staff does not believe the addition of two projects amounts to "mission creep," as suggested by OPC, nor does it overly complicate the process. Even with two additional projects, the process remains limited in nature. The additional projects also provide some ability to divide projects into subprojects if it becomes necessary, without adversely impacting the docket. The change from four to six projects may make limited proceedings more efficient by avoiding some of the time-consuming back-and-forth that sometimes occurs if the scope of an individual project is challenged or if there is an issue as to whether a project should be divided into multiple projects.

Staff disagrees with OPC's position that "the data does not indicate excessive rate case activities" that would warrant the need to increase the project limit "as a solution to alleviate a possible excessive or congested rate case workload at the SARC level." OPC's statement does not reflect an accurate picture of staff's water and wastewater rate case workload, as it appears to only look at file and suspend rate cases.⁴ In addition to the 20 file and suspend rate cases mentioned by OPC, staff processed 52 SARCs and 10 limited alternative rate increases between 2011 and 2021.⁵ During this same period, eight limited proceedings were also processed.⁶

Finally, staff supports the proposed Limited Proceeding Rule's six project limit because it will help capture economies of scale as well as reduce costs to the utility and, in turn, customers. Staff believes that limited proceedings provide a critical role in a utility's ability to recover costs associated with necessary plant projects in a timely and cost effective manner.

Additional questions raised at the rule hearing

Procedural Overview

In this docket, during the January 20, 2022 rule adoption hearing, the Commission raised two new questions relative to this rulemaking: (1) whether the term "project" should be defined in the rule, and (2) whether there should be an alternative to "using the number of projects" (such as the metric of a dollar value threshold or a percentage of the capital outlay budget) as a limiting factor to request a limited proceeding.

Chapter 120, F.S., sets forth the proper procedures for agency rulemaking, including rulemaking by collegial bodies. When an agency such as the Commission undertakes a rulemaking, the law allows for rule development workshops. In this docket, a workshop was not requested so none was held. The purpose of the rule development workshop is to obtain information from stakeholders to assist in drafting the rule being adopted or amended.

After the conclusion of rule development workshops, staff will typically bring a draft rule to the Commission at a public hearing, generally held at a regularly scheduled Commission Conference, for the purpose of having the Commission decide whether to officially propose the rule. At that time, the Commission will take any comments from the public, direct staff to consider making different amendments to the rule language, which could involve additional workshops, or propose the rule as recommended or as modified by the Commission.

Once the Commission proposes a rule, an affected person has 21 days in which to ask the Commission to make changes to the proposed rule at a rule hearing pursuant to Section 120.54(3)(c), F.S. If no request for hearing is brought, the rule will be officially filed with the

⁴OPC witness Price stated "there have only been 20 rate cases over the last 10 years of which eight were for Class A companies and 12 for Class B." (TR 15)

⁵Seven limited alternative rate increase (LARI) applications were received between 2011 and 2021. One of the applications contained increases for four separate utilities. The number of SARCs and LARIs referenced above is based on dockets opened between 2011 and 2021 that have had a final order issued. There are five active SARCs and one active LARI as of the filing of this recommendation.

⁶Two additional limited proceedings were filed during this period, but were later withdrawn. One of these utilities came back to the Commission and filed a file and suspend rate case. The number of limited proceedings is based on dockets opened between 2011 and 2021 that have had a final order issued. There is one active limited proceeding as of the filing of this recommendation.

Department of State for adoption (a ministerial act), following the procedures in Section 120.54(3)(d) and (e), F.S.

On the other hand, if the Commission holds a rule hearing to address concerns of a petitioner about the proposed rule, the Commission is limited under Section 120.54(3)(d), F.S., to the changes it may make to the proposed rule. In other words, an agency's ability to make changes to the proposed rule beyond what is raised by a Petitioner is narrowed after a rule is officially proposed. As referenced in the Case Background, one of these limitations is that any changes must be supported by the record of public hearings held on the rule.

In this docket, the two questions raised by the Commission at the rule hearing were not addressed during the development of the proposed rule or raised in OPC's petition for rule hearing. Thus, there is no information in the hearing record on which to base a change to the proposed Limited Proceeding Rule on these two questions.

However, after an agency proposes a rule, without changes or with changes supported by the record, if the agency wishes to make new and different amendments to the rule, the correct procedure to follow is to either: (1) withdraw the proposed rule prior to adoption pursuant to Section 120.54(3)(d)2., F.S., (essentially terminating the existing rulemaking altogether and starting all over) or (2) file the proposed rule for adoption pursuant to Section 120.54(3)(e), F.S., and open a separate new rulemaking docket to address the new issues. The latter approach can be a more efficient way to proceed to address new questions because it allows the other amendments that have been proposed to the rule, and fully vetted as supported by the record, to be adopted and become effective. Staff will discuss below the merits of addressing the questions raised in a future rulemaking.

Alternative to the project metric

At the January 20, 2022 rule hearing, the Commission raised a question about finding an alternative to using the number of projects as one of the limiting factors for requesting a limited proceeding. Use of a metric such as a dollar value threshold or a percentage of the capital outlay budget were suggested. These alternatives were not raised in the rule development process prior to the rule being proposed or by OPC in its petition for hearing, and neither staff, OPC, nor SWS had a comprehensive response during the hearing as to how that approach would impact limited proceedings or what its application would look like. As discussed above, any substantive change to the proposed rule must be based on the record of the public hearing pursuant to Section 120.54(3)(d), F.S. Thus, at this point in the rulemaking process, it would not be appropriate to change the proposed rule to use an alternative to the project metric.

Nevertheless, OPC stated at the hearing that this approach would be "difficult" to use. (TR 24) OPC indicated that its primary concern was with "mission creep," especially with the increase in the number of projects from four to six for Class A utilities. SWS addressed the issue by indicating that the proposed rule is still only looking at a limited number of projects. SWS suggested that "if you can have the opportunity to carve out some of those larger components, some of the larger projects that come up that need to be addressed and address them solely so that you can reduce rate case expense from having to go to a full-blown rate case, that's an efficiency." (TR 26) SWS went on to state that the efficiency "benefits the utility and the customers" and reiterated support for the six projects in the proposed rule. (TR 26)

Staff notes that only a limited number of water and wastewater utilities will have a designated capital outlay budget. While many of the Class A and larger Class B utilities might have capital budgets, the vast majority of the Class B and Class C utilities do not. In addition, the use of a dollar value threshold, instead of a specific number of projects, might not reflect the true impact of the capital improvements. When capital additions are made, there will be a series of corresponding adjustments that will also impact the calculated final increase. When capital additions are made to utility plant in service, that amount may be offset by retirements, with additional adjustments being made to accumulated depreciation, depreciation expense, and taxes. Finally, staff notes that the limited proceeding process is not limited to the recovery of capital projects as many limited proceedings involve adjustments to operating expenses as well.

For the above reasons, staff does not recommend that the proposed rule be changed to include an alternative to the project metric. However, as with the question of whether a definition of the term “project” might be included in the Limited Proceeding Rule, the question of using a dollar value threshold or a percentage of capital outlay budget as a factor in determining whether a limited proceeding is appropriate could be evaluated in a future rulemaking where affected persons would be given an opportunity to provide more detailed input on the issue.

Definition of project

Also at the January 20, 2022 rule hearing, the Commission raised the question of whether the term “project” should be defined in the Limited Proceeding Rule. No definition of project was provided during rule development or at the rule hearing. As previously explained, it would not be appropriate to add a definition of project to the rule at this time in the rulemaking process. As such, staff recommends that the Commission move forward with the Limited Proceeding Rule as initially proposed with no changes. Further, staff recommends that the Commission consider the following arguments as to whether to direct staff to proceed with future rulemaking to define the term “project.”

Staff believes that it is not necessary to define the term “project” in this rule. Application of the plain meaning of the term has not typically resulted in controversies that are not worked out among parties. Currently, a project is best described generally as a capital investment in plant, with a defined beginning and end, comprised of a series of tasks to complete, resulting in an in-service plant investment. The term “project” is best summarized in Rule 25-30.445(4)(c), F.A.C., which identifies pieces of costs and requires the identification of rate base components associated with a capital item, for which a limited proceeding is sought. For example, a typical project that might qualify under the current rule would be work associated with a DEP required replacement of a broken water pump in a well.

None of the parties in this rulemaking docket have raised the lack of a definition of a project as a possible issue that needs to be addressed. Parties and staff generally agree on the singularity of purpose concept in a capital item or capital project. While the scope of a project can be an issue in a docket, the definition of a project is not typically an issue. Because the facts of each case determine the nature and scope of a project, the practice has been to determine what constitutes a project on a case-by-case determination thereby obviating the need for guidance in a rule. If a dispute arose as to whether a project constituted one or more projects (i.e. the scope of a project),

staff would work with the parties to reach agreement to determine the scope of a project, or the matter would become an issue in the docket for the Commission to decide.

In summary, because the lack of a definition of a project has not been at issue in cases thus far and because there is a process to resolve a dispute on a case-by-case basis should the issue arise, staff is of the view that it is not necessary to pursue the definition of a project in any future rulemaking.

Conclusion

Staff recommends that the Commission should not make changes to proposed Rule 25-30.445, F.A.C., but should adopt the rule as it was proposed on October 14, 2021, as shown in Attachment A.

Issue 2: Should this docket be closed?

Recommendation: Yes. The rule as approved by the Commission should be filed with the Department of State pursuant to Section 120.54(3), F.S., and the docket should be closed. (Cowdery)

Staff Analysis: The rule as approved by the Commission should be filed with the Department of State pursuant to the requirements of Section 120.54(3)(e), F.S., and the docket should be closed.

1 **25-30.445 General Information and Instructions Required of Water and Wastewater**
2 **Utilities in an Application for a Limited Proceeding.**

3 (1) Each applicant for a limited proceeding must provide the following general
4 information to the Commission:

5 (a) The name of the applicant as it appears on the applicant’s certificate and the address of
6 the applicant’s principal place of business.

7 (b) The type of business organization under which the applicant’s operations are
8 conducted; if the applicant is a corporation, the date of incorporation; the names and addresses
9 of all persons who own 5 percent or more of the applicant’s stock; or the names and addresses
10 of the owners of the business.

11 (c) The number(s) of the Commission order(s), if any, in which the Commission most
12 recently considered the applicant’s rates for the system(s) involved.

13 (d) The address within the service area where the application is available for customer
14 inspection during the time the rate application is pending.

15 (e) A statement signed by an officer of the utility that the utility will comply with the
16 noticing requirements in Rule 25-30.446, F.A.C.

17 (2) In a limited proceeding application:

18 (a) Each schedule must be cross-referenced to identify related schedules.

19 (b) Except for handwritten official company records, all data in the petition and
20 application must be typed.

21 (c) The original and three copies must be filed with the Office of Commission Clerk. The
22 copies must be clearly labeled “COPY.” If the application is e-filed, the utility must provide
23 the required number of paper copies, clearly labeled “COPY,” to the Office of Commission
24 Clerk within seven calendar days after electronic filing,

25 (3) A filing fee as required in Rule 25-30.020, F.A.C., must be submitted at the time of
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1 application.

2 (4) The following minimum filing requirements must be filed with the utility's application
3 for limited proceeding for a Class A or B water or wastewater utility:

4 (a) A detailed statement of the reason(s) why the limited proceeding has been requested.

5 (b) If the limited proceeding is being requested to recover costs required by a
6 governmental or regulatory agency, provide the following:

7 1. A copy of any rule, regulation, order or other regulatory directive that has required or
8 will require the applicant to make the improvement or the investment for which the applicant
9 seeks recovery.

10 2. An estimate by a professional engineer, or other person, knowledgeable in design and
11 construction of water and wastewater plants, to establish the projected cost of the applicant's
12 investment and the period of time required for completion of construction.

13 (c) A schedule that provides the specific rate base components for which the utility seeks
14 recovery. Supporting detail must be provided for each item requested, including:

15 1. The actual or projected cost(s);

16 2. The date the item will be or is projected to be placed in service;

17 3. Any corresponding adjustments that are required as a result of adding or removing the
18 requested component(s) from rate base, which may include retirement entries; and,

19 4. Any other relevant supporting information.

20 (d) If the utility's application includes a request for recovery of plant in service,
21 accumulated depreciation and depreciation expense, supporting detail must be provided by
22 primary account as defined by the NARUC Uniform System of Accounts, in accordance with
23 Rule 25-30.110, F.A.C.

24 (e) A calculation of the weighted average cost of capital must be provided for the most
25 recent 12-month period, using the mid-point of the range of the last authorized rate of return
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existing law.

1 on equity, the current embedded cost of fixed-rate capital, the actual cost of short-term debt,
2 the actual cost of variable-cost debt, and the actual cost of other sources of capital which were
3 used in the last individual rate proceeding of the utility. If the utility does not have an
4 authorized rate of return on equity, the utility must use the current leverage formula pursuant
5 to Section 367.081(4)(f), F.S.

6 (f) If the utility is requesting recovery of operating expenses, the following information
7 must be provided:

- 8 1. A detailed description of the expense(s) requested;
- 9 2. The total cost by primary account pursuant to the NARUC Uniform System of
10 Accounts;
- 11 3. Supporting documentation or calculations; and,
- 12 4. Any allocations that are made between systems, affiliates or related parties. If
13 allocations are made, submit full detail that shows the total amount allocated, a description of
14 the basis of the allocation methodology, the allocation percentage applied to each allocated
15 cost, and the workpapers supporting the calculation of the allocation percentages.

16 (g) Calculations for all items that will create cost savings or revenue impacts from the
17 implementation of the requested cost recovery items.

18 (h) If the utility includes any other items where calculations are required, supporting
19 documentation must be filed that reflects the calculations or assumptions made.

20 (i) A calculation of the revenue increase including regulatory assessment fees and income
21 taxes, if appropriate.

22 (j) Annualized revenues for the most recent 12-month period using the rates in effect at the
23 time the utility files its application for limited proceeding and a schedule reflecting this
24 calculation by customer class and meter size.

25 (k) A schedule of current and proposed rates for all classes of customers.

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1 (l) Schedules for the most recent 12-month period showing that, without any increased
2 rates, the utility will earn below its authorized rate of return in accordance with Section
3 367.082, F.S. The schedules must consist of a rate base, net operating income and cost of
4 capital schedule with adjustments to reflect those consistent with the utility's last rate
5 proceeding.

6 (m) If the limited proceeding is being requested to change the current rate structure,
7 provide a copy of all workpapers and calculations used to calculate requested rates and
8 allocations between each customer class. The test year must be the most recent 12-month
9 period. In addition, the following schedules from Form PSC 1028 (12/20), entitled "Class A
10 Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing
11 Requirements," which is incorporated by reference in Rule 25-30.437, F.A.C., must be
12 provided:

- 13 1. Schedule E-2, entitled "Revenue Schedule at Present and Proposed Rates."
- 14 2. Schedule E-14, entitled "Billing Analysis Schedules." Only an original and one copy is
15 required.

16 (n) Revised tariff sheets should not be filed with the application.

17 (o) A water utility's application for limited proceeding must also include:

- 18 1. A copy of all customer complaints that the utility has received regarding DEP secondary
19 water quality standards during the past five years; and,
- 20 2. A copy of the utility's most recent secondary water quality standards test results.

21 (5) In addition to the requirements stated in subsections (1) through (3), the following
22 minimum filing requirements must be filed with the utility's application for limited
23 proceeding for a Class C water or wastewater utility:

24 (a) A detailed statement of the reason(s) why the limited proceeding has been requested.

25 (b) If the limited proceeding is being requested to recover costs required by a

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1 governmental or regulatory agency, provide a copy of any rule, regulation, order or other
2 regulatory directive that has required or will require the applicant to make the improvement or
3 the investment for which the applicant seeks recovery.

4 (c) A schedule that provides the specific rate base components for which the utility seeks
5 recovery, if known. Supporting detail must be provided for each item requested, including:

- 6 1. The actual or projected cost(s);
- 7 2. The date the item will be or is projected to be placed in service;
- 8 3. Any corresponding adjustments, if known, that are required as a result of adding or
9 removing the requested component(s) from rate base, which may include retirement entries;
10 and,
- 11 4. Any other relevant supporting information, if known.

12 (d) If the utility is requesting recovery of operating expenses, provide an itemized
13 description of the expense(s), including the cost and any available supporting documentation
14 or calculations.

15 (e) Provide a description of any known items that will create cost savings or revenue
16 impacts from the implementation of the requested cost recovery items.

17 (f) A calculation of the revenue increase including regulatory assessment fees and income
18 taxes, if applicable.

19 (g) Annualized revenues for the most recent 12-month period using the rates in effect at
20 the time the utility files its application for limited proceeding and a schedule reflecting this
21 calculation by customer class and meter size.

22 (h) A Class C water utility's application for limited proceeding must also include:

- 23 1. A copy of all customer complaints that the utility has received regarding DEP secondary
24 water quality standards during the past five years; and,
- 25 2. A copy of the utility's most recent secondary water quality standards test results.

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- 1 (6) A limited proceeding will not be allowed if:
- 2 (a) The utility's filing includes more than six separate projects for which recovery is
- 3 sought. Corresponding adjustments for a given project are not subject to the above limitation;
- 4 (b) The requested rate increase exceeds 30 percent;
- 5 (c) The utility has not had a rate case within seven years of the date the petition for limited
- 6 proceeding is filed with the Commission; or
- 7 (d) The limited proceeding is filed as the result of the complete elimination of either the
- 8 water or wastewater treatment process.
- 9 (7) The utility must provide a statement in its filing to the Commission that addresses
- 10 whether the utility's rate base has declined or whether any expense recovery sought by the
- 11 utility is offset by customer growth since its most recent rate proceeding or will be offset by
- 12 future customer growth expected to occur within one year of the date new rates are
- 13 implemented.
- 14 *Rulemaking Authority 350.127(2), 367.121(1)(a) FS. Law Implemented 367.081, 367.0812,*
- 15 *367.0822, 367.121(1)(a), 367.145(2) FS. History—New 3-1-04, Amended 5-30-*
- 16 *17,_____.*