

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-

RECEIVED-FPSC
12 MAY 10 AM 10:20
COMMISSION
CLERK

DATE: May 10, 2012

TO: Office of Commission Clerk (Cole)

FROM: Office of the General Counsel (Miller) *WCSML*
Division of Economic Regulation (Cicchetti, McNulty) *WBM*

RE: Docket No. 120125-PU – Proposed amendments to Rules 25-6.097, 25-7.083, and 25-30.311, F.A.C., on customer deposits.

AGENDA: 05/22/12 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Edgar

RULE STATUS: Proposal May Be Deferred

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\GCL\WP\120125.RCM.DOC

Case Background

Rules 25-6.097, 25-7.083, and 25-30.311, Florida Administrative Code (F.A.C.), address customer deposits for the electric utilities, gas utilities and water/wastewater utilities respectively. These rules provide a minimum annual interest rate paid on deposits. The current rates are 6 percent per year on deposits and 7 percent per year on nonresidential deposits held after 23 months of continuous service.

Staff initiated rulemaking to reduce the minimum annual interest on residential deposits from 6 percent to 2 percent per year and on nonresidential deposits from 7 percent per year or 3 percent per year for accounts held after 23 months of continuous service. Staff believes that the rule change is necessary to reflect current market rates. A notice was published in the March 2,

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

Docket No. 120125-PU
Date: May 10, 2012

2012, edition of the Florida Administrative Weekly. No requests for a rulemaking development workshop were received and none was held.

This recommendation addresses whether the Commission should propose the amendment of Rules 25-6.097, 25-7.083, and 25-30.311, F.A.C., to reduce the interest rates of customer deposits. The Commission has jurisdiction pursuant to Sections 120.54, 366.05, and 367.121, Florida Statutes .

Discussion of Issues

Issue 1: Should the Commission propose the amendment of Rules 25-6.097, Customer Deposits, 25-7.083, Customer Deposits, and 25-30311, Customer Deposits?

Recommendation: Yes, the Commission should propose the amendment of these rules as set forth in Attachment A. (Miller, Cicchetti)

Staff Analysis: The current interest rate required on customer deposits is higher than justified by current credit and capital market conditions. Staff recommends that the interest rate to be applied to customers' deposits for Rules 25-7.083 (4)(a), 25-6.097(4)(a) and 25-30.322(4), Florida Administrative Code, be changed to a minimum interest rate of 2 percent per annum, and to 3 percent per annum on deposits of nonresidential customers when the utility elects not to refund such a deposit after 23 months. Currently, the minimum interest rate is set at 6 percent and 7 percent per annum, respectively. A copy of the amended rules is appended as Attachment A.

Interest rates are reflected in utilities' tariffs. In implementing these revisions, the utilities will need to file tariffs to reflect the changes.

For current customer deposits, the interest rate paid for the period of time prior to the effective date of the rule amendments, shall be at the higher rate. The interest rate paid for the period of time on the effective date of the rule and after shall be at the lower rate.

Statement of Estimated Regulatory Cost (SERC)

The Statement of Estimated Regulatory Costs (Attachment B) analyzes whether the draft rule pursuant to Subparagraph 120.541(2)(a)1, is likely to have an adverse impact on economic growth, private sector job creation or employment, or private sector investment in excess of \$1 million in the aggregate within 5 years after implementation. Also, the statute requires consideration of whether the draft rule is likely to have an adverse impact on business competitiveness, productivity or innovation in excess of the above amount. Staff issued data requests to the utilities to determine the impact. Each of the investor-owned electric utilities reported expected reductions in the cost of capital, significant reductions in interest expense, and relatively minor or no increase in administrative expense. The two investor-owned gas companies reported expected reductions in cost of capital. One water and wastewater company reported it expected a reduction in the cost of capital and fourteen other water and wastewater companies reported minimal or no impact.

Staff believes that expected reduction in interest credit to customers does not constitute an adverse impact on economic growth, private sector job creation or employment, private sector investment or business competitiveness. Instead, it is eliminating what is, in essence, an undue benefit to customers. The rule amendments adjust the applied interest rates to comport more closely with current market-based interest rates.

It is unlikely the rule amendments will increase regulatory costs. The rule amendments will not require legislative ratification.

Docket No. 120125-PU

Date: May 10, 2012

Most electric IOUs expect their small business customers will experience a reduction in interest credit. The first year impact for the industry's small business customers is at least \$3.18 million for FPL and Gulf combined. Over the longer term, reductions in the cost of capital may be reflected in customers' base rates. There should be no impact on small cities or counties, since utilities do not require deposits from them.

Staff recommends that the Commission propose the amendment of Rules 25-6.097, Customer Deposits, 25-7.083, Customer Deposits, and 25-30311, Customer Deposits as set forth in Attachment A.

Docket No. 120125-PU

Date: May 10, 2012

Issue 2: Should this docket be closed?

Recommendation: Yes. If no requests for hearing or comments are filed, the rules should be filed with the Department of State, and the docket should be closed. (Miller)

Staff Analysis: If no requests for hearing or comments are filed, the rules should be filed with the Department of State, and the docket should be closed.

1 25-6.097 Customer Deposits.

2 (1) Deposit required; establishment of credit. Each company's tariff shall contain their specific
3 criteria for determining the amount of initial deposit. Each utility may require an applicant for
4 service to satisfactorily establish credit, but such establishment of credit shall not relieve the
5 customer from complying with the utilities' rules for prompt payment of bills. Credit will be
6 deemed so established if:

7 (a) The applicant for service furnishes a satisfactory guarantor to secure payment of bills for
8 the service requested. For residential customers, a satisfactory guarantor shall, at the
9 minimum, be a customer of the utility with a satisfactory payment record. For non-residential
10 customers, a satisfactory guarantor need not be a customer of the utility. Each utility shall
11 develop minimum financial criteria that a proposed guarantor must meet to qualify as a
12 satisfactory guarantor. A copy of the criteria shall be made available to each new non-
13 residential customer upon request by the customer. A guarantor's liability shall be terminated
14 when a residential customer whose payment of bills is secured by the guarantor meets the
15 requirements of subsection (2) of this rule. Guarantors providing security for payment of
16 residential customers' bills shall only be liable for bills contracted at the service address
17 contained in the contract of guaranty.

18 (b) The applicant pays a cash deposit.

19 (c) The applicant for service furnishes an irrevocable letter of credit from a bank or a surety
20 bond.

21 (2) Refund of deposits. After a customer has established a satisfactory payment record and has
22 had continuous service for a period of 23 months, the utility shall refund the residential
23 customer's deposits and shall, at its option, either refund or pay the higher rate of interest
24 specified below for nonresidential deposits, providing the customer has not, in the preceding
25 12 months.

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

- 1 (a) Made more than one late payment of a bill (after the expiration of 20 days from the date of
2 mailing or delivery by the utility).
- 3 (b) Paid with a check refused by a bank.
- 4 (c) Been disconnected for nonpayment, or at any time.
- 5 (d) Tampered with the electric meter, or
- 6 (e) Used service in a fraudulent or unauthorized manner.
- 7 (3) New or additional deposits. A utility may require, upon reasonable written notice of not
8 less than thirty (30) days, a new deposit, where previously waived or returned, or additional
9 deposit, in order to secure payment of current bills. Such request shall be separate and apart
10 from any bill for service and shall explain the reason for such new or additional deposit,
11 provided, however, that the total amount of the required deposit shall not exceed an amount
12 equal to twice the average charges for actual usage of electric service for the twelve month
13 period immediately prior to the date of notice. In the event the customer has had service less
14 than twelve months, then the utility shall base its new or additional deposit upon the average
15 actual monthly usage available.
- 16 (4) Interest on deposits.
- 17 (a) Each electric utility which requires deposits to be made by its customers shall pay a
18 minimum interest on such deposits of 2.6 percent per annum. The utility shall pay an interest
19 rate of 3.7 percent per annum on deposits of nonresidential customers qualifying under
20 subsection (2) when the utility elects not to refund such deposit after 23 months.
- 21 (b) The deposit interest shall be simple interest in all cases and settlement shall be made
22 annually, either in cash or by credit on the current bill. This does not prohibit any utility
23 paying a higher rate of interest than required by this rule. No customer depositor shall be
24 entitled to receive interest on his deposit until and unless a customer relationship and the
25 deposit have been in existence for a continuous period of six months, then he shall be entitled

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1 to receive interest from the day of the commencement of the customer relationship and the
2 placement of deposit. Nothing in this rule shall prohibit a utility from refunding at any time a
3 deposit with any accrued interest.

4 (5) Record of deposits. Each utility having on hand deposits from a customer or hereafter
5 receiving deposits from them shall keep records to show:

6 (a) The name of each customer making the deposit;

7 (b) The premises occupied by the customer;

8 (c) The date and amount of deposit; and

9 (d) Each transaction concerning the deposits such as interest payments, interest credited or
10 similar transactions.

11 (6) Receipt for deposit. A non-transferable certificate of deposit shall be issued to each
12 customer and means provided so that the customer may claim the deposit if the certificate is
13 lost. Where a new or additional deposit is required under subsection (3) of this rule, a
14 customer's cancelled check or validated bill coupon may serve as a deposit receipt.

15 (7) Refund of deposit when service is discontinued. Upon termination of service, the deposit
16 and accrued interest may be credited against the final account and the balance, if any, shall be
17 returned promptly to the customer but in no event later than fifteen (15) days after service is
18 discontinued.

19 *Specific Authority 366.05(1), 350.127(2) FS. Law Implemented 366.03, 366.041(1), 366.05(1), 366.06(1) FS. History—New 7-*
20 *29-69, Amended 5-9-76, 7-8-79, 6-10-80, 10-17-83, 1-31-84, Formerly 25-6.97, Amended 10-13-88, 4-25-94, 3-14-99.*

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1 | 25-7.083 Customer Deposits.

2 | (1) Deposit required; establishment of credit. Each company's tariff shall contain their specific
3 | criteria for determining the amount of initial deposit. Each utility may require an applicant for
4 | service to satisfactorily establish credit, but such establishment of credit shall not relieve the
5 | customer from complying with the utilities' rules for prompt payment of bills. Credit will be
6 | deemed so established if:

7 | (a) The applicant for service furnishes a satisfactory guarantor to secure payment of bills for
8 | the service requested. For residential customers, a satisfactory guarantor shall, at the
9 | minimum, be a customer of the utility with a satisfactory payment record. For non-residential
10 | customers, a satisfactory guarantor need not be a customer of the utility. Each utility shall
11 | develop minimum financial criteria that a proposed guarantor must meet to qualify as a
12 | satisfactory guarantor. A copy of the criteria shall be made available to each new non-
13 | residential customer upon request by the customer. A guarantor's liability shall be terminated
14 | when a residential customer whose payment of bills is secured by the guarantor meets the
15 | requirements of subsection (6) of this rule. Guarantors providing security for payment of
16 | residential customers' bills shall only be liable for bills contracted at the service address
17 | contained in the contract of guaranty.

18 | (b) The applicant pays a cash deposit.

19 | (c) The applicant for service furnishes an irrevocable letter of credit from a bank or a surety
20 | bond.

21 | (2) Receipt for deposit. A non-transferable certificate of deposit shall be issued to each
22 | customer and means provided so that the customer may claim the deposit if the certificate is
23 | lost. When a new or additional deposit is required under subsection (3) of this rule a
24 | customer's cancelled check or validated bill coupon may serve as a deposit receipt.

25 | (3) New or additional deposits. A utility may require, upon reasonable written notice of not

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1 | less than 30 days, such request or notice being separate and apart from any bill for service, a
2 | new deposit, where previously waived or returned, or an additional deposit, in order to secure
3 | payment of current bills; provided, however, that the total amount of the required deposit shall
4 | not exceed an amount equal to the average actual charges for gas service for two billing
5 | periods for the 12-month period immediately prior to the date of notice. In the event the
6 | customer has had service less than 12 months, then the utility shall base its new or additional
7 | deposit upon the average actual monthly billing available.

8 | (4) Record of deposit. Each utility having on hand deposits from customers or hereafter
9 | receiving deposits from them shall keep records to show:

10 | (a) The name of each customer making the deposit;

11 | (b) The premises occupied by the customer;

12 | (c) The date and amount of deposit; and

13 | (d) Each transaction concerning the deposit such as interest payments, interest credited or
14 | similar transactions.

15 | (5) Interest on deposits.

16 | (a) Each gas utility which requests deposits to be made by its customers shall pay a minimum
17 | interest on such deposits of 2.6 percent per annum. The utility shall pay a minimum interest
18 | rate of ~~3.7~~ percent per annum on deposits of nonresidential customers qualifying under
19 | subsection (6) below when the utility elects not to refund such a deposit after 23 months.

20 | (b) The deposit interest shall be simple interest in all cases and settlement shall be made
21 | annually, either in cash or by credit on the current bill. This does not prohibit any utility
22 | paying a higher rate of interest than required by this rule. No customer depositor shall be
23 | entitled to receive interest on his deposit until and unless a customer relationship and the
24 | deposit have been in existence for a continuous period of six months, then he shall be entitled
25 | to receive interest from the day of the commencement of the customer relationship and the

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1 placement of deposit.

2 (6) Refund of deposit. After a customer has established a satisfactory payment record and has
3 had continuous service for a period of 23 months, the utility shall refund the residential
4 customer's deposits and shall, at its option, either refund or pay the higher rate of interest
5 specified above for nonresidential deposits, provided the customer has not, in the preceding 12
6 months:

7 (a) Made more than one late payment of a bill (after the expiration of 20 days from the date of
8 mailing or delivery by the utility);

9 (b) Paid with check refused by a bank;

10 (c) Been disconnected for nonpayment, or at any time;

11 (d) Tampered with the gas meter; or

12 (e) Used service in a fraudulent or unauthorized manner. Nothing in this rule shall prohibit the
13 company from refunding at any time a deposit with any accrued interest.

14 (7) Refund of deposit when service is disconnected. Upon termination of service, the deposit
15 and accrued interest may be credited against the final account and the balance, if any, shall be
16 returned promptly to the customer but in no event later than fifteen (15) days after service is
17 discontinued.

18 *Specific Authority 366.05(1), 350.127(2) FS. Law Implemented 366.03, 366.05(1) FS. History--Repromulgated 1-8-75,*

19 *Amended 6-15-76, 6-10-80, 1-31-84, Formerly 25-7.83, Amended 10-13-88, 4-25-94, 3-14-99.*

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1 25-30.311 Customer Deposits.

2 (1) Deposit required; establishment of credit. Each company's tariff shall contain their specific
3 criteria for determining the amount of initial deposit. Each utility may require an applicant for
4 service to satisfactorily establish credit, but such establishment of credit shall not relieve the
5 customer from complying with the utilities' rules for prompt payment of bills. Credit will be
6 deemed so established if:

7 (a) The applicant for service furnishes a satisfactory guarantor to secure payment of bills for
8 the service requested. A satisfactory guarantor shall, at a minimum, be a customer of the
9 utility with a satisfactory payment record. A guarantor's liability shall be terminated when a
10 residential customer whose payment of bills is secured by the guarantor meets the
11 requirements of subsection (5) of this rule. Guarantors providing security for payment of
12 residential customers' bills shall only be liable for bills contracted at the service address
13 contained in the contract of guaranty.

14 (b) The applicant pays a cash deposit.

15 (c) The applicant for service furnishes an irrevocable letter of credit from a bank or a surety
16 bond.

17 (2) Receipt for deposit. A non-transferrable certificate of deposit shall be issued to each
18 customer and means provided so that the customer may claim the deposit if the certificate is
19 lost.

20 (3) Record of deposits. Each utility having on hand deposits from customers shall keep records
21 to show:

22 (a) The name of each customer making the deposit;

23 (b) The premises occupied by the customer when the deposit was made;

24 (c) The date and amount of deposit; and

25 (d) A record of each transaction concerning such deposit.

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1 (4) Interest on deposit.

2 (a) Each public utility which requires deposits to be made by its customers shall pay a
3 minimum interest on such deposits of 2 6 percent per annum. The utility shall pay an interest
4 rate of 3 7 percent per annum on deposits of nonresidential customers qualifying under
5 subsection (5) below when the utility elects not to refund such a deposit after 23 months.

6 (b) The deposit interest shall be simple interest in all cases and settlement shall be made
7 annually, either in cash or by credit on the current bill. This does not prohibit any public utility
8 paying a higher rate of interest than required by this rule. No customer depositor shall be
9 entitled to receive interest on his deposit until and unless a customer relationship and the
10 deposit have been in existence for a continuous period of six months, then he shall be entitled
11 to receive interest from the day of the commencement of the customer relationship and the
12 placement of deposit.

13 (5) Refund of deposits. After a customer has established a satisfactory payment record and has
14 had continuous service for a period of 23 months, the utility shall refund the residential
15 customer's deposits and shall, at its option, either refund or pay the higher rate of interest
16 specified above for nonresidential deposits, providing the customer has not, in the preceding
17 12 months, (a) made more than one late payment of a bill (after the expiration of 20 days from
18 the date of mailing or delivery by the utility), (b) paid with check refused by a bank, (c) been
19 disconnected for nonpayment, or at any time, (d) tampered with the meter, or (e) used service
20 in a fraudulent or unauthorized manner. Nothing in this rule shall prohibit the company from
21 refunding at any time a deposit with any accrued interest.

22 (6) Refund of deposit when service is discontinued. Upon termination of service, the deposit
23 and accrued interest may be credited against the final account and the balance, if any, shall be
24 returned promptly to the customer but in no event later than fifteen (15) days after service is
25 discontinued.

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1 (7) New or additional deposits. A utility may require, upon reasonable written notice of not
2 less than 30 days, such request or notice being separate and apart from any bill for service, a
3 new deposit, where previously waived or returned, or an additional deposit, in order to secure
4 payment of current bills; provided, however, that the total amount of the required deposit
5 should not exceed an amount equal to the average actual charge for water and/or wastewater
6 service for two billing periods for the 12-month period immediately prior to the date of notice.
7 In the event the customer has had service less than 12 months, then the utility shall base its
8 new or additional deposit upon the average monthly billing available.

9 *Specific Authority 367.121, 350.127(2) FS. Law Implemented 367.081, 367.111, 367.121 FS. History—Amended 6-1-63, 4-1-*
10 *69, 9-12-74, 6-10-80, 1-31-84, Formerly 25-10.72, 25-10.072, Amended 10-13-88, 4-25-94.*

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

DATE: April 26, 2012
TO: Cindy Miller, Senior Attorney, Office of the General Counsel
FROM: William B. McNulty, Economic Analyst, Division of Economic Regulation
RE: Statement of Estimated Regulatory Costs for Proposed Rule Amendment to Rule 25-6.097, F.A.C., Customer Deposits; Rule 25-7.083, F.A.C., Customer Deposits; and Rule 25-30.311, F.A.C., Customer Deposits

Summary of Rule

Rule 25-6.097, Florida Administrative Code (F.A.C.), Customer Deposits; Rule 25-7.083, F.A.C., Customer Deposits; and Rule 25-30.311, F.A.C., Customer Deposits establish the requirements for collecting, recording, and refunding customer deposits for electric, gas, and water/wastewater utilities. They also establish the minimum annual interest rate paid on deposits and other terms applied to interest on deposits.

Each of the draft rule amendments would reduce the minimum annual interest paid on deposits from 6 percent per year to 2 percent per year. The rule amendments would also reduce the minimum annual interest paid on nonresidential deposits from 7 percent per year to 3 percent per year for all accounts held after 23 months of continuous service. For simplicity, the rule amendments are herein referred to as the electric rule amendment (Rule 25-6.097, F.A.C.), the gas rule amendment (Rule 25-7.083, F.A.C.), and the water/wastewater rule amendment (Rule 25-30.311, F.A.C.)

Economic Analysis Showing Whether the Rule Is Likely to Have an Adverse Impact on Either Economic Growth or Business Competitiveness In Excess of \$1 Million Within 5 Years.

Subparagraph 120.541(2)(a)1, F.S., requires an economic analysis showing whether the draft rule directly or indirectly is likely to have an adverse impact on economic growth, private sector job creation or employment, or private sector investment in excess of \$1 million in the aggregate within 5 years after the implementation of the rule. Similarly, Section 120.541(2)(a)2 requires an economic analysis showing whether the draft rule directly or indirectly is likely to have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within 5 years after the implementation of the rule.

Staff issued data requests to the utilities to determine the impact of the rule amendments. Each of the four large investor-owned electric utilities (electric IOUs), including Florida Power and Light Company (FPL); Progress Energy Florida, Inc. (PEF), Tampa Electric Company (TECO), and Gulf Power Company (Gulf), reported an expected reduction in the cost of capital based on the electric rule amendment. Each of these utilities reported expected significant reductions in interest expense and relatively minor or no increase in administrative expense. The two investor-owned gas companies (gas IOUs) which responded to staff's data request (Peoples Gas Systems and Sebring Gas System, Inc) reported expected reductions in the cost of capital. One water and wastewater company reported that it expected a reduction in the cost of capital (Peoples Water Service of Florida, Inc), and fourteen other water and wastewater companies reported either minimal impact, no impact, or "not applicable" to our question about the expected impacts of the water/wastewater rule amendment.

According to FPL and Gulf, small businesses operating in these utilities' service territories for the five year period after the implementation of the electric rule amendment are expected to experience a combined reduction in bill credits in the amount of \$24,796,002 due to the rule amendment. TECO indicated that a reduction in interest to small businesses would be expected, but did not quantify the amount, and PEF stated there would be no meaningful impact. The gas IOUs indicated a smaller bill credit would be provided to their customers with the implementation of the gas rule amendment compared to the existing rule. For instance, Peoples Gas indicated that its bill credit associated with deposit interest would be reduced by \$8.5 million over the five year period. Only one water/wastewater company indicated a specific impact of the implementation of the rule on bill credits provided to customers. Peoples Water Service Company of Florida, Inc. reported reduced bill credits of \$3,750 for the five year period after implementation of the water/wastewater rule amendment.

The expected reduction in bill credits to customers associated with draft rule changes does not constitute an adverse impact on economic growth, private sector job creation or employment, or private sector investment. The rule amendments adjust the applied interest rates to comport more closely with current market-based interest rates, to improve equity to customers, and to promote efficient pricing of utility services.

Based on this analysis, the rule amendments are not likely to have an adverse impact on economic growth, private sector job creation or employment, or private sector investment in excess of \$1 million in the aggregate within 5 years after the implementation of the rule. Likewise, the rule amendments are not likely to have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within 5 years after the implementation of the rule amendments.

Economic Analysis Showing Whether the Rule Is Likely to Increase Regulatory Costs In Excess of \$1 Million Within 5 Years

Subparagraph 120.541.(2)(a)3, F.S., requires an economic analysis showing whether the draft rule directly or indirectly is likely to increase regulatory cost, including any transactional costs, in excess of \$1 million in the aggregate within 5 years after the implementation of the rule. Based on the responses to staff's data requests, the proposed reductions in interest rates are

expected to yield a slightly lower cost of capital, so regulatory costs, including transactional costs, are expected to be slightly lower for electric IOUs and gas IOUs under each of the draft rule amendments. There may be some level of reduced capital costs for some water/wastewater companies, but the impacts for most companies will be a minimal reduction or no impact to costs. Thus, for each rule amendment, it is unlikely that the amendment, if approved, will increase regulatory costs, including any transactional costs, in excess of \$1 million in the aggregate within 5 years after the implementation of the rule amendment.

Estimated Number of Entities Required to Comply and General Description of Individuals Affected

Subparagraph 120.541.(2)(b), F.S., requires a good faith estimate of the number of individuals and entities likely to be required to comply with the rule, together with a general description of the types of individuals anticipated to be affected by the rule. The number of companies affected by the rule amendments include 5 electric IOUs, 7 gas IOUs, and 147 water/wastewater companies.

Rule Implementation and Enforcement Costs and Impact on Revenues For The Agency and Other State and Local Government Entities

Subparagraph 120.541(2)(c), F.S., requires a good faith estimate of the cost to the agency, and to any other state and local government entities, of implementing and enforcing the proposed rule, and any anticipated effect on state or local revenues. The FPSC is the agency with the jurisdiction to implement and enforce amendment to the rules, and the draft changes to the rules are not expected to impose any additional costs on the FPSC. The rule amendments, if approved, would not impact the costs of other state or local government entities. The rule amendments would have no impact on FPSC revenues or revenues of other state and local government entities.

Estimated Transactional Costs to Individual and Entities

Subparagraph 120.541(2)(d), F.S., requires a good faith estimate of the transactional costs likely to be incurred by individuals and entities, including local government entities, required to comply with the requirements of the rule. The transactional costs for electric and gas utilities are expected to decrease slightly under the rule amendments, based upon expected reductions in the cost of capital. For most water and wastewater utilities, the transactional costs associated with the rule amendment are expected to be unchanged compared to the current level of compliance costs, but some utilities may see a slight reduction in the cost of capital.

Impact On Small Businesses, Small Cities, Or Small Counties

Subparagraph 120.541.(2)(e), F.S., requires an analysis of the impact of the proposed changes on small businesses as defined by Section 288.703, F.S., and an analysis of the impact on small counties and small cities as defined in Section 120.52, F.S. The most direct impact of the rule amendments on small businesses will be a reduction in bill credits associated with the reduction in the deposit interest rates. Most electric IOUs expect their small business customers

will experience a reduction in bill credits. The first year impact for the industry is at least \$3.18 million for FPL and Gulf customers combined, and an unquantified impact for TECO customers. Over the longer term, reductions in the cost of capital may be reflected in customers' base rates. The rule amendments are expected to result in reductions in the amount of bill credits issued to customers of gas IOUs and some water/wastewater companies, occurring with a concomitant reduction in base rates over the longer term associated with reductions in the cost of capital. The electric IOUs, the gas IOUs, and the water/wastewater companies indicated that the rule amendments would result in no impact to small cities or small counties.

Additional Information Deemed Useful By The Agency

None.

cc: Braulio Baez
Marshall Willis
Cheryl Bulecza-Banks
Andrew Maurey