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Public Service Commission

December 22, 2014

Patricia Nelson
Deputy Director, Office of Fiscal Accountability and
Regulatory Reform at the Executive Office of the Governor
Patricia.Nelson@eog.myflorida.com

SENT VIA E-MAIL

RE: Docket No. 140205-WS; Rules 25-30.091 and 25-30.440, F.A.C.

Dear Ms. Nelson,

The Commission has determined that the above rules will affect small businesses. Accordingly, pursuant to Section 120.54(3)(b), Florida Statutes, enclosed is a copy of the Florida Administrative Register (FAR) notice of the proposed rules, which was published in the December 22, 2014 edition of the FAR. Also enclosed is a copy of the statement of estimated regulatory costs (SERC). The SERC concluded that the proposed new rule and rule amendment will not have an adverse affect on small business.

If there are any questions with respect to these rules, please contact me at (850) 413-6224 or rgervasi@psc.state.fl.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Rosanne Gervasi".

Rosanne Gervasi
Senior Attorney

Enclosures
cc: Office of the Commission Clerk

RECEIVED-FPSC
14 DEC 22 AM 10:24
COMMISSION
CLERK

Notice of Proposed Rule

PUBLIC SERVICE COMMISSION

RULE NOS.: RULE TITLES:

25-30.091 Petition to Revoke Water Certificate of Authorization

25-30.440 Additional Engineering Information Required of Class A and B Water and Wastewater Utilities in an Application for Rate Increase

PURPOSE AND EFFECT: New Rule 25-30.091, F.A.C., would be adopted to implement the statutory requirements contained in Section 367.072, F.S., by establishing a process by which customers may petition for revocation of their water utility's certificate of authorization to provide water service, and would incorporate by reference instructions for petitioning for revocation of water certificate and a sample petition form. In addition, Rule 25-30.440, F.A.C., would be amended to require that when a Class A or Class B water utility applies for a rate increase, it must provide a copy of all customer complaints that it has received during the past 5 years regarding secondary water quality standards as established by the Department of Environmental Protection. Rule 25-30.443, F.A.C., Minimum Filing Requirements for Class C Water and Wastewater Utilities, which references Rule 25-30.440, F.A.C., would thereby require Class C utilities seeking a rate increase to also provide a copy of all such customer complaints.

Docket No. 140205-WS

SUMMARY: Newly enacted Section 367.072, F.S., authorizes the Commission to revoke a water utility's certificate of authorization to provide water service if, after at least 65 percent of the utility's customers file a petition for revocation, the Commission finds that due to quality of water service issues, revocation is in the best interest of the customers in accordance with that section. Rule 25-30.091, F.A.C., adopts the format of and requirements for a petition for revocation, as required by that section, and the process by which the Commission will consider the petitions. Moreover, newly enacted Section 367.0812, F.S., requires the Commission to consider, when setting rates, the extent to which a water utility provides service that meets secondary water quality standards as established by the Department of Environmental Protection (DEP). Therefore, Rule 25-30.440, F.A.C., is amended to require water utilities to provide a copy of all customer complaints the utility has received regarding DEP secondary standards during the past 5 years when applying for a rate increase.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION: The Agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has been prepared by the Agency.

The SERC examined the factors required by Section 120.541(2)(c), F.S., and concluded that the new rule and rule amendment will not have an adverse impact on economic growth, business competitiveness, or small business.

The Agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: based on the information contained in the SERC.

Any person who wishes to provide information regarding a statement of estimated regulatory costs, or provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

RULEMAKING AUTHORITY: 350.172(2), 367.072, 367.0812 FS.

LAW IMPLEMENTED: 367.072, 367.081, 367.0812 FS.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE SCHEDULED AND ANNOUNCED IN THE FAR.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Rosanne Gervasi, Office of General Counsel, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, (850)413-6224, E-MAIL ADDRESS: rgervasi@psc.state.fl.us.

THE FULL TEXT OF THE PROPOSED RULE IS:

[25-30.091 Petition to Revoke Water Certificate of Authorization.](#)

(1) Purpose. The purpose of this rule is to establish a process by which customers of investor-owned drinking water utilities may petition the Commission to revoke a utility's certificate of authorization pursuant to Section 367.072, F.S.

(2) Pursuant to Section 367.0812(3), F.S., customers may not petition the Commission to revoke a utility's water certificate of authorization if the utility is the subject of a proceeding under Chapter 367, F.S. For the purposes of this rule, a proceeding under Chapter 367, F.S., means any rate proceeding in which quality of water service is addressed, such as a general rate proceeding under Section 367.081, F.S., a staff assisted rate proceeding under Section 367.0814, F.S., or a limited proceeding under Section 367.0822, F.S. A general rate proceeding under Chapter 367, F.S., is initiated upon the utility's filing of a request for approval of a test year pursuant to Rule 25-30.430, F.A.C. Other rate proceedings under Chapter 367, F.S., are initiated upon the utility's filing of an application for rate relief.

(3) Letter of Intent. Utility customers who intend to petition the Commission for revocation of their utility's certificate of authorization pursuant to Section 367.072, F.S., shall notify the Commission in writing of their intent to file a petition for revocation of certificate. In the letter of intent, the customers shall advise the Commission of the name and address of their water utility. The letter of intent shall be filed with the Office of Commission Clerk.

(4) Within 10 days after receipt of the letter of intent, the Commission staff will notify the utility of the customers' intent to file a petition for revocation of its certificate of authorization.

(5) In the notification letter to the utility, the Commission staff will request that the utility certify, within 30 days after receipt of the notification letter, the number of water customers the utility serves by counting its service connections, and provide staff with a list of its customers' names and addresses.

(6) If the utility fails to certify the number of customers it serves by the date requested in the notification letter, Commission staff will utilize the number of customers reported by the utility in its most recent annual report on file with the Commission to evaluate the sufficiency of the petition pursuant to Section 367.072(1)(b), F.S.

(7) Upon receipt of the utility's response to the Commission staff's request to certify the number of customers the utility serves, or, if the utility fails to respond to the Commission staff's request to certify the number of customers the utility serves, upon the expiration of 30 days from the utility's receipt of the Commission staff's request, the Commission staff will send the following materials to customers who file a letter of intent pursuant to subsection (3) of this rule:

(a) "Instructions for Petitioning for Revocation of Water Certificate," (EFF. 12/14), which are incorporated herein by reference and are available at [hyperlink];

(b) Form PSC 1000 (12/14), entitled "Florida Public Service Commission: Petition to Revoke the Certificate of Authorization of [Utility Name]," which petition form the customers must copy and use for the collection of signatures to be submitted to the Commission. A sample of Form PSC 1000 (12/14) is incorporated herein by reference for informational purposes only, and is available at [hyperlink]. The sample petition form incorporated herein must not be used for the collection of signatures;

(c) A copy of Section 367.072, F.S.;

(d) A copy of this rule; and

(e) A copy of the state primary and secondary drinking water standards, as contained in Rule 62-550.828, F.A.C.

(8) For a petition for revocation to be deemed sufficient, the following criteria must be met:

(a) Each petition form must include the printed name, signature, service address, and telephone number of the customer-signatory;

(b) Each petition form must state with specificity each issue that the customer-signatory has with the quality of water service provided, each time the issue was reported to the utility, and how long the issue has existed; and

(c) Petition forms must be completed by at least 65 percent of the utility's customers, as that term is defined in Section 367.072, F.S.

(9) The customers must file the completed petition forms with the Office of Commission Clerk within 90 days after receipt of the staff's instructions.

(10) Within 10 days after receipt of the petition, the staff will provide notice to the customers who filed the letter of intent or their designated representative by letter as to whether the petition is sufficient for the Commission

to act, and will provide a copy of the notice to the utility. If the petition is deficient, the notice will specify what additional information is required.

(11) If the notice identifies deficiencies in the petition, the customers must file a corrected petition with the Office of Commission Clerk curing the noticed deficiencies within 30 days after receipt of the notice, and must provide a copy of the cured petition to the utility. The staff will notify the customers who file a corrected petition or their designated representative by letter as to whether the corrected petition has cured the deficiencies specified in the notice provided under subsection (10), and will provide a copy of the letter to the utility. If the customers fail to timely cure the noticed deficiencies, the petition will be dismissed pursuant to Section 367.072(1)(b), F.S.

(12) The utility may file a response to a sufficiently filed petition with the Office of Commission Clerk within 14 days from the staff letter notifying the customers that the petition is sufficient for the Commission to act.

(13) The staff will file a recommendation for the Commission to determine at a scheduled agenda conference whether the issues identified in a sufficiently filed petition support a reasonable likelihood that the utility is failing to provide quality water services.

(14) If the Commission determines that the issues identified in the petition do not support a reasonable likelihood that the utility is failing to provide quality water services, the Commission's order dismissing the petition will be issued as a proposed agency action. The notice of proposed agency action will give substantially affected persons an opportunity to request a Section 120.569 or 120.57, F.S., hearing on the matter within 21 days after issuance of the notice, pursuant to Rule 25-22.029, F.A.C.

(15) If the Commission determines that the issues identified in the petition support a reasonable likelihood that the utility is failing to provide quality water services, the Commission will order the utility to show cause as to why its water certificate of authorization should not be revoked, and will set the matter for hearing pursuant to Sections 120.569, 120.57, 120.60(5), and 367.072(5), F.S. The utility's response to the show cause order shall use the criteria set forth in Section 367.072(3)(a) and (b), F.S., in addressing the issues identified within the petition.

Rulemaking Authority 350.127(2), 367.072, 367.0812 FS. Law Implemented 367.072, 367.0812 FS. History--New

25-30.440 Additional Engineering Information Required of Class A and B Water and Wastewater Utilities in an Application for Rate Increase.

(1) through (2) No change.

(3) The most recent chemical analyses for each water system conducted by a certified laboratory covering the inorganic, organic turbidity, microbiological, radionuclide, secondary and unregulated contaminants specified in Chapter ~~62-550~~ 17-550, F.A.C.

(4) through (6) No change.

(7) Any Notices of Violation, Consent Orders, Letters of Notice, or Warning Notices from the health department or the DEP ~~in since the utility's last rate case or the previous five years, whichever is less.~~

(8) through (10) No change.

(11) Provide a copy of all customer complaints that the utility has received regarding DEP secondary water quality standards during the past five years.

Rulemaking Authority 350.127(2), 367.0812(5), 367.121 FS. Law Implemented 367.081, 367.0812 FS. History--New 11-10-86, Amended 6-25-90, _____.

NAME OF PERSON ORIGINATING PROPOSED RULE: Kevin Bloom

NAME OF AGENCY HEAD WHO APPROVED THE PROPOSED RULE: Florida Public Service Commission

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: December 18, 2014

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAR: Volume 40, Number 183, September 19, 2014

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: November 17, 2014
TO: Rosanne Gervasi, Senior Attorney, Office of the General Counsel
FROM: C. Donald Rome, Jr., Public Utility Analyst II, Division of Economics *CR*
RE: Statement of Estimated Regulatory Costs for Proposed Amendments to Chapter 25-30, Florida Administrative Code (F.A.C.), Water and Wastewater Utility Rules; Adoption of Rule 25-30.091, F.A.C., and Amendment of Rule 25-30.440, F.A.C.

During the 2014 session, the Florida Legislature enacted Senate Bill 272 which was incorporated into Chapter 2014-68, Laws of Florida. The legislation created two new sections in the Florida Statutes (F.S.): Sections 367.072 and 367.0812, F.S. These laws became effective on July 1, 2014. To implement the new laws, staff is recommending the adoption of new Rule 25-30.091, F.A.C., Petition to Revoke Water Certificate of Authorization, and the amendment of Rule 25-30.440, F.A.C., Additional Engineering Information Required of Class A and B Water and Wastewater Utilities in an Application for Rate Increase. Staff is recommending these rule changes so that Commission rules will continue to be consistent with the requirements of the empowering statutes as revised during the 2014 legislative session. Therefore, any economic impacts that might be incurred by affected entities would be a result of statutory changes promulgated under Sections 367.072 and 367.0812, F.S., and not caused by staff's recommended changes to Commission rules. Key changes that are discussed in the attached Statement of Estimated Regulatory Costs (SERC) are summarized below.

Draft Rule 25-30.091, F.A.C., is being recommended to implement provisions of Section 367.072, F.S. Utility customers may choose to petition the Commission for relief due to quality of water service issues by filing a letter of intent with the Commission. Within 10 days after receipt of the letter of intent, the Commission shall notify the utility of the customers' intent to file a petition. Pursuant to draft Subsection 25-30.091(7), F.A.C., the Commission will provide instructional materials to utility customers to assist them in preparing a petition. Petition forms must be completed by at least 65 percent of the utility's customers as the term "customer" is defined in Section 367.072, F.S., and must state with specificity each issue that the customers have with the utility's quality of water service. Customers must file the completed petition forms with the Commission within 90 days after receipt of staff's instructions.

In accordance with the statutory changes effective July 1, 2014, the Commission must review the petition to determine: (a) if the petition meets the requirements of Section 367.072, F.S., and (b) if the issues identified support a reasonable likelihood that the utility is failing to provide quality of water service. The utility must respond to each problem identified in the petition and explain if the utility meets federal and state primary water quality standards or

secondary water quality standards pursuant to Section 367.0812, F.S. The utility must also give an explanation of its relationship with its customers, including each complaint received, length of time each customer has been complaining, the resolution of each complaint, and the time taken to address each complaint. The Commission must evaluate the petition by considering the issues identified, the utility's response, and any other factors the Commission deems relevant. Based upon its evaluation, the Commission may dismiss the petition, require the utility to take the necessary steps to correct the quality of water service issues identified in the petition within a time certain and with certain reporting benchmarks, or revoke the utility's certificate.¹

Draft Subsection 25-30.440(11), F.A.C., is being recommended to implement provisions of Section 367.0812, F.S., regarding the Commission's consideration of the extent to which a utility has met secondary water quality standards established by the Department of Environmental Protection (DEP). Specifically, Paragraph 367.0812(1)(c), F.S., requires the Commission to consider complaints regarding the applicable secondary water quality standards filed by customers with the Commission, DEP, the respective local governmental entity, or a county health department during the past five years. The Commission shall consider a finding by the DEP as to whether the utility has failed to meet the DEP's secondary water quality standards.

In accordance with the statutory changes effective July 1, 2014, the utility is required to meet with its customers within a time prescribed by the Commission to discuss estimated costs and benefits to implement practical solutions and report to the Commission if the customers and the utility agree on a solution for each quality of service issue identified or if the customers and the utility prefer a different solution to at least one of the issues identified. The Commission may require the utility to implement solutions that are in the best interest of the customers for each issue, establish benchmarks and interim reporting on the progress of implementation, and allow for the utility to recover costs associated with required solutions. The Commission may prescribe penalties for a utility's failure to adequately resolve each quality of water service concern, which may include penalties provided in Section 367.161, F.S., a reduction of return on equity of up to 100 basis points, denial of all or part of a rate increase until the quality of service is found to be satisfactory, or revocation of the certificate of authorization.²

A workshop to solicit input on the recommended rules was conducted by Commission staff on October 7, 2014. Several comments that either were received during the workshop or were filed subsequently were incorporated into the draft rules to provide additional clarification. No regulatory alternatives were submitted pursuant to Paragraph 120.541(1)(a), F.S. None of the impact/cost criteria established in Paragraph 120.541(2)(a), F.S., will be exceeded as a result of the recommended revisions.

cc: (Draper, Daniel, Dean, King, Bloom, Dowds, Cibula, SERC file)

¹ Florida Senate Bill Analysis and Fiscal Impact Statement, March 17, 2014; page 6.

² Ibid., page 7.

FLORIDA PUBLIC SERVICE COMMISSION
STATEMENT OF ESTIMATED REGULATORY COSTS
Rules 25-30.091 and 25-30.440, F.A.C.

1. Will the proposed rule have an adverse impact on small business?
[120.541(1)(b), F.S.] (See Section E., below, for definition of small business.)

Yes

No

For clarification, please see comments in Sections A(3) and E(1), below.

2. Is the proposed rule likely to directly or indirectly increase regulatory costs in excess of \$200,000 in the aggregate in this state within 1 year after implementation of the rule? [120.541(1)(b), F.S.]

Yes

No

If the answer to either question above is "yes", a Statement of Estimated Regulatory Costs (SERC) must be prepared. The SERC shall include an economic analysis showing:

A. Whether the rule directly or indirectly:

- (1) Is likely to have an adverse impact on any of the following in excess of \$1 million in the aggregate within 5 years after implementation of the rule?
[120.541(2)(a)1, F.S.]

Economic growth

Yes No

Private-sector job creation or employment

Yes No

Private-sector investment

Yes No

- (2) Is likely to have an adverse impact on any of the following in excess of \$1 million in the aggregate within 5 years after implementation of the rule?
[120.541(2)(a)2, F.S.]

Business competitiveness (including the ability of persons doing business in the state to compete with persons doing business in other states or domestic markets)

Yes No

Productivity

Yes No

Innovation

Yes No

(3) Is likely to increase regulatory costs, including any transactional costs, in excess of \$1 million in the aggregate within 5 years after the implementation of the rule? [120.541(2)(a)3, F.S.]

Yes

No

Economic Analysis:

A summary of the recommended rule revisions is included in the attached memorandum to Counsel. Specific elements of the associated economic analysis are discussed below in Sections B through F of this SERC.

During the 2014 session, the Florida Legislature enacted Senate Bill 272 which was incorporated into Chapter 2014-68, Laws of Florida. The legislation created two new sections in the Florida Statutes (F.S.): Section 367.072, F.S., and Section 367.0812, F.S. These laws took effect on July 1, 2014.

To implement the new laws, staff is recommending the adoption of new Rule 25-30.091, Florida Administrative Code (F.A.C.), and the amendment of Rule 25-30.440, F.A.C. Staff is recommending these rule changes so that agency rules will continue to be consistent with the requirements of empowering statutes as revised during the 2014 legislative session.

Therefore, any economic impacts that might be incurred by affected entities would be a result of statutory changes promulgated under Sections 367.072 and 367.0812, F.S., and not caused by staff's recommended changes to Commission rules. Staff believes that none of the impact/cost criteria established in Paragraph 120.541(2)(a), F.S., will be exceeded as a result of the recommended rule revisions.

B. A good faith estimate of: [120.541(2)(b), F.S.]

(1) The number of individuals and entities likely to be required to comply with the rule.

Potentially affected entities include 149 investor-owned water and wastewater utilities that serve approximately 180,000 Florida customers. Utilities which come under the jurisdiction of the Commission in the future also would be required to comply.

(2) A general description of the types of individuals likely to be affected by the rule.

The 149 investor-owned water and wastewater utilities are located in 37 counties.

C. A good faith estimate of: [120.541(2)(c), F.S.]

(1) The cost to the Commission to implement and enforce the rule.

- None. To be done with the current workload and existing staff.
- Minimal. Provide a brief explanation.
- Other. Provide an explanation for estimate and methodology used.

As noted in Section A above, any economic impacts that might be incurred by affected entities [including the Commission] would be a result of statutory changes promulgated under Sections 367.072 and 367.0812, F.S., and not caused by staff's recommended changes to Commission rules. The Commission will incur additional costs to fulfill its responsibilities as required by the new laws. Section 3 of Senate Bill 272 appropriated a 2014-2015 fiscal year reimbursement from the General Revenue Fund for Commission costs in the amount of \$224,533. As stated in the Florida Senate Bill Analysis and Fiscal Impact Statement, these costs are associated with the following:

- Three full-time equivalent positions (salary plus benefits),
- Travel to facilitate meetings between customers and utilities, and
- Other associated expenses such as the consideration of additional testimony and evidence in water rate cases heard by the Commission.

(2) The cost to any other state and local government entity to implement and enforce the rule.

- None. The rule will only affect the Commission.
- Minimal. Provide a brief explanation.
- Other. Provide an explanation for estimate and methodology used.

(3) Any anticipated effect on state or local revenues.

- None
- Minimal. Provide a brief explanation.
- Other. Provide an explanation for estimate and methodology used.

D. 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. "Transactional costs" include filing fees, the cost of obtaining a license, the cost of equipment required to be installed or used, procedures required to be employed in complying with the rule, additional operating costs incurred, the cost of monitoring or reporting, and any other costs necessary to comply with the rule. [120.541(2)(d), F.S.]

- None. The rule will only affect the Commission
- Minimal. Provide a brief explanation.
- Other. Provide an explanation for estimate and methodology used.

The statutory changes that triggered the initiation of the current rulemaking effort have two primary effects related to transactional costs on the affected utilities and their customers: (1) Petitions filed pursuant to the process delineated in Section 367.072, F.S., and (2) Additional aspects to be considered in utility ratemaking proceedings as delineated in Section 367.0812, F.S.

(1) Petitions filed pursuant to Section 367.072, F.S.

New Commission Rule 25-30.091, F.A.C., is being recommended to implement Subsections (1) and (2) of Section 367.072, F.S. Subsections 367.072(3) *et seq.*, F.S., are prescriptive in their direction and are not redundantly included in Rule 25-30.091, F.A.C.

Utility customers who choose to file petitions in accordance with the statute and the recommended rule would incur incremental transactional costs. These costs would be associated with the compilation of the information required to complete and submit the petition as specified in Subsections (8) and (9) of recommended Rule 25-30.091, F.A.C. Utility customers that may incur incremental costs would do so voluntarily as the opportunity to file a petition pursuant to Section 367.072, F.S., is an option that is available to utility customers if they so choose.

Utilities whose customers choose to file petitions in accordance with the statute and the recommended rule would incur incremental transactional costs. These costs would be associated with the following:

- Prohibition from filing a rate case if the petition supports a reasonable likelihood that the utility is failing to provide quality of water service [367.072(3), F.S.],
- Responding to the concerns raised in the petition regarding quality of water service issues [367.072(3)(a), F.S.],
- Explaining the utility's relationship with its customers and its complaint resolution efforts [367.072(3)(b), F.S.],
- Compliance with benchmarks set by the Commission (including the

possible filing of progress reports) to address quality of water service issues identified in the petition [367.072(5)(b), F.S.],

- If a utility does not satisfactorily address customer complaints regarding secondary water quality standards, it potentially might face revocation by the Commission of its certificate of authorization to provide water service [367.072(5)(c), F.S.]. The potential effects of certificate revocation would be more complicated for utilities that have both water and wastewater operations.

As noted in Section A above, any economic impacts that might be incurred by affected entities [e.g., utilities, customers] would be a result of statutory changes promulgated under Sections 367.072 and 367.0812, F.S., and not caused by staff's recommended changes to Commission rules.

(2) Additional aspects in utility ratemaking proceedings [367.0812, F.S.]

New language included in Subsection (11) of existing Commission Rule 25-30.440, F.A.C., is being recommended to implement Paragraph 367.0812(1)(c), F.S. The remainder of Section 367.0812, F.S., is prescriptive in its direction and is not redundantly included in Rule 25-30.440, F.A.C.

Utilities that are not meeting applicable secondary water quality standards would incur incremental transactional costs during ratemaking proceedings. In accordance with Subsection (2) of Section 367.0812, F.S., the utility is required to meet with its customers within a time prescribed by the Commission to discuss estimated costs and benefits to implement practical solutions to each quality of water service issue identified by the Commission. The utility is then required to report to the Commission if the customers and the utility agree on a solution and its associated costs for each quality of service issue identified or if the customers and the utility prefer different solutions to at least one of the identified issues. In the latter case, the utility shall inform the Commission of the preferred solutions by each and the costs of the respective solutions. The Commission may require the utility to implement solutions that are in the best interests of the customers for each issue and establish benchmarks and interim reporting on the progress of implementation.

The utility may recover its costs of implementing the solutions required by the Commission. Therefore, customers may realize an increase in the cost of water services if the quality of certain services is improved; however, customers will be fully informed of the costs and benefits and have the opportunity to participate in the decision to incur those costs in advance of any potential increases.

In accordance with Subsection (4) of Section 367.0812, F.S., the Commission may prescribe penalties for a utility's failure to adequately resolve each quality of water service concern, which may include the following:

- Penalties as provided in Section 367.161, F.S.,
- A reduction of return on equity of up to 100 basis points,
- Denial of all or part of a rate increase until the quality of service is found to

be satisfactory, or

- Revocation of the utility's certificate of authorization.

As noted in Section A above, any economic impacts that might be incurred by affected entities [e.g., utilities, customers] would be a result of statutory changes promulgated under Sections 367.072 and 367.0812, F.S., and not caused by staff's recommended changes to Commission rules.

E. An analysis of the impact on small businesses, and small counties and small cities:
[120.541(2)(e), F.S.]

(1) "Small business" is defined by Section 288.703, F.S., as an independently owned and operated business concern that employs 200 or fewer permanent full-time employees and that, together with its affiliates, has a net worth of not more than \$5 million or any firm based in this state which has a Small Business Administration 8(a) certification. As to sole proprietorships, the \$5 million net worth requirement shall include both personal and business investments.

- No adverse impact on small business. *[See clarification below.]*
- Minimal. Provide a brief explanation.
- Other. Provide an explanation for estimate and methodology used.

While it is difficult to estimate the number of affected entities that would meet the definition of "Small Business" as defined in Section 288.703, F.S., it is reasonable to assume that many of the affected entities would meet the statutory definition and, therefore, potentially could incur additional transactional costs as discussed in Section D, above. However, as noted in Section A above, any economic impacts that might be incurred by affected entities would be a result of statutory changes promulgated under Sections 367.072 and 367.0812, F.S., and not caused by staff's recommended changes to Commission rules.

(2) A "Small City" is defined by Section 120.52, F.S., as any municipality that has an unincarcerated population of 10,000 or less according to the most recent decennial census. A "small county" is defined by Section 120.52, F.S., as any county that has an unincarcerated population of 75,000 or less according to the most recent decennial census.

- No impact on small cities or small counties
- Minimal. Provide a brief explanation.
- Other. Provide an explanation for estimate and methodology used.

F. Any additional information that the Commission determines may be useful.
[120.541(2)(f), F.S.]

None.

Additional Information:

A workshop to solicit input on the recommended rules was conducted by Commission staff on October 7, 2014. Several comments that either were received during the workshop or were filed subsequently were incorporated into the draft rules to provide additional clarification.

G. A description of any regulatory alternatives submitted and a statement adopting the alternative or a statement of the reasons for rejecting the alternative in favor of the proposed rule. [120.541(2)(g), F.S.]

No regulatory alternatives were submitted.

A regulatory alternative was received from

Adopted in its entirety.

Rejected. Describe what alternative was rejected and provide a statement of the reason for rejecting that alternative.