

Commissioners:
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DIVISION OF APPEALS
DAVID E. SMITH
DIRECTOR
(904) 413-6245

Public Service Commission

June 19, 1997

Ms. Monique H. Cheek
Office of Tourism, Trade, and
Economic Development
Executive Office of the Governor
The Capitol
Tallahassee, FL 32399-0001

SUBJECT: Docket No. 970522-WS - Proposed Revision of Rule 25-30.115, F.A.C., Uniform System of Accounts for Water and Wastewater Utilities

The Commission has determined that the above rule will affect small business. Accordingly, pursuant to Section 120.54(3)(b), Florida Statutes, enclosed is a copy of the Florida Administrative Weekly (FAW) notice for the proposed rule, which will be published in the June 20, 1997 edition of the FAW. Also enclosed is a copy of the statement of estimated regulatory costs.

If there are any questions with respect to this rule or the Commissions's rulemaking procedures, please do not hesitate to call ~~on me.~~

Sincerely,

Christiana T. Moore
Associate General Counsel

- ACK on me.
- AFA
- APP
- CAF
- CMU
- CTR
- EAG
- LEG Enclosures
- LIN cc: Division of Records & Reporting
- OPC
- RCH
- SEC
- WAS
- OTH

DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 970522-WS

RULE TITLE:

RULE NO.:

Uniform System of Accounts for Water and Wastewater Utilities 25-30.115

PURPOSE AND EFFECT: The purpose and effect of the amendment is to adopt the 1996 version of the National Association of Regulatory Commissioners' (NARUC) Uniform System of Accounts (USOA) for water and wastewater utilities.

SUMMARY: Water and wastewater utilities must maintain their accounts and records in conformity with the 1996 NARUC USOA.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COST: Adoption of this rule is estimated to result in minimal or no additional costs to the majority of utilities required to comply with the rule. No additional costs to other entities were identified. Any person who wishes to provide information regarding the statement of estimated regulatory costs, or to provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

SPECIFIC AUTHORITY: 367.121(1)(b)(f) FS

LAW IMPLEMENTED: 367.121(1)(b) FS

WRITTEN COMMENTS OR SUGGESTIONS ON THE PROPOSED RULE MAY BE SUBMITTED TO THE FPSC, DIVISION OF RECORDS AND REPORTING, WITHIN 21 DAYS OF THE DATE OF THIS NOTICE FOR INCLUSION IN THE RECORD OF THE PROCEEDING.

HEARING: IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE,
A HEARING WILL BE HELD AT THE TIME, DATE, AND PLACE SHOWN BELOW:

TIME AND DATE: 9:30 A.M., AUGUST 12, 1997

PLACE: Room 152, Betty Easley Conference Center, 4075 Esplanade
Way, Tallahassee, Florida.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS:

Director of Appeals, Florida Public Service Commission, 2540
Shumard Oak Blvd., Tallahassee, Florida 32399-0862.

THE FULL TEXT OF THE PROPOSED RULE IS:

25-30.115 Uniform System of Accounts for Water and
Wastewater Utilities.

~~(1)~~ Water and wastewater utilities shall, effective January
1, 1998 ~~1986~~, maintain their ~~its~~ accounts and records in
conformity with the 1996 ~~1984~~ NARUC Uniform Systems of Accounts
adopted by the National Association of Regulatory Utility
Commissioners. All inquiries related to the interpretation of
these uniform systems of accounts shall be submitted to the
Commission's Division of Water and Wastewater ~~Department~~ in
writing. Note: The National Association of Regulatory Utility
Commissioners published separate uniform systems of accounts for
three classes of water and wastewater utilities: Class A (defined
as those having annual water or wastewater operating revenues of
\$1,000,000 ~~\$750,000~~ or more); Class B (defined as those having
annual water or wastewater operating revenues of \$200,000
~~\$150,000~~ or more but less than \$1,000,000 ~~\$750,000~~; Class C

(defined as those having annual water or wastewater revenues of less than \$200,000 ~~\$150,000~~. Copies of these systems of accounts may be purchased from the office of said Association. Post Office Box 684, Washington, D.C. 20044.

~~(2) Accounts 469 and 530 - Guaranteed Revenues for water and wastewater utilities respectively is created effective January 1, 1986. This account shall be credited with revenue collected through Guaranteed Revenues or the Allowance for Funds Prudently Invested.~~

Specific Authority: 367.121(1)(b)(f), F.S.

Law Implemented: 367.121(1)(b), F.S.

History: Amended 2-3-70, 9-12-74, 1-2-79, 8-21-79, 9-6-85, formerly 25-10.04, Transferred from 25-10.004 11-9-86, _____.

NAME OF PERSON ORIGINATING PROPOSED RULE: Marshall Willis

NAME OF SUPERVISOR OR PERSONS WHO APPROVED THE PROPOSED RULE:

Florida Public Service Commission.

DATE PROPOSED RULE APPROVED: JUNE 10, 1997

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAW:

NOVEMBER 22, 1996

If any person decides to appeal any decision of the Commission with respect to any matter considered at the rulemaking hearing, if held, a record of the hearing is necessary. The appellant must ensure that a verbatim record, including testimony and evidence forming the basis of the appeal is made. The Commission usually makes a verbatim record of rulemaking hearings.

Any person requiring some accommodation at this hearing because of a physical impairment should call the Division of Records and Reporting at (904) 413-6770 at least five calendar days prior to the hearing. If you are hearing or speech impaired, please contact the Florida Public Service Commission using the Florida Relay Service, which can be reached at: 1-800-955-8771 (TDD).

M E M O R A N D U M

January 31, 1997

TO: DIVISION OF APPEALS (MOORE)

FROM: DIVISION OF RESEARCH AND REGULATORY REVIEW (LEWIS) *KW CBH P A Med*

SUBJECT: STATEMENT OF ESTIMATED REGULATORY COSTS FOR PROPOSED AMENDMENT TO RULE 25-30.115, UNIFORM SYSTEM OF ACCOUNTS FOR WATER AND WASTEWATER UTILITIES, FAC.

SUMMARY OF THE RULE

The present rule requires conformance with the 1984 National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA). The proposed rule amendment would require water and wastewater utilities to maintain their accounts and records in conformity with the 1996 USOA adopted by NARUC. NARUC published separate uniform systems of accounts for three classes of water and wastewater utilities. A utility company's operating revenues determine whether it is a class A, B, or C utility. The NARUC USOA increased the amount of operating revenues used to define each of the three classes. The proposed amendment also strikes language dealing with accounts 469 and 530, as these accounts are now included within the 1996 NARUC USOA.

ESTIMATED NUMBER AND DESCRIPTION OF INDIVIDUALS AND ENTITIES REQUIRED TO COMPLY

All 279 regulated water and wastewater companies operating in Florida are required to comply with the proposed rule amendment.

DIRECT COSTS TO THE AGENCY AND OTHER STATE OR LOCAL GOVERNMENT ENTITIES

Adoption of the proposed rule amendment should result in no additional costs to the Commission or other state or local government entities. Utilities are already required to conform with the 1984 NARUC USOA. Requiring conformance with the 1996 NARUC USOA should not cause additional costs to the Commission or other state or local government entities.

ESTIMATED TRANSACTIONAL COSTS TO INDIVIDUALS AND ENTITIES REQUIRED TO COMPLY

Data requests were sent to all class A (11) and class B (37) water and wastewater companies and a representative sampling (38) of class C companies. Responses were received from two class C utilities (S&L Utilities, Inc. and Kingsway Properties, Inc.), and three class B utilities (North Fort Myers Utility, Inc., Ortega Utility Company,

and South Seas Utility Company). Florida Water Services Corporation (formerly Southern States Utilities, Inc.) was the only class A utility that responded.

All but one of the class B and C utilities that responded indicated there would be minimal or no additional costs to comply with the proposed rule amendment. North Fort Myers Utility, Inc. stated it would experience a one-time program cost of \$1,500. North Fort Myers Utility, Inc. is a class B utility and is not a small business as defined in s. 288.703, F.S.

Florida Water Services Corporation (Florida Water) estimated that it would incur additional costs of \$15,000 to \$25,000 during the initial year of implementation to achieve the proper classifications of accounts required by the proposed rule amendment. According to the company, these costs would be administrative (primarily labor). Florida Water indicated the costs would be for adding new accounts to comply, and specifically referenced the new accounts as: (1) a new water plant account to separately account for backflow prevention devices; (2) new wastewater plant accounts to separately account for reuse facilities used to produce reclaimed water; and (3) power generation equipment. However, the company does not anticipate significant ongoing costs once the accounts are set up. Florida Water anticipates it would have insignificant or no compliance costs associated with the other accounting changes referenced in the proposed rule and also recognized that it might perform some of the new accounting procedures during the coming year regardless of whether the proposed rule amendment becomes effective.

Florida Water's main concern appears to be with the definition of "reuse." The company's opinion is that an overly broad definition of reuse will cause more costs to be incurred for compliance than would a narrower definition. The company stated that its estimate of costs for complying with the proposed rule assumed that reuse is defined in accordance with the Florida Department of Environmental Protection's (FDEP) Rules 62-610.200(49) and 62-610.81, FAC. Florida Water stated, "Additional costs would be incurred if at some future time the Commission defines reuse in a way inconsistent with FDEP's definition after Florida Water has committed to FDEP's definition for booking purposes." Although Florida Water acknowledged that many of the proposed changes to the USOA were minor and would serve a useful purpose, it also argued that the Commission's definition of reuse would determine whether the proposed accounting for reuse would be beneficial. The company suggests that the Commission adopt and incorporate the FDEP definition of reuse into its rules by reference.

IMPACT ON SMALL BUSINESSES, SMALL COUNTIES, OR SMALL CITIES

Although both class C utilities and one of the class B utilities stated that it met the statutory definition of a small business (s. 288.703, F.S.), all reported that the proposed rule amendment would have little or no impact on them. In fact, the USOA contains different requirements for small utility companies, as it has published separate USOAs for the three classes of water and wastewater utilities. No impact is foreseen on small counties and cities as defined in s. 120.52, F.S. Therefore, there would be no need for tiered rule requirements.

REASONABLE ALTERNATIVE METHODS

Florida Water was the only company to offer an alternative method of accomplishing the requirements of the proposed rule amendment. Again, the company linked its concerns to the definition of reuse and stated, "If the proposed accounting for reuse does not serve a beneficial purpose, there would be no need for such a rule and the lower cost alternative would be to not have a rule." However, having no rule would not accomplish staff's stated objective of requiring regulated water and wastewater companies to comply with the 1996 revised NARUC Uniform System of Accounts. Without this requirement, utility companies would not be using the most up-to-date account allocations; and cost savings that might otherwise result would not be realized, nor would staff receive the breakdown of information it needs for analysis of financial data. Additionally, if the Commission did not have a rule requiring accounts to be reported in a uniform manner, the utilities would not be able to properly account for various costs nor would the staff receive uniform reports from the utilities. The result might be added expense to rate cases caused by having to separate out reuse costs and other account information not readily available under the 1984 system of accounts.

KDL:tf/e-usoaww