

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed adoption of Rule 25-30.4575,  
F.A.C., Operating Ratio Methodology.

DOCKET NO. 20180141-WS  
ORDER NO. PSC-2019-0056-NOR-WS  
ISSUED: February 8, 2019

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman  
JULIE I. BROWN  
DONALD J. POLMANN  
GARY F. CLARK  
ANDREW GILES FAY

NOTICE OF RULEMAKING

BY THE COMMISSION:

NOTICE is hereby given that the Florida Public Service Commission, pursuant to Section 120.54, Florida Statutes, has proposed the adoption of Rule 25-30.4575, Operating Ratio Methodology, Florida Administrative Code, relating to application of the operating ratio methodology for certain water and wastewater companies in staff assisted rate cases.

The attached Notice of Proposed Rule appeared in the February 7, 2019, edition of the Florida Administrative Register.

Written requests for hearing and written comments on the rule must be received by the Office of Commission Clerk, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0862, no later than February 28, 2019.

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By ORDER of the Florida Public Service Commission this 8th day of February, 2019.



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Adam J. Teitzman  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
[www.floridapsc.com](http://www.floridapsc.com)

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

AEH

Notice of Proposed Rule

**PUBLIC SERVICE COMMISSION**

RULE NO:        RULE TITLE:

25-30.4575      Operating Ratio Methodology

PURPOSE AND EFFECT: To codify the Commission's use of the operating ratio methodology for water and wastewater utilities in staff assisted rate cases.

Docket No. 20180141-WS

SUMMARY: The operating ratio methodology assists the small water and wastewater utilities in staff assisted rate cases by substituting operation and maintenance expenses for rate base in calculating the amount of return component of revenue requirement. The operating ratio methodology will only be used for those utilities whose rate base is no greater than 125 percent of operation and maintenance expenses and will only be used for utilities that continue to qualify for a staff assisted rate case. The operating ratio methodology allows eligible utilities to receive margin of 12 percent of the utility's operation and maintenance expenses. Eligible utilities will not receive more than a \$15,000 margin.

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 subsection 120.541(2), FS, and concluded that the rule will not have an adverse impact on economic growth, business competitiveness, or small business and that there would likely be transactional cost savings to the individual and entities, including government entities, required to comply with the rule

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: 367.0814(9) FS.

LAW IMPLEMENTED: 367.0814(9) 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: Adria Harper, Office of General Counsel, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, (850)413-6082, aharper@psc.state.fl.us

THE FULL TEXT OF THE PROPOSED RULE IS:

25-30.4575 Operating Ratio Methodology.

(1) Under the operating ratio methodology, instead of calculating the utility's revenue requirement based on a rate of return on the utility's rate base, the revenue requirement includes the utility's operating expenses plus a margin of 12 percent of the utility's operation and maintenance expenses. For utilities that are resellers, purchased water and purchased wastewater expenses will be removed from operation and maintenance expense before the 12 percent margin is applied. The operating ratio adjustment shall be no more than \$15,000.

(2) In rate cases processed under Rule 25-30.455, F.A.C, the Commission will use the operating ratio methodology to establish the utility's revenue requirement when:

(a) The utility's rate base is no greater than 125% of operation and maintenance expenses; and

(b) The use of the operating ratio methodology does not change the utility's qualification for a staff assisted rate case under subsection 25-30.455(1), F.A.C.

Rulemaking Authority 367.0814(9) FS. Law Implemented 367.0814(9) FS. History- New \_\_\_\_\_.

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NAME OF PERSON ORIGINATING PROPOSED RULE: Cissy Galloway

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

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: February 5, 2019.

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAR: Volume 43, Number 229,  
November 29, 2017.