

STORAGE NAME: h1745
DATE: March 22, 2001

HOUSE OF REPRESENTATIVES
FISCAL RESPONSIBILITY COUNCIL
ANALYSIS

BILL #: HB 1745
RELATING TO: Water & Water Utilities
SPONSOR(S): Fiscal Responsibility and Representative Johnson

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) FISCAL RESPONSIBILITY COUNCIL YEAS 19 NAYS 0
 - (2)
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

This legislation replaces a current program where each water/wastewater utility regulated by the Public Service Commission (PSC) has a prescribed service territory, with a territorial dispute resolution process, similar to the way service areas are done in the electric utility industry and raises the size threshold of water/wastewater utilities regulated by the PSC. It moves the threshold for regulation by the PSC from 100 persons to 500 persons.

This legislation allows a reduction of \$258,011 and 6.5 full-time equivalent positions in the PSC from the Florida Public Service Regulatory Trust Fund.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Service Territories-

The PSC currently prescribes the service territory in which a water/wastewater utility is authorized to provide service. A specific legal description is authorized for each utility. Once a certificate of authorization is granted, the utility may not serve outside its authorized territory without prior approval through an amendment process. The utility is protected from encroachment from other utilities; however, the utility is obligated to provide service to any customer, upon request, in its certificated area. Currently, the PSC receives approximately 15 applications each year from utilities seeking approval to amend service territories to serve new developments.

Small Systems Exemption-

Section 367.022, F.S., provides for exemption from regulation by the PSC for certain types of water/wastewater utilities. Currently, Section 367.022(6), F.S., provides for exemption from regulation for small systems with the capacity or proposed capacity to serve 100 or fewer persons. Based on 3.5 persons in a typical home, this equates to approximately 28 residential customers in a typical neighborhood. Under current law, there is no economic regulation of the small systems below this threshold.

C. EFFECT OF PROPOSED CHANGES:

This bill has two sections. The first part amends several sections of Chapter 367, F.S., to replace a current program where each water/wastewater utility regulated by the PSC has a prescribed service territory, with a territorial dispute resolution process, similar to the way service areas are done in the electric utility industry. The second part of the bill amends sections of Chapter 367, F.S., to raise the size threshold of water/wastewater utilities regulated by the PSC. Each section of the bill is analyzed as follows:

Service Territories-

The proposed change would replace the program of establishing prescribed service territories for regulated water/wastewater utilities with a program where utilities could expand through territory agreements with other utilities to the extent possible. Territorial disputes between utilities could be

resolved by the PSC through a dispute resolution process similar to the process that is currently used in the electric industry. The bill provides that in resolving the territorial dispute, the PSC may consider, but not be limited to, factors such as the ability of the utility to expand service within its own capabilities, the nature of the area involved, the ability to provide service, the need for service, and the existence of service from other sources near the area in dispute.

Small Systems Exemption-

The proposed change in the bill would raise the size threshold for regulation by the PSC from 100 persons to 500 persons. The bill also grants county governments the ability to set rates for small systems that are below the PSC regulatory threshold. It is estimated that 32 water and 22 wastewater utilities that are currently regulated by the PSC will no longer be regulated at the state level as a result of this bill. It should be noted that the language in the bill provides that the county may set rates for the very small systems, but does not require the county to set the rates. Using the estimate of 3.5 persons in a typical home, this change would exempt a utility from PSC regulation serving a community with 143 or fewer homes.

These changes, if approved, will reduce the revenues received from water and wastewater utilities into the Florida Public Service Regulatory Trust Fund in the form of fees filed with applications for amendment of service territories of approximately \$20,000, and regulatory assessment fees paid by small systems of approximately \$42,000. PSC staffing and costs associated with these areas will be reduced by 6.5 FTEs and approximately \$258,000.

D. SECTION-BY-SECTION ANALYSIS:

See Effect of Proposed Changes.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

This bill reduces revenues deposited in the Florida Public Service Regulation Trust Fund by \$62,000.00 annually.

2. Expenditures:

This bill reduces authorized FTE's by 6.5 positions in the PSC. The associated funding reductions are noted below:

	<u>01-02</u>	<u>02-03</u>
Salary & Benefits	(\$216,021)	(\$216,021)
Expenses	(\$41,990)	(\$41,990)
Total	\$258,011	\$258,011

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

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2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None

D. FISCAL COMMENTS:

None

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill does not reduce the authority of counties or municipalities to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None

B. RULE-MAKING AUTHORITY:

None

C. OTHER COMMENTS:

None

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None

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VII. SIGNATURES:

FISCAL RESPONSIBILITY COUNCIL:

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