

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for 1996 ) DOCKET NO. 961356-WS  
price index and pass-through ) ORDER NO. PSC-96-1563-FOF-WS  
rate adjustment for water and ) ISSUED: December 23, 1996  
wastewater service in Pasco )  
County by Lindrick Service )  
Corporation. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman  
J. TERRY DEASON  
JOE GARCIA  
JULIA L. JOHNSON  
DIANE K. KIESLING

ORDER ACKNOWLEDGING PRICE INDEX  
AND PASS-THROUGH RATE ADJUSTMENT

BY THE COMMISSION:

Lindrick Service Corporation (Lindrick or utility) is a Class B utility which provides water and wastewater services to approximately 3,467 customers in New Port Richey, Florida. According to the utility's 1995 annual report, Lindrick had operating revenues of \$583,545 and a net loss of \$163,575 for the water system, and operating revenues of \$605,249 and net income of \$7,485 for the wastewater system.

Pursuant to Sections 367.081(4) (a) and (b), Florida Statutes, a price index and pass-through rate adjustment may be implemented without a hearing. However, the increase may be refunded and the rates reduced accordingly, if, after reviewing the utility's annual financial report, the Commission determines that the utility exceeded the range of its last authorized rate of return on equity. Currently, the utility is under investigation for possible overearning in 1994 and 1995.

On October 14, 1996 Lindrick notified the Commission of its intent to implement a 1996 price index and purchased water/wastewater National Pollutant Discharge Elimination System fee pass-through rate adjustment pursuant to Sections 367.081(4) (a) and (b), Florida Statutes. The application, as submitted, met the minimum filing requirements of Rules 25-30.420 and 25-30.425, Florida Administrative Code, and October 14, 1996 was established as the official filing date.

DOCUMENT NUMBER-DATE

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FPSO-RECORDS/REPORTING

By Order No. PSC-96-0177-FOF-WS, issued by this Commission on February 9, 1996, in Docket No. 960005-WS, the rates of water and wastewater utilities are subject to adjustment as a result of the price index to certain utility operation and maintenance costs. The indexing factor is 2.49 percent.

The information presented in the utility's application was based upon 1995 operation and maintenance (O&M) expenses and 1995 annualized revenues. However, the utility did not deduct purchased power cost of \$21,811 for water and \$35,746 for wastewater from the O&M expenses. These costs are pass-through costs which should not be indexed in accordance with 367.081(4)(a), Florida Statutes. Accordingly, we have deducted these respective costs from the water and wastewater O&M expenses.

Our staff conducted an engineering investigation to determine the quality of service provided by the utility. Pursuant to this investigation, our staff determined that there were no outstanding complaints on file against the utility in the Division of Consumer Affairs. However, although the Florida Department of Environmental Protection had no formal citations or corrective orders pending against this utility, the utility had failed to meet certain discharge requirements and FDEP had relinquished jurisdiction to the United States Environmental Protection Agency (EPA).

On December 29, 1994, the EPA, Region IV, issued an Administrative Order (Order No. 95-010) against Lindrick for violations of Sections 301(a) and 402(a) of the Clean Water Act. In response to this Order, the utility was required to conduct a Toxicity Reduction Evaluation (TRE) which cost the utility \$15,000.

In its application for an Index and Pass-through rate adjustment, the utility requested that the full amount of \$15,000 be passed through as wastewater expenses. Upon further review, we discovered that the majority of this amount related to engineering data acquisition, treatment plant performance evaluation, and recommendations for treatment modifications to reduce toxicity and not the cost of testing. Of the \$15,000 total, only \$3,750 of the cost was for wastewater quality testing and qualified as a pass-through cost pursuant to Section 367.081(4)(b), Florida Statutes. Also, we have amortized that cost over five years, and, therefore, only \$750 of the requested \$15,000 cost qualifies as a pass-through cost. The utility concurs with these adjustments.

Based upon the above adjustments, we have calculated increase factors of 1.0237 and 1.0192 for water and wastewater, respectively. The schedule of our computation is as follows:

1996 Price Index and Pass-through Calculation  
Test Year Ended December 31, 1995

	<u>WATER</u>	<u>WASTEWATER</u>
1995 Operation and Maintenance Expenses	\$685,399	\$528,341
Less:		
(A) Pass through items:		
1. Purchased power	(21,811)	(35,746)
2. Purchased water	(470,003)	0
3. Purchased sewage treatment	0	0
4. DEP required testing	0	0
(B) Rate case expense included in 1995 expenses	0	0
© Adjustments to O&M expenses from last rate case:		
1.	0	0
2.	0	0
3.	<u>0</u>	<u>0</u>
Costs to be indexed	\$193,585	\$492,595
Multiply by change in GNP implicit price deflator index	<u>x 0.0249</u>	<u>x 0.0249</u>
Subtotal	\$ 4,820	\$ 12,266
Additional pass through items	<u>+ 9,296</u>	<u>+ 750</u>
Total additional O&M expenses	\$ 14,116	\$ 13,016
Divide by expansion factor for regulatory assessment fees	<u>- 0.955</u>	<u>- 0.955</u>
Increase in revenue	\$ 14,781	\$ 13,629
Divide by 1995 revenue	<u>-622,558</u>	<u>-709,344</u>
Percentage increase in rates	<u>2.37%</u>	<u>1.92%</u>
Increase Factor	<u>1.0237</u>	<u>1.0192</u>

Applying the increase factors of 1.0237 for water and 1.0192 for wastewater to the utility's existing rate schedules results in

increased revenues of \$14,781 for water and \$13,629 for wastewater. The rates set forth below shall become effective for service rendered on or after December 13, 1996. The notice to the customers shall be mailed prior to the effective date.

Rates which will allow the utility to recognize these increases are as follows:

WATER  
MONTHLY RATE  
RESIDENTIAL SERVICE

<u>METER SIZE</u>	<u>EXISTING</u>	<u>NEW</u>
5/8 X 3/4"	\$ 4.35	\$ 4.45
1"	10.89	11.15
1 1/2"	21.77	22.29
2"	34.82	35.65
3"	69.65	71.30
4"	108.85	111.43
6"	217.65	222.81
8" (Compound)	348.35	356.61
8" (Turbine)	391.88	401.17
Gallage Charge per 1,000 gallons	\$ 2.09	\$ 2.14

GENERAL SERVICE

<u>METER SIZE</u>	<u>EXISTING</u>	<u>NEW</u>
5/8 X 3/4"	\$ 4.35	\$ 4.45
1"	10.89	11.15
1 1/2"	21.77	22.29
2"	34.82	35.65
3"	69.65	71.30
4"	108.85	111.43
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8" (Compound)	348.35	356.61
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WASTEWATER  
MONTHLY RATE  
RESIDENTIAL SERVICE

<u>METER SIZE</u>	<u>EXISTING</u>	<u>NEW</u>
ALL METER SIZES	\$ 10.02	\$ 10.21
Gallonage Charge per 1,000 gallons (maximum 10,000 gals)	\$ 2.00	\$ 2.04

GENERAL SERVICE

<u>METER SIZE</u>	<u>EXISTING</u>	<u>NEW</u>
5/8 X 3/4"	\$ 10.02	\$ 10.21
1"	25.07	25.55
1 1/2"	50.15	51.11
2"	80.23	81.77
3"	160.47	163.55
4"	250.71	255.52
6"	501.43	511.06
8" (Compound)	801.92	817.32
8" (Turbine)	902.16	919.48
Gallonage Charge per 1,000 gallons	\$ 2.00	\$ 2.04

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the indexing and pass-through application of Lindrick Service Corporation, as modified in this Order, is hereby acknowledged. It is further

ORDERED that Lindrick Service Corporation shall submit revised tariff sheets containing the new rates indicated in this Order. It is further

ORDERED that the rates contained herein shall become effective for service rendered on or after December 13, 1996, provided that the notice has been mailed prior to the effective date. It is further

ORDERED that this docket shall be closed administratively upon our staff's verification that Lindrick Service Corporation has filed revised tariff sheets and a customer notice.

ORDER NO. PSC-96-1563-FOF-WS  
DOCKET NO. 961356-WS  
PAGE 6

By ORDER of the Florida Public Service Commission, this 23rd  
day of December, 1996.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

by: Kay Flynn  
Chief, Bureau of Records

( S E A L )

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.