

FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

M E M O R A N D U M

January 25, 1996

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM : DIVISION OF WATER AND WASTEWATER (MANN, CASEY) *PC*
DIVISION OF LEGAL SERVICES (VACCARO) *W* *Y* *W* *CS*

RE : DOCKET NO.: 960005-WS
CASE: ANNUAL REESTABLISHMENT OF PRICE INCREASE OR
DECREASE INDEX FOR MAJOR CATEGORIES OF OPERATING COSTS
INCURRED BY WATER AND WASTEWATER UTILITIES PURSUANT TO
SECTION 367.081(4)(a), FLORIDA STATUTES.

AGENDA : 02/06/96 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PARTIES MAY PARTICIPATE

CRITICAL DATES : MARCH 31, 1996 - STATUTORY REESTABLISHMENT
DEADLINE

SPECIAL INSTRUCTIONS : I:\PSC\WAW\WP\960005-WS.RCM

DOCUMENT NUMBER-DATE

00899 JAN 25 88

FPSC-RECORDS/REPORTING

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CASE BACKGROUND

Since March 31, 1981, pursuant to the guidelines established by Section 367.081(4)(a), Florida Statutes, and Rule 25-30.420, Florida Administrative Code, the Commission has been required to establish a price index increase or decrease for major categories of operating costs on or before March 31st of each year.

This recommendation calculates the 1996 price index by using a fiscal year four quarter comparison ending with the third quarter 1995, as was done for the 1995 Price Index. The recommendation compares the change in the average Gross Domestic Product Implicit Price Deflator Index for two fiscal years ending with the third quarter 1995. The U.S. Department of Commerce, Bureau of Economic Analysis, released updated third quarter figures on January 19, 1996.

Subsequent to March 31, 1981, the Commission has received and processed (to date) 2,028 index applications. Attached as Appendix "D" to this recommendation is a review of the price index program for water and wastewater utilities.

DISCUSSION OF ISSUES

ISSUE 1: What categories of operating costs should be subject to the index?

RECOMMENDATION: All operation and maintenance expenses should be indexed with the exception of:

- a) Pass-through items pursuant to Section 367.081(4)(b);
- b) Any amortization of rate case expense; and
- c) Disallowances or adjustments made in an applicant's most recent rate proceeding. (MANN, CASEY)

STAFF ANALYSIS: Staff recommends that all operation and maintenance costs, except for costs subject to pass-through adjustments pursuant to Section 367.081(4)(b), Florida Statutes, amortization of rate case expense, and adjustments or disallowances from a utility's most recent rate proceeding, should be subject to price increases or decreases as in preceding years. This will allow the utility to adjust its rates for those cost factors outside its control.

The pass-through adjustments include water quality testing for volatile organics and unregulated contaminants and wastewater quality testing required by the Department of Environmental Protection (DEP) pursuant to Rule 17-550.590, Florida Administrative Code. This pass-through provision does not provide for routine daily, weekly, or monthly testing currently included in utility rates.

Attached as Appendix "A" is a form which is recommended to be used to calculate the 1995 price level adjustments.

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ISSUE 2: Which index should be used?

RECOMMENDATION: The Gross Domestic Product Implicit Price Deflator Index is recommended for use in calculating price level adjustments. Staff recommends calculating the 1996 price index by using a fiscal year, four quarter comparison of the GDP Implicit Price Deflator Index ending with the third quarter 1995. (MANN, CASEY)

STAFF ANALYSIS: Commission Order No. PSC-95-0202-FOF-WS, issued February 10, 1995, established the Gross Domestic Product Implicit Price Deflator Index as the appropriate method of determining the water and wastewater price index and established the four quarter fiscal year comparison as the means to accomplish it. Staff recommends that the Gross Domestic Product Implicit Price Deflator Index remain the determinant for the 1996 water and wastewater price index and that the four quarter fiscal year comparison be maintained.

Pursuant to Section 367.081 (4)(a), Florida Statutes, the Commission by Order shall establish a price increase or decrease index for major categories of operating costs incurred by utilities subject to its jurisdiction reflecting the percentage of increase or decrease in such costs from the most recent 12-month historical data available. The GDP implicit price deflator is prepared by the U.S. Department of Commerce, Bureau of Economic Analysis, and preliminary 3rd Quarter figures were made available January 19, 1996.

Final 3rd quarter figures were scheduled to be released January 26, 1996. Because of budget and snowfall shutdowns of the U.S. Department of Commerce, along with a change in the benchmark base dollars from 1987 dollars to 1992 dollars, staff was notified on January 16th that third quarter 1995 final figures will not be released until late February. Therefore staff is recommending the use of the preliminary third quarter 1995 figures released by the U.S. Department of Commerce, Office of Economic Analysis, on January 19, 1996, which would satisfy the statutory requirement of using the most recent 12-month historical data available.

Staff believes there will be little or no effect on the index by using the preliminary third quarter 1995 figure. Staff discussed this with an U.S. Department of Commerce economist on January 16th and January 24th and she said that based on historical data, there would be little or no change between the preliminary and final 3rd quarter figures. An average of four quarters of the fiscal year ending 9/30/95 is used in the calculation, so there would have to be a sizeable difference in the final third quarter

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figure to make a material difference in the index. In the previous years index docket, there was no change between the preliminary and final third quarter figure. If there should be a major difference between the initial and final third quarter 1995 figures, staff could make an adjustment on next years index.

An analysis of all of the major indices selected for review by Staff is as follows:

Historical Results of U.S. Government Indicators

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995*</u>	<u>Average</u>
GDP Implicit Price Deflator	4.06	3.30	2.63	2.06	1.87	2.78
Consumer Price Index	3.20	2.60	2.50	3.00	2.60	2.78
Producers Price Index	(2.00)	1.50	0.60	1.90	3.80	1.16
Producers Index for Hardware	3.00	2.10	1.90	1.80	2.80	2.32
Producers Index for Chemical	(0.60)	(2.00)	-0-	10.4	19.9	5.54

* Data based on most recent 12 months available.

Projection of GDP Price Deflator

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>Average</u>
Data Resources, Inc.	4.00	2.90	2.20	2.10	1.90	2.62

Operational Analysis

The following table indicates historical participation in the index, pass-through program:

PERCENTAGE OF JURISDICTIONAL WATER AND WASTEWATER UTILITIES TAKING ADVANTAGE OF THE INDEX, PASS-THROUGH PROGRAM

<u>PERCENTAGE</u>	<u>YEAR</u>
12%	1981

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PERCENTAGE OF JURISDICTIONAL WATER AND WASTEWATER UTILITIES
TAKING ADVANTAGE OF THE INDEX, PASS-THROUGH PROGRAM, CONTINUED

<u>PERCENTAGE</u>	<u>YEAR</u>
20%	1982
23%	1983
25%	1984
26%	1985
34%	1986
35%	1987
28%	1988
24%	1989
38%	1990
35%	1991
32%	1992
40%	1993
39%	1994
31%	1995 (to date)

During 1983, Staff designed a package (Appendix "C") to be attached to the final order and mailed to every regulated water and wastewater utility. As a result of this mailing, the number of questions regarding what the index and pass-through rate adjustments are, how to apply for an adjustment, and what needs to be filed in order to meet the filing requirements have significantly decreased, while the number of cases filed has increased. Appendix "C" has been updated and expanded as necessary since 1983.

Staff Research in Establishing the 1996 Index

In keeping with past practices, Staff has explored a number of alternatives which could be used to calculate the indexing of

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utility revenues. A summary of previous and current staff research of this area is presented below. The major utility concerns, as summarized from utility input in previous hearings, are that:

- 1) Inflation should be a major factor in determining the index;
- 2) Nationally published indices should be vital to this determination;
- 3) Major categories of expenses are labor, chemicals, sludge-hauling, materials and supplies, maintenance, transportation, and treatment expense;
- 4) An area wage survey, Dodge Building Cost Index, Consumers Price Index, and the GDP Implicit Price Deflator should be considered;
- 5) A broad measure index should be used;
- 6) The index procedure should be easy to administer.

Based upon this information, a number of alternatives to indexing were explored by Staff:

- 1) Survey of Regulated Water and Wastewater Utilities,
- 2) Consumer Price Index,
- 3) Florida Price Index,
- 4) Producer's Price Index - previously the Wholesale Price Index,
- 5) Gross Domestic Product Implicit Price Deflator (replacing the Gross National Product Implicit Price Deflator),
- 6) Forecasts of the Data Resources Institute.

The Consumer Price Index and the Florida Price Level Index have been rejected because of their limited degree of applicability to the water and wastewater industry. Both of these price indices are based upon comparing the advance in prices of a limited number of general goods and, therefore, appear to have limited application to water and wastewater utilities.

The Survey of Regulated Water and Wastewater Utilities was also rejected because using the results of a survey would allow utilities to pass on to customers all cost increases, thereby reducing the incentives in promoting efficiency and productivity.

The remaining indices appear to be possible alternatives in the price indexing process.

Categorical Indices

In addition to these overall indices, Staff has also considered the possibility of identifying specific categorical indices which may be applied to the various categories of operating expense. Staff notes that, due to the way the old NARUC system of accounts summarized financial information, various types of expenditures were co-mingled according to the operations of the utility. For example, transportation costs, labor costs, record-keeping, supplies, and materials costs may all be placed under one general category - Maintenance. Because of this mixing of expenses and an absence of indices which are industry specific, it was difficult to find specific measures and forecasts which are appropriate to the water and wastewater industry without requesting a complete restructuring of utility financial data. The new NARUC Uniform System of Accounts has eliminated a majority of the mixing of expenses for A and B classes, however, several accounts (i.e., contractual services) can still contain various types of expenses. Findings to date as to categorical indices are as follows:

Categorical Indices

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
<u>Labor</u>						
DRI Labor - Nonfarm (Projection)	3.50	2.30	1.70	0.70	1.50	2.90
<u>Operations</u>						
PPI Chemicals	(.6)	(2.0)	1.80	10.4	19.9	----
DRI - Chemical Industry (Projection)	1.60	0.30	1.80	3.10	9.10	2.90
<u>Maintenance</u>						
PPI - Hardware	3.00	2.10	1.90	1.80	2.80	----

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DRI - Metal & Metal
Products
(Projection)

(2.2) (.80) -0- 4.60 8.30 1.80

Historical Analysis of the Annual Price Index
for Water and Wastewater Utilities

The following information provides an historical perspective of the of the annual price index.

<u>YEAR</u>	<u>ANNUAL COMMISSION APPROVED INDEX</u>	<u>YEAR</u>	<u>ANNUAL COMMISSION APPROVED INDEX</u>
1981	8.99%	1989	4.35%
1982	9.02%	1990	4.12%
1983	5.99%	1991	4.12%
1984	4.25%	1992	3.63%
1985	3.76%	1993	3.33%
1986	3.33%	1994	2.56%
1987	2.69%	1995	1.95%
1988	2.89%		

Based upon the above analysis, there does not appear to be a reason to change from the use of the same index as has been used in the previous year.

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ISSUE 3: What should the 1996 Price Index for water and wastewater utilities be?

RECOMMENDATION: The 1996 Price Index for water and wastewater utilities should be 2.49% (MANN, CASEY)

STAFF ANALYSIS: The U.S. Department of Commerce, Bureau of Economic Analysis, released the preliminary third quarter 1995 figures on January 19, 1996. The percentage change in the GDP Implicit Price Deflator Index using the four quarter fiscal year comparison ending with the third quarter is 2.49%. This number was calculated as follows using a benchmark of 1992 dollars =100:

Four quarter GDP Index average ending 9/30/95	<u>106.93</u>
Four quarter GDP Index average ending 9/30/94	<u>104.33</u>
Difference	<u>2.60</u>
Divided by 9/30/94 Index	<u>104.33</u>
1996 Price Index	<u>2.49%</u>

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ISSUE 4: How should the utilities provide annualized revenues for indexing purposes?

RECOMMENDATION: The Commission should continue utilizing the present format presented as Appendix "B." (MANN, CASEY)

STAFF ANALYSIS: There is a need for the utilities to annualize their revenues in order to comply with Rule 25-30.420(2)(f), Florida Administrative Code. In previous years, the final order included a sample format and instructions for annualizing revenue. Staff recommends that the sample format as presented on Appendix "B" continue to be utilized in the final order.

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ISSUE 5: How should the utilities be informed of the indexing requirements?

RECOMMENDATION: The Division of Records and Reporting should be directed to mail each regulated water and wastewater utility a copy of the PAA order establishing the index which will contain the information presented in Appendix "C." A cover letter from the Director of the Water and Wastewater Division should accompany the Order (Attachment 1). (MANN, CASEY)

STAFF ANALYSIS: An estimated 70% of the regulated water and wastewater utilities have utilized the index adjustments since 1981. It is recommended that the package presented in Appendix "C" be included in the final order and that the PAA order and final order be sent to every regulated water and wastewater utility.

In an effort to increase the number of water and wastewater utilities taking advantage of the annual price index and pass-through, staff is recommending a brief cover letter from the Director of Water and Wastewater to accompany the final order and explain how simple the index and pass-through application is and that commission staff is available to assist them if they find the application too difficult. Our experience has shown that some water and wastewater utilities find Commission Orders intimidating and don't take the time to read the annual Price Index Order which is sent to them.

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ISSUE 6: How many copies of the index and/or pass-through application should be filed?

RECOMMENDATION: Six (6) copies of the index and/or pass-through application should be filed directly with the Division of Water and Wastewater. (MANN, CASEY)

STAFF ANALYSIS: Six (6) copies of the index and/or pass-through application should be filed with the Division of Water and Wastewater, consistent with changes in the Florida Public Service Commission Administrative Procedures effective September 1, 1989.

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ISSUE 7: Should the Commission require that any protest to the Notice of Proposed Agency Action in this docket, be filed with the Commission within fourteen days of the issuance of that notice?

RECOMMENDATION: Yes, the Commission should require that any protest to the Notice of Proposed Agency Action (PAA Order) in this docket, be filed with the Commission within fourteen days of the issuance of the PAA Order. Furthermore, the PAA Order should provide notice that any party filing the protest should be required to file their prefiled, direct testimony along with their protest. (VACCARO)

STAFF ANALYSIS: As stated in the case background, Section 367.081 (4), Florida Statutes, requires the Commission to set a price increase or decrease index for major categories of operating costs on or before March 31st of each year. As was done in 1995, this price index recommendation compares the change in the average Gross Domestic Product Implicit Price Deflator Index for the two previous fiscal years ending with the third quarter. The U.S. Department of Commerce was scheduled to release its final, third quarter figures on January 26, 1996.

Because of budget and snowfall shutdowns of the U.S. Department of Commerce, along with a change in the benchmark base dollars from 1987 dollars to 1992 dollars, staff was notified by the U.S. Department of Commerce on January 16th that the final 3rd quarter figures will not be available until late February. Staff is recommending the use of the preliminary third quarter 1995 figure released on January 19, 1996, which would satisfy the statutory requirement of using the most recent 12-month historical data available.

The first Agenda Conference after receiving these figures will be February 6, 1996. The PAA Order is scheduled to be issued on February 9th. In the event of a protest to the PAA Order, staff would be required to provide a final recommendation to the Commission at the March 19th Agenda Conference, in order to meet the March 31st deadline. To meet the March 19th Agenda Conference, staff would be required to file its recommendation on March 7th. Therefore, any protest to the PAA Order would have to be resolved between February 9th and March 7th, a total of twenty seven days.

Rule 25-22.029, Florida Administrative Code, provides that for good cause shown, the Commission may provide that the time for requesting a Section 120.57, Florida Statutes hearing shall be fourteen days from the issuance of the PAA Order. Therefore, given the limited time in which to resolve a potential protest of the PAA Order, staff recommends that the Commission require any protest to

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the PAA Order in this docket be filed within fourteen days of the issuance of the Order, and that any party filing the protest should be required to prefile testimony with the protest.

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ISSUE 8: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed if no substantially affected person files a timely protest within the 14 day protest period after issuance of the Commission Order.
(VACCARO, MANN, CASEY)

ALTERNATE STAFF ANALYSIS: If no timely protest is received within fourteen days from the date of the Commission order, no further action will be required and this docket should be closed.

APPENDIX 'A'

1996 PRICE INDEX APPLICATION
 TEST YEAR ENDED DECEMBER 31, 1995

DEP PWS ID NO. _____	<u>WATER</u>	<u>WASTEWATER</u>
DEP WWTP ID NO. _____		
*1995 Operation and Maintenance Expenses	\$	\$
LESS:		
(a) Pass-through Items:		
(1) Purchased Power		
(2) Purchased Water		
(3) Purchased Wastewater Treatment		
** (4) DEP Required Water Testing		
*** (5) DEP Required Wastewater Testing		
(6) NPDES Fees		
(b) Rate Case Expense Included in 1995 Expenses		
(c) Adjustments to O & M Expenses from last rate case, if applicable:		
(1)	_____	_____
(2)	_____	_____
Costs to be Indexed	\$	\$
Multiply by change in GDP Implicit Price Deflator Index	_____	_____
	.0249	.0249
Indexed Costs	\$	\$
****Add Pass-Through Items:		
(1)		
(2)		
Divide Index and Pass-Through Sum by Expansion Factor for Regulatory Assessment Fees	_____	_____
	.955	.955
Increase in Revenue	\$	\$
*****Divide by 1995 Revenue	_____	_____
Percentage Increase in Rates	_____	_____

EXPLANATORY NOTES APPEAR ON THE FOLLOWING PAGE

APPENDIX 'A'

- * This amount must match 1995 annual report.
- ** Testing for volatile organic and unregulated contaminants per DEP Rule 17-550.590 F.A.C. and lead and copper testing per DEP Rule 17-551.450, F.A.C.
- *** Routine daily, weekly, or monthly testing required by the Department of Environmental Protection (DEP) not currently included in the utility's rates.
- **** This may include an increase in purchased power, purchased water, purchased wastewater treatment, required DEP testing, and ad valorem taxes, providing that those increases have been incurred within the 12 month period prior to the submission of the pass-through application. Pass-through NPDES fees and increases in regulatory assessment fees are eligible as pass-through costs but not subject to the twelve month rule. DEP water and wastewater testing pass-throughs require invoices. See Chapter 25-30.425 F.A.C. (included in this order) for more information.
- ***** If rates changed after January 1, 1995, the book revenues must be adjusted to show the changes and an explanation of the calculation should be attached to this form. See Appendix 'B' for instructions and a sample format.

APPENDIX 'B'

Have the rates charged for customer services changed since January 1, 1995?

() If no, the utility should use actual revenues. This form may be disregarded.

() If yes, the utility must annualize its revenues. Read the remainder of this form.

Annualizing calculates the revenues the utility would have earned based upon 1995 customer consumption at the most current rates in effect. To complete this calculation, the utility will need consumption data for 1995 to apply to the existing rate schedule. Below is a sample format which may be used.

CALCULATION OF ANNUALIZED REVENUES*

Consumption Data for 1995

	<u>Number of</u>	<u>Current</u>	<u>Annualized</u>
	<u>Bill/Gal. Sold</u>	<u>X Rates</u>	<u>Revenues</u>
Residential Service:			
Bills: 5/8"x3/4" meters
1" meters
1 1/2" meters
2" meters
Gallons Sold
General Service:			
Bills: 5/8"x3/4" meters
1" meters
1 1/2" meters
2" meters
3" meters
4" meters
6" meters
Gallons Sold
Total Annualized Revenues for 1995			\$ _____

* Annualized revenues must be calculated separately if the utility consists of both a water system and a wastewater system. This form is designed specifically for utilities using a base facility charge rate structure. If annualized revenues must be calculated and further assistance is needed, contact the Commission Staff at (904) 413-6900.

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APPENDIX 'C'

PRICE INDEX ADJUSTMENTS IN RATES

Section 367.081(4)(a), (c), (d), and (e), Florida Statutes
Rule 25-30.420, Florida Administrative Code
Sample Affirmation Affidavit
Notice to Customers

Sections 367.081(4) (a), (c), (d), and (e), Florida Statutes

(4) (a) On or before March 31 of each year, the commission by order shall establish a price increase or decrease index for major categories of operating costs incurred by utilities subject to its jurisdiction reflecting the percentage of increase or decrease in such costs from the most recent 12-month historical data available. The commission by rule shall establish the procedure to be used in determining such indices and a procedure by which a utility, without further action by the commission, or the commission on its own motion, may implement an increase or decrease in its rates based upon the application of the indices to the amount of the major categories of operating costs incurred by the utility during the immediately preceding calendar year, except to the extent of any disallowances or adjustments for those expenses of that utility in its most recent rate proceeding before the commission. The rules shall provide that, upon a finding of good cause, including inadequate service, the commission may order a utility to refrain from implementing a rate increase hereunder unless implemented under a bond or corporate undertaking in the same manner as interim rates may be implemented under s. 367.082. A utility may not use this procedure between the official filing date of the rate proceeding and 1 year thereafter, unless the case is completed or terminated at an earlier date. A utility may not use this procedure to increase any operating cost for which an adjustment has been or could be made under paragraph (b), or to increase its rates by application of a price index other than the most recent price index authorized by the commission at the time of filing.

(c) Before implementing a change in rates under this subsection, the utility shall file an affirmation under oath as to the accuracy of the figures and calculations upon which the change in rates is based, stating that the change will not cause the utility to exceed the range of its last authorized rate of return on equity. Whoever makes a false statement in the affirmation required hereunder, which statement he does not believe to be true in regard to any material matter, is guilty of a felony of the third degree, punishable as provided in s. 775.082, s. 775.083, or s. 775.084.

(d) If, within 15 months after the filing of a utility's annual report required by s. 367.121, the commission finds that the utility exceeded the range of its last authorized rate of return on equity after an adjustment in rates as authorized by this subsection was implemented within the year for which the report was filed or was implemented in the preceding year, the commission may order the utility to refund, with interest, the difference to the ratepayers and adjust rates accordingly. This provision shall not be construed to require a bond or corporate undertaking not otherwise required.

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Sections 367.081(4)(a), (c), (d), and (e), Florida Statutes, cont.

(e) Notwithstanding anything herein to the contrary, a utility may not adjust its rates under this subsection more than two times in any 12-month period. For the purpose of this paragraph, a combined application or simultaneously filed applications that were filed under the provisions of paragraphs (a) and (b) shall be considered one rate adjustment.

Rule 25-30.420, Florida Administrative Code

25-30.420 Establishment of Price Index, Adjustment of Rates; Requirement of Bond; Filings After Adjustment; Notice to Customers.

(1) The Commission shall, on or before March 31 of each year, establish a price increase or decrease index as required by section 367.081(4)(a), F. S.

(a) In determining major categories of operating costs to which the index will apply, the Commission may consider whether the cost category is material to the operation of water and wastewater utilities, whether the cost category is applicable to all utilities regardless of size and geographic location, and whether sufficient data is available regarding price increases or decreases.

(b) In establishing price indices for major categories of operating costs, the Commission may consider cost statistics compiled by government agencies or bodies, cost data supplied by utility companies or other interested parties, applicable wage and price guidelines, or other relevant available data.

(2) Any utility seeking to increase or decrease its rates based upon the application of the indices established pursuant to subsection (1) and as authorized by section 367.081(4)(a), F. S., shall file a notice of intention with the Commission at least 60 days prior to the effective date of the increase or decrease. The adjustment in rates shall take effect on the date specified in the notice of intention unless the Commission finds that the notice of intention or accompanying materials do not comply with the law, or the rules or orders of the Commission. The notice shall be accompanied by:

- (a) Revised tariff sheets;
- (b) A computation schedule showing the increase or decrease in annual revenue that will result when the index is applied;
- (c) The affirmation required by section 367.081(4)(c), F. S.;
- (d) A copy of the notice to customers required by subsection

(6);

(e) The rate of return that the utility is affirming it will not exceed pursuant to section 367.081(4)(c), F. S.;

(f) An annualized revenue figure for the test year used in the index calculation reflecting the rate change, along with an explanation of the calculation, if there has been any change in the utility's rates during or subsequent to the test year.

(3) The Commission, upon its own motion, may implement an increase or decrease in the rates of a utility based upon the application of the indices established pursuant to subsection (1) and as authorized by section 367.081(4)(a), F. S. The Commission may require a utility to file any of the information required in subsection (2).

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Rule 25-30.420, F.A.C., cont.

(4) Upon a finding of good cause, the Commission may require that a rate increase pursuant to section 367.081(4)(a), F. S., be implemented under a bond of corporate undertaking in the same manner as interim rates. For purposes of this subsection, "good cause" shall include:

(a) Inadequate service by the utility;

(b) Inadequate record-keeping by the utility such that the Commission is unable to determine whether the utility is entitled to implement the rate increase or decrease under this rule.

(5) After a rate adjustment pursuant to this rule, the Commission may require a utility to file with it such information required in Rule 25-30.436, F. A. C., that is necessary to determine whether the utility has exceeded its last authorized rate of return.

(6) Prior to the time a customer begins consumption at the rates established by application of the index, the utility shall notify each customer of the increase (or decrease) authorized and explain the reasons therefor.

(7) No utility shall implement a rate increase pursuant to this rule unless the utility has on file with the Commission a current annual report as required by Rule 25-30.110(3), F. A. C.

(8) No utility shall implement a rate increase pursuant to this rule within one year of the official date that it filed a rate proceeding, unless the rate proceeding has been completed or terminated.

Specific Authority 367.081(4)(a) FS.
Law Implemented 367.081(4)(a) FS.
History--New 4-5-81, Amended 9-16-82, Formerly 25-10.185,
Amended 11-10-86, 6-5-91.

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AFFIRMATION

I, _____, hereby affirm that the figures and calculations upon which the change in rates is based are accurate and that the change will not cause _____ to exceed the range of its last authorized rate of return, which is _____.

This affirmation is made pursuant to my request for a 1995 price index and/or pass-through rate increase, in conformance with Section 367.081(4)(c), Florida Statutes.

Signature: _____
Title:

Sworn to and subscribed before me this _____ day of _____, 19____.

My Commission expires:

(SEAL)

Notary Public
State of Florida

DOCKET NO. 960005-WS
JANUARY 25, 1996

NOTICE TO CUSTOMERS

Pursuant to Section 367.081 (4) (a), Florida Statutes, water and wastewater utilities are permitted to adjust, twice a year, the rates and charges to its customers without those customers bearing the additional expense of a public hearing. These adjustments in rates would depend on increases or decreases in noncontrollable expenses subject to inflationary pressures such as chemicals, and other general operation and maintenance costs.

On _____, _____
(date) (name of company)

filed its notice of intention with the Florida Public Service Commission to increase water and wastewater rates in _____ County pursuant to this Statute. The filing is subject to review by the Commission Staff for accuracy and completeness. If acknowledged by the Commission, water rates will increase by approximately _____% and wastewater rates by _____%. These rates should be reflected on your _____ bill.
(date)

If you should have any questions, please contact your local utility office. Be sure to have your account number handy for quick reference.

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APPENDIX 'C'

PASS-THROUGH RATE ADJUSTMENTS

Section 367.081(4)(b), Florida Statutes
Rule 25-30.425, Florida Administrative Code
Waiver Form
Sample Affirmation Affidavit
Notice to Customers

Section 367.081(4)(b), Florida Statutes

(b) The approved rates of any utility which receives all or any portion of its utility service from a governmental authority or from a water or wastewater utility regulated by the commission and which redistributes that service to its utility customers shall be automatically increased or decreased without hearing, upon verified notice to the commission 45 days prior to its implementation of the increase or decrease that the rates charged by the governmental authority or other utility have changed. The approved rates of any utility which is subject to an increase or decrease in the rates or fees that it is charged for electric power, the amount of ad valorem taxes assessed against its used and useful property, the fees charged by the Department of Environmental Protection in connection with the National Pollutant Discharge Elimination System Program, or the regulatory assessment fees imposed upon it by the commission shall be increased or decreased by the utility, without action by the commission, upon verified notice to the commission 45 days prior to its implementation of the increase or decrease that the rates charged by the supplier of the electric power or the taxes imposed by the governmental authority, or the regulatory assessment fees imposed upon it by the commission have changed. The new rates authorized shall reflect the amount of the change of the ad valorem taxes or rates imposed upon the utility by the governmental authority, other utility, or supplier of electric power, or the regulatory assessment fees imposed upon it by the commission. The approved rates of any utility shall be automatically increased, without hearing, upon verified notice to the commission 45 days prior to implementation of the increase that costs have been incurred for water quality or wastewater quality testing required by the Department of Environmental Protection. The new rates authorized shall reflect, on an amortized basis, the cost of, or the amount of change in the cost of, required water quality or wastewater quality testing performed by laboratories approved by the Department of Environmental Protection for that purpose. The new rates, however, shall not reflect the costs of any required water quality or wastewater quality testing already included in a utility's rates. A utility may not use this procedure to increase its rates as a result of water quality or wastewater quality testing or an increase in the cost of purchased water services, sewer services, or electric power or in assessed ad valorem taxes, which increase was initiated more than 12 months before the filing by the utility. The provisions of this subsection do not prevent a utility from seeking a change in rates pursuant to the provisions of subsection (2).

Rule 25-30.425, Florida Administrative Code

25-30.425 Pass Through Rate Adjustment. The verified notice to the Commission of an adjustment of rates under the provisions of section 367.081(4)(b), F. S., shall be made in the following manner:

(1) Prior to an adjustment in rates because of an increase or decrease in purchased utility service, the utility shall file:

(a) A certified copy of the order, ordinance or other evidence whereby the rates for utility service are increased or decreased by the governmental agency or by a water or wastewater utility regulated by the Commission.

(b) A statement setting out by month the charges for utility services purchased from the governmental agency or regulated utility for the most recent 12-month period.

(c) 1. A statement setting out by month the gallons of water or wastewater treatment purchased from the governmental agency or regulated utility for the most recent 12-month period. If wastewater treatment service is not based on a metered flow, the number of units by which the service is measured shall be stated.

2. A statement setting out by month gallons of water and units of wastewater service sold by the utility for the most recent 12-month period.

(d) A statement setting out by month the gallons of water or wastewater treatment purchased from any other government entity or utility company.

(e) A statement setting out by month the gallons of water pumped or wastewater treated by the utility filing the verified notice.

(f) If the total water available for sale is in excess of 110% of the water sold, a statement explaining the unaccounted for water.

(2) Prior to an adjustment in rates because of an increase or decrease in the charge for electric power the utility shall file with the Commission:

(a) A certified copy of the order, ordinance or other evidence which establishes that the rates for electric power have been increased or decreased by the supplier.

(b) A schedule showing, by month, the charges for electric power and consumption for the most recent 12 month period, the charges that would have resulted had the new electric rates been applied, and the difference between the charges under the old rates and the charges under the new rates.

(c) A statement outlining the measures taken by the utility to conserve electricity.

(3) Prior to an adjustment in rates because of an increase or decrease in ad valorem taxes the utility shall file with the Commission:

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Rule 25-30.425, F.A.C., cont.

(a) A copy of the ad valorem tax bills which increased or decreased and copies of the previous three years' bills; if copies have been submitted previously, a schedule showing the tax total only is acceptable; and

(b) A calculation of the amount of the ad valorem taxes related to that portion of the water or wastewater plant not used and useful in providing utility service.

(4) Prior to an adjustment in rates because of an increase or decrease in the costs of water quality or wastewater quality testing required by the Department of Environmental Regulation, the company shall file with the Commission:

(a) A copy of the invoice for testing;

(b) Calculation of the amortized amount.

(5) In addition to (1), (2) and (3) above, the utility shall also file:

(a) A schedule of proposed rates which will pass the increased or decreased costs on to the customers in a fair and nondiscriminatory manner and on the basis of current customers, and a calculation showing how the rates were determined;

(b) A statement, by class of customer and meter size, setting out by month the gallons of water and units of wastewater service sold by the utility for the most recent 12 month period. This statement shall not be required in filings for the pass through of increased regulatory assessment fees or ad valorem taxes.

(c) The affirmation reflecting the authorized rate of return required by section 367.081(4)(c), F. S.; and

(d) A copy of the notice to customers required by subsection (7) of this rule;

(e) Revised tariff sheets reflecting the increased rates; and

(f) The rate of return that the utility is affirming it will not exceed pursuant to section 367.081(4)(c), F. S.

(6) In order for the Commission to determine whether a utility which had adjusted its rates pursuant to section 367.081(4)(b), F. S., has thereby exceeded the range of its last authorized rate of return, the Commission may require a utility to file the information required in Rule 25-30.437, F. A. C., for the test year specified.

(7) Prior to the time a customer begins consumption at the adjusted rates, the utility shall notify each customer of the increase authorized and explain the reasons for the increase.

(8) The official date of filing for the verified notice to the Commission of adjustment in rates shall be at least 45 days before the new rates are implemented.

Specific Authority 367.121(1)(f) FS.

Law Implemented 367.081(4)(b) FS.

History--New 6-10-75, Amended 4-5-79, 4-5-81, 10-21-82,

Formerly 25-10.179, Amended 11-10-86, 6-5-91.

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WAIVER

_____ hereby waives the right to implement a pass-through rate increase within 45 days of filing, as provided by Section 367.081(4)(b), Florida Statutes, in order that the pass-through and index rate increase may both be implemented together 60 days after the official filing date of this notice of intention.

Signature: _____

Title:

(To be used if an index and pass-through rate increase are requested jointly.)

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AFFIRMATION

I, _____, hereby affirm that the figures and calculations upon which the change in rates is based are accurate and that the change will not cause _____ to exceed the range of its last authorized rate of return, which is _____.

This affirmation is made pursuant to my request for a 1994 price index and/or pass-through rate increase, in conformance with Section 367.081(4)(c), Florida Statutes.

Signature: _____
Title:

Sworn to and subscribed before me this _____ day of _____, 19____.

My Commission expires:

(SEAL)

Notary Public
State of Florida

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NOTICE TO CUSTOMERS

Pursuant to Section 367.081 (4) (b), Florida Statutes, water and wastewater utilities are permitted to pass through, without a public hearing, a change in rates resulting from: an increase or decrease in rates charged for utility services received from a governmental agency or another regulated utility and which services were redistributed by the utility to its customers; an increase or decrease in the rates that it is charged for electric power, the amount of ad valorem taxes assessed against its used and useful property, the fees charged by the Department of Environmental Protection in connection with the National Pollutant Discharge Elimination System Program, or the regulatory assessment fees imposed upon it by the Commission; and costs incurred for water quality or wastewater quality testing required by the Department of Environmental Protection.

On _____, _____
(date) (name of company)
filed its notice of intention with the Florida Public Service Commission to increase water and wastewater rates in _____ County pursuant to this Statute. The filing is subject to review by the Commission Staff for accuracy and completeness. If acknowledged by the Commission, water rates will increase by approximately _____% and wastewater rates by _____%. These rates should be reflected on your _____ bill.
(date)

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NOTICE TO CUSTOMERS (cont'd)

If you should have any questions, please contact your local utility office. Be sure to have your account number handy for quick reference.

APPENDIX "D"

Review of the Price Index Program for
Water and Wastewater Utilities

Since March 31, 1981, the Commission has received and processed 1,869 index applications. Overall results of these filings are broken down by type of service rendered, index period, and company size.

Water Systems - 1981

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	40	\$ 542,707
C	9	49,816
D	<u>3</u>	<u>1,254</u>
Totals	<u>52</u>	<u>\$ 612,547</u>

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	12	\$ 379,777
C	10	55,211
D	<u>5</u>	<u>5,485</u>
Totals	<u>35</u>	<u>\$ 440,473</u>

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Water Systems - 1982

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	28	\$ 790,855
C	19	113,095
D	<u>21</u>	<u>49,465</u>
Totals	<u>68</u>	<u>\$ 953,415</u>

Wastewater Systems - 1982

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	24	\$ 685,180
C	20	115,129
D	<u>2</u>	<u>32,460</u>
Totals	<u>59</u>	<u>\$ 832,769</u>

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Water Systems - 1983

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	26	\$ 496,045
C	23	110,984
D	<u>21</u>	<u>34,762</u>
Totals	<u>70</u>	<u>\$ 642,350</u>

Wastewater Systems - 1983

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	24	\$ 450,787
C	16	67,981
D	<u>17</u>	<u>35,926</u>
Totals	<u>57</u>	<u>\$ 554,694</u>

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Water Systems - 1984

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	27	\$ 409,714
C	29	107,012
D	<u>17</u>	<u>10,747</u>
Totals	<u>73</u>	<u>\$ 527,473</u>

Wastewater Systems - 1984

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	23	\$ 410,854
C	26	88,248
D	<u>14</u>	<u>12,255</u>
Totals	<u>63</u>	<u>\$ 509,462</u>

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Water Systems - 1985

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	27	\$ 466,923
C	20	74,136
D	<u>21</u>	<u>14,479</u>
Totals	<u>68</u>	<u>\$ 555,538</u>

Wastewater Systems - 1985

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	19	\$ 336,637
C	23	86,854
D	<u>18</u>	<u>17,621</u>
Totals	<u>60</u>	<u>\$ 441,112</u>

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Water Systems - 1986

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	22	\$ 298,015
C	23	84,466
D	<u>25</u>	<u>15,555</u>
Totals	<u>70</u>	<u>\$ 398,036</u>

Wastewater Systems - 1986

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	18	\$ 284,479
C	20	64,471
D	<u>23</u>	<u>19,561</u>
Totals	<u>61</u>	<u>\$ 368,511</u>

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Water Systems - 1987

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	11	\$ 260,369
B	22	103,815
C	<u>36</u>	<u>34,468</u>
Totals	<u>69</u>	<u>\$ 398,652</u>

Wastewater Systems - 1987

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	11	\$ 275,390
B	22	97,196
C	<u>27</u>	<u>34,458</u>
Totals	<u>60</u>	<u>\$ 407,044</u>

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Water Systems - 1988

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	10	\$ 305,437
B	17	106,132
C	<u>39</u>	<u>41,027</u>
Totals	<u>66</u>	<u>\$ 452,596</u>

Wastewater Systems - 1988

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	8	\$ 303,609
B	19	123,431
C	<u>28</u>	<u>35,121</u>
Totals	<u>55</u>	<u>\$ 462,161</u>

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Water Systems - 1989

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	8	\$ 282,253
B	17	72,676
C	<u>39</u>	<u>80,493</u>
Totals	<u>53</u>	<u>\$ 355,003</u>

Wastewater Systems - 1989

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	9	\$ 355,003
B	12	123,527
C	<u>28</u>	<u>92,755</u>
Totals	<u>61</u>	<u>\$ 571,285</u>

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Water Systems - 1990

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	11	\$ 245,164
B	23	163,080
C	<u>55</u>	<u>95,873</u>
Totals	<u>89</u>	<u>\$ 504,117</u>

Wastewater Systems - 1990

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	11	\$ 471,550
B	31	230,586
C	<u>40</u>	<u>67,878</u>
Totals	<u>82</u>	<u>\$ 770,014</u>

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Water Systems - 1991

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	6	\$ 237,386
B	18	181,907
C	<u>52</u>	<u>148,111</u>
Totals	<u>76</u>	<u>\$ 567,404</u>

Wastewater Systems - 1991

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	6	\$ 304,794
B	20	251,882
C	<u>43</u>	<u>166,581</u>
Totals	<u>69</u>	<u>\$ 723,257</u>

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Water Systems - 1992

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	8	\$ 243,176
B	19	146,353
C	<u>51</u>	<u>97,810</u>
Totals	<u>78</u>	<u>\$ 487,339</u>

Wastewater Systems - 1992

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	7	\$ 348,010
B	27	247,519
C	<u>38</u>	<u>78,110</u>
Totals	<u>72</u>	<u>\$ 673,639</u>

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Water Systems - 1993

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	15	\$ 676,146
B	24	149,809
C	<u>60</u>	<u>92,729</u>
Totals	<u>99</u>	<u>\$ 918,684</u>

Wastewater Systems - 1993

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	13	\$ 589,278
B	30	229,288
C	<u>31</u>	<u>56,811</u>
Totals	<u>74</u>	<u>\$ 875,377</u>

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Water Systems - 1994

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	19	\$ 474,857
B	18	93,007
C	<u>50</u>	<u>59,841</u>
Totals	<u>87</u>	<u>\$ 627,705</u>

Wastewater Systems - 1994

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	16	\$ 477,564
B	22	128,496
C	<u>39</u>	<u>45,879</u>
Totals	<u>77</u>	<u>\$ 651,939</u>

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Water Systems - 1995 (To Date)

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	16	\$ 321,193
B	13	69,375
C	<u>38</u>	<u>40,906</u>
Totals	<u>67</u>	<u>\$ 431,474</u>

Wastewater Systems - 1995 (To Date)

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	15	\$ 550,681
B	20	123,648
C	<u>23</u>	<u>27,881</u>
Totals	<u>58</u>	<u>\$ 702,210</u>

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



DIVISION OF WATER &
WASTEWATER
CHARLES HILL
DIRECTOR
(904) 413-6900

Public Service Commission

February 6, 1996

To All Florida Public Service
Commission Regulated Water
And Wastewater Utilities

Re: Docket No. 960005-WS - 1996 Price Index

Dear Utility Owner:

Since March 31, 1981, pursuant to the guidelines established by Section 367.081(4)(a), Florida Statutes, and Rule 25-30.420, Florida Administrative Code, the Commission has been required to establish a price index increase or decrease for major categories of operating costs. The intent of this rule is to insure that inflationary pressures are not detrimental to utility owners, and that any possible deflationary pressures are not adverse to rate payers. By keeping up with index and pass-through adjustments, utility operations can be maintained at a level sufficient to insure quality of service for the rate payers.

It is the practice of Commission staff that all operation and maintenance expenses should be indexed with the exception of:

- a) Pass-through items pursuant to Section 367.081(4)(b);
- b) Any amortization of rate case expense; and
- c) Disallowances or adjustments made in an applicant's most recent rate proceeding.

Upon the filing of a request for an index and or pass through increase, staff will review the application and modify existing rates accordingly. If for no other reason than to keep up with escalating costs, utilities throughout the State should file for this rate relief on an annual basis. During 1983, staff designed a package to be attached to the final order and mailed to every regulated water and wastewater utility. This package will answer questions regarding what the index and pass-through rate adjustments are, how to apply for an adjustment, and what needs to be filed in order to meet the filing requirements. While this increase for any given year may be minor (see chart on following page), the long run effect of keeping current with rising costs can be substantial.

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<u>YEAR</u>	<u>ANNUAL COMMISSION APPROVED INDEX</u>	<u>YEAR</u>	<u>ANNUAL COMMISSION APPROVED INDEX</u>
1981	8.99%	1988	2.89%
1982	9.02%	1989	4.35%
1983	5.99%	1990	4.12%
1984	4.25%	1991	4.12%
1985	3.76%	1992	3.63%
1986	3.33%	1993	3.33%
1987	2.69%	1994	2.56%
		1995	1.95%

Our staff is available should you need assistance with your filing (904-413-6900). If you have any questions, please do not hesitate to call.

Yours truly,

Charles H. Hill
Director

Enclosures