

FLORIDA PUBLIC SERVICE COMMISSION  
Capital Circle Office Center • 2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

M E M O R A N D U M

November 20, 1996

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

FROM: DIVISION OF WATER & WASTEWATER (IWENJIORA, T. DAVIS) *Al CFA AD OB*  
DIVISION OF LEGAL SERVICES (JAEGER) *JH*

RE: DOCKET NO. 961356-WS - LINDRICK SERVICE CORPORATION -  
1996 PRICE INDEX AND PURCHASED WATER/NPDES FEES PASS-  
THROUGH RATE ADJUSTMENT FOR WATER AND WASTEWATER  
COUNTY: PASCO

AGENDA: DECEMBER 2, 1996 - REGULAR AGENDA - TARIFF FILING -  
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY EFFECTIVE DATE: DECEMBER 13, 1996

SPECIAL INSTRUCTIONS: S:\PSC\WAW\WP\961356WS.RCM

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CASE BACKGROUND

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.

By statute, a price index and pass-through rate adjustment may be implemented without a hearing. However, the increase may be rolled back 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. Therefore, in accordance with APM 2.07C.16.m., the utility's 1996 price index and pass-through rate adjustment must be docketed and taken before the Commission.

DOCUMENT NUMBER-DATE

12397 NOV 20 96

FPSC-RECORDS/REPORTING

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### DISCUSSION OF ISSUES

ISSUE 1: Should the Commission acknowledge the implementation of a 1996 price index and purchased water/wastewater National Pollutant Discharge Elimination System (NPDES) fee pass-through for Lindrick Service Corporation ?

RECOMMENDATION: Yes. The Commission should acknowledge the implementation of the utility's 1996 price index and purchased water/wastewater NPDES fee pass-through rate adjustment designed to generate \$14,781 in additional water revenues and \$12,935 in additional wastewater revenues.

STAFF ANALYSIS: On October 14, 1996 Lindrick Service Corporation notified the Commission of its intent to implement a 1996 price index and purchased water/NPDES fee pass-through rate adjustment pursuant to Section 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 (FAC), and October 14, 1996 was established as the official filing date.

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 and purchased sewage treatment cost of \$62,369 from the O&M expenses. These costs are pass-through costs which should not be indexed in accordance with 367.081(4)(a), F.S.. Accordingly, staff deducted these costs from the water and wastewater O&M expenses, respectively. Further, the wastewater pass-through item was reduced to \$750 instead of the \$15,000 requested by the utility as discussed below. The utility concurs with staff's adjustments. Therefore, the increase factors of 1.0237 for water and 1.0182 for wastewater should be applied to the utility's existing rate schedules resulting in increased water revenues of \$14,781 and increased wastewater revenues of \$12,935.

An engineering investigation was undertaken to determine the quality of service. Pursuant to Rule 25-30.420, FAC; the engineering aspects of the above mentioned application have been reviewed and the following is noted below.

(1) No outstanding complaints were on file for the utility in the Division of Consumer Affairs.

(2) The Florida Department of Environmental Protection (FDEP) has no formal citations or corrective orders pending against this utility. The water utility purchases its water from the City of

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New Port Richey and is subject to limited sampling for chemical monitoring. Violations have occurred with the wastewater utility in meeting current discharge requirements. The utility has failed in their efforts to meet certain discharge requirements which has impacted United States waters causing the FDEP to relinquish 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 Service Corporation 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.

With the utility's application for an Index and Pass-through rate adjustment, it was requested that the full amount of \$15,000 be passed through as wastewater expenses. Upon further review, it was noted that the majority of this amount related to engineering data acquisition, treatment plant performance evaluation, and recommendations for treatment modifications to reduce toxicity. Of the \$15,000 total, \$3,750 of the cost related to testing for toxic substances which qualify as "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.", Section 367.081(4)(b), Florida Statutes. The \$3,750 for testing of toxic substances should be amortized over a period of five (5) years. Therefore, only \$750 of the requested \$15,000 cost qualifies as a pass-through cost.

There are complaints and/or corrective orders on file at the Department of Environmental Protection (DEP). In addition, the EPA has an administrative order pending against the utility. However, based on staff's findings, the engineer recommends that the price index and pass-through rate adjustment be acknowledged. The schedule of our computation is as follows:

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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)	0
2. Purchased water	(470,003)	0
3. Purchased sewage treatment	0	(62,369)
4. DEP required testing		0
(B) Rate case expense included in 1995 expenses	0	0
(C) Adjustments to O&M expenses from last rate case:		
1.	0	0
2.	0	0
3.	0	0
	-----	-----
Costs to be indexed	\$193,585	\$465,972
Multiply by change in GNP implicit price deflator index	x 0.0249	x 0.0249
	-----	-----
Subtotal	\$ 4,820	\$ 11,603
Additional pass through items	+ 9,296	+ 750
	-----	-----
Total additional O&M expenses	\$ 14,116	\$ 12,353
Divide by expansion factor for regulatory assessment fees	- 0.955	- 0.955
	-----	-----
Increase in revenue	\$ 14,781	\$ 12,935
Divide by 1995 revenue	-622,558	-709,344
	-----	-----
Percentage increase in rates	2.37%	1.82%
	=====	=====
Increase Factor	1.0237	1.0182
	=====	=====

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Staff has applied increase factors of 1.0237 for water and 1.0182 for wastewater to the utility's existing rate schedules resulting in increased water revenues of \$14,781 and wastewater revenue of \$12,935. The rates set forth will become effective for service rendered on or after December 13, 1996. The notice to the customers should be mailed prior to the effective date.

Rates which will allow the utility to recognize this increase 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
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Gallage Charge per 1,000 gallons	\$ 2.09	\$ 2.14

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SEWER

MONTHLY RATE

RESIDENTIAL SERVICE

<u>METER SIZE</u>	<u>EXISTING</u>	<u>NEW</u>
ALL METER SIZES	\$ 10.02	\$ 10.20
Gallonge 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	\$ 10.20
1"	25.07	25.53
1 1/2"	50.15	51.06
2"	80.23	81.69
3"	160.47	163.39
4"	250.71	255.27
6"	501.43	510.56
8" (Compound)	801.92	816.51
8" (Turbine)	902.16	918.58
Gallonge Charge per 1,000 gallons	\$ 2.00	\$ 2.04

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ISSUE 2: Should the docket be closed?

RECOMMENDATION: Yes. This docket should be closed, upon staff's verification that the utility has filed revised tariff sheets and customer notice. (JAEGER)

STAFF ANALYSIS: The docket should be closed upon staff's verification that the utility has filed revised tariff sheets and customer notice.