

State of 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-**

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**DATE:** April 13, 2015  
**TO:** Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk  
**FROM:** Penelope Buys, Engineering Specialist, Division of Engineering *✓ PDB*  
**RE:** DN 140135-WS – Application for increase in water/wastewater rates in Pasco County by Labrador Utilities, Inc.

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Please file the attached correspondence in the correspondence side of the above mentioned docket file.

Thank you.

COMMISSIONERS:  
ART GRAHAM, CHAIRMAN  
LISA POLAK EDGAR  
RONALD A. BRISÉ  
JULIE I. BROWN  
JIMMY PATRONIS

STATE OF FLORIDA



DIVISION OF ENGINEERING  
TOM BALLINGER  
DIRECTOR  
(850) 413-6910

## Public Service Commission

April 13, 2015

Mr. Perry Nickerson  
5747 Viau Way  
Zephyrhills, FL 33504

**Re: Docket No. 140135-WS - Application for increase in water/wastewater rates in Pasco County by Labrador Utilities, Inc.**

Dear Mr. Nickerson:

Thank you for expressing your concerns and questions regarding the rate increase petition filed by Labrador Utilities, Inc. (Labrador or Utility). To ensure that the Commission staff and the Commissioners have knowledge of your concerns, your letter has been placed on the correspondence side of the docket file for all to review. Below are answers to your questions.

The Commission is required to set rates that are just, reasonable, compensatory, and not unfairly discriminatory and we use the rate of return methodology as set forth in Chapter 367, Florida Statutes. The Commission's staff examines the financial and engineering information filed by the Utility as part of its rate increase application. The costs that are examined are costs from a historical test year and large projects outside the test year. The wastewater treatment plant odor control project is one of the projects outside the test year. There are other projects that we examined which are incorporated into the rates. The increase that was stated during your meeting with the Utility was an estimate. It appears that estimate was originally based on the wastewater treatment plant odor control project, and did not include all the other factors and costs that staff examines during a rate case. Besides the large projects outside the test year, other factors that affect the cost of providing service include: the size and age of the Utility system; the cost of water and wastewater bulk services; the number of customers; and the geographic spread of the service area. All costs found to be imprudent or unreasonable are disallowed.

The number of customers identified in the special report was incorrect due to a scrivener's error. By our records, there are 856 residential and 6 general service customers for water service and 856 residential and 3 general service customers for wastewater service for this utility.

Mr. Perry Nickerson  
April 13, 2015  
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Labrador performed an interior and exterior inspection of the ground storage tank. It was deemed it would be less costly to replace the tank than to repair the tank. Labrador stated replacing the tank would also minimize interruptions to the services provide to the customers. Staff realizes that the moneys allocated in the last rate case for the tank maintenance were not all used by the company. The amount that was not used will not be allowed in our calculations for rates.

Last, I would like to explain why you incur charges even if you are not using water or wastewater services during certain months. Customers are charged a base facility charge and gallonage charge. The base facility charge is a flat charge that recovers the fixed costs of Utility service that remain the same each month regardless of consumption. The gallonage charge, recovers the variable costs associated with the Utility service such as electricity, chemicals, and labor. Therefore, even when you are away and not using water or wastewater services during certain months, the Utility still has fixed costs to maintain the water and wastewater systems.

We thank you for taking the time to express your concerns regarding the Utility's proposed rate increase. You may monitor the status of this docket by visiting the FPSC's website at [www.psc.state.fl.us](http://www.psc.state.fl.us). If you have any additional questions, or require further assistance, please call me by phone at (850) 413-6518 or by e-mail at [pbuys@psc.state.fl.us](mailto:pbuys@psc.state.fl.us).

Sincerely,



Penelope D. Buys  
Engineering Specialist  
Division of Engineering

PDB: tj

cc: Office of Commission Clerk (Docket No. 140135-WS)