

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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RECORDS AND REPORTING

**DATE:** JANUARY 6, 2000

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

**FROM:** DIVISION OF WATER AND WASTEWATER (GROOM, CASEY) *PKC*  
DIVISION OF LEGAL SERVICES (FUDGE) *MS*

**RE:** DOCKET NO. 000005-WS - 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:** 01/18/00 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** - MARCH 31, 2000 - STATUTORY REESTABLISHMENT DEADLINE

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\WAW\WP\000005WS.RCM

### 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 2000 price index by comparing the average Gross Domestic Product (GDP) Implicit Price Deflator Index for the fiscal year ending September 30, 1998 to the same index for the fiscal year ending September 30, 1999. This same procedure was used to determine the 1999 price index last year. The U.S. Department of Commerce, Bureau of Economic Analysis, released final third quarter figures on December 22, 1999.

DOCUMENT NUMBER-DATE

00160 JAN-68

FPSC-RECORDS/REPORTING

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Subsequent to March 31, 1981, the Commission has received and processed approximately 2,425 index applications. Attached as Appendix "B" of Attachment 1 to this recommendation is a review of the price index program for water and wastewater utilities.

DISCUSSION OF ISSUES

ISSUE 1: Which index should be used to determine price level adjustments?

RECOMMENDATION: The Gross Domestic Product (GDP) Implicit Price Deflator Index is recommended for use in calculating price level adjustments. Staff recommends calculating the 2000 price index by using a fiscal year, four quarter comparison of the GDP Implicit Price Deflator Index ending with the third quarter 1999.  
(GROOM, CASEY)

STAFF ANALYSIS: Commission Order No. PSC-99-0165-FOF-WS, issued January 26, 1999, established the Gross Domestic Product Implicit Price Deflator Index as the appropriate method of determining the 1999 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 2000 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 final 3rd Quarter figures were made available December 22, 1999.

In keeping with past practices, staff has explored a number of alternatives which could be used to calculate the indexing of 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 for calculating the index 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),

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

<u>Historical Results of U.S. Government Indicators</u>						
	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>Average</u>
GDP Implicit Price Deflator	1.87	2.49	2.13	2.10	1.21	1.96
Consumer Price Index	2.60	3.00	2.20	1.50	2.70	2.40
Producers Price Index	3.80	2.00	(0.90)	(2.97)	3.88	1.16
Producers Index for Hardware	2.80	1.60	1.50	0.75	1.83	1.70
Producers Index for Chemical	19.90	(1.20)	0.02	(6.48)	5.78	3.60

The Survey of Regulated Water and Wastewater Utilities was 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 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 Producers Price Index (PPI) is a family of indexes that measures the average change over time in selling prices received by domestic producers of goods and services. PPI measures price change from the prospective of the seller, not the purchaser, and was therefore rejected.

**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
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
34%	1995
34%	1996
36%	1997
32%	1998
25%	1999 (to date)

Staff designed a package (Form PSC/WAW 15 (4/99) and Appendix "A"), attached hereto as Attachment 1, to be mailed to every regulated water and wastewater utility with the Final Order. 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 to meet the filing requirements have significantly decreased. Form PSC/WAW 15 (4/99) has been created and Appendix "A" has been updated and expanded as necessary since 1983.

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

The following information provides a historical perspective 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%	1991	4.12%
1982	9.02%	1992	3.63%
1983	5.99%	1993	3.33%
1984	4.25%	1994	2.56%
1985	3.76%	1995	1.95%
1986	3.33%	1996	2.49%
1987	2.69%	1997	2.13%
1988	2.89%	1998	2.10%
1989	4.35%	1999	1.21%
1990	4.12%		

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. Therefore, staff recommends that the Commission continue to use the Gross Domestic Product Implicit Price Deflator Index to calculate water and wastewater price level adjustments.

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**ISSUE 2:** What should be the 2000 Price Index for water and wastewater utilities?

**RECOMMENDATION:** The 2000 Price Index for water and wastewater utilities should be 1.36%. (GROOM, CASEY)

**STAFF ANALYSIS:** The U.S. Department of Commerce, Bureau of Economic Analysis, released the final third quarter 1999 figures on December 22, 1999. The percentage change in the GDP Implicit Price Deflator Index using the four quarter fiscal year comparison ending with the third quarter is 1.36%. This number was calculated as follows using a benchmark of 1996 dollars = 100:

Four quarter GDP Index average ending 9/30/99	<u>103.95</u>
Four quarter GDP Index average ending 9/30/98	<u>102.56</u>
Difference	<u>1.39</u>
Divided by 9/30/98 GDP Index average	<u>102.56</u>
2000 Price Index	<u>1.36%</u>

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**ISSUE 3:** How should the utilities calculate and provide annualized revenues for indexing purposes?

**RECOMMENDATION:** The utilities should utilize Form PSC/WAW 15 (4/99). (GROOM, CASEY)

**STAFF ANALYSIS:** There is a need for the utilities to annualize their revenues 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 in Appendix A and B. The format and instructions for annualizing revenues are now included in the 2000 Price Index Application, Form PSC/WAW 15 (4/99), and should be used by the utilities to calculate annualized revenues for indexing purposes.



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**ISSUE 4:** 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 Form PSC/WAW 15 (4/99) and Appendix "A" (Attachment 1). A cover letter from the Director of the Water and Wastewater Division should accompany the Order (Attachment 2). (GROOM, CASEY)

**STAFF ANALYSIS:** It is recommended that the package presented in Form PSC/WAW 15 (4/99) and Appendix "A" (Attachment 1) be included in the final order and that the Proposed Agency Action (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 cover letter from the Director of Water and Wastewater accompany the final order to explain the purpose of the index and pass-through applications and that Commission staff is available to assist them. 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 5: 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 PAA Order. Any party filing a protest should be required to prefile testimony with the protest. (FUDGE)

STAFF ANALYSIS: Pursuant to an exception to Uniform Rule 28-106.111, Florida Administrative Code, "[t]he time for requesting a Section 120.569 or 120.57 hearing shall be 14 days from issuance of the PAA orders establishing a price index pursuant to Section 367.081(4)(a), Florida Statutes." Rule 25-22.029(1) Florida Administrative Code. Therefore, staff recommends that the Commission require any protest to the PAA Order in this docket be filed within 14 days of the issuance of the PAA Order, and that any party filing the protest should be required to prefile testimony with the protest.

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

FLORIDA PUBLIC SERVICE COMMISSION  
 2000 PRICE INDEX APPLICATION  
 TEST YEAR ENDED DECEMBER 31, 1999

DEP PWS ID NO. _____	<u>WATER</u>	<u>WASTEWATER</u>
DEP WWTP ID NO. _____		
*1999 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 1999 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	_____	_____
	.0136	.0136
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 1999 Revenue	_____	_____
Percentage Increase in Rates	%	%
	=====	=====

EXPLANATORY NOTES APPEAR ON THE FOLLOWING PAGE

PSC/WAW 15 (04/99)

PAGE 1 NOTES

- \* This amount must match 1999 annual report.
- \*\* Testing for volatile organic and unregulated contaminants pursuant to DEP Rule 62-550.590, F.A.C., and lead and copper testing pursuant to DEP Rule 62-551.450, 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 Rule 25-30.425, F.A.C. for more information.
- \*\*\*\*\* If rates changed after January 1, 1999, the book revenues must be adjusted to show the changes and an explanation of the calculation should be attached to this form. See Annualized Revenue Worksheet for instructions and a sample format.

ANNUALIZED REVENUE WORKSHEET

Have the rates charged for customer services changed since January 1, 1999?

( ) 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 1999 customer consumption at the most current rates in effect. To complete this calculation, the utility will need consumption data for 1999 to apply to the existing rate schedule. Below is a sample format which may be used.

CALCULATION OF ANNUALIZED REVENUES\*

Consumption Data for 1999

	<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 1999 \$                     

\* 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 (850)413-6900.

I, the undersigned owner/officer of the above-named utility, have read the foregoing and declare that, to the best of my knowledge and belief, the information contained in this application is true and correct.

I am aware that pursuant to section 837.06, F.S., whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree.

Utility Official \_\_\_\_\_ Title \_\_\_\_\_  
(Signature)

\_\_\_\_\_ Date \_\_\_\_\_  
(Name-Please Print)

Telephone Number \_\_\_\_\_

Fax Number \_\_\_\_\_

APPENDIX 'A'

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.

(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.

**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. The Division of Records and Reporting shall mail each regulated water and wastewater utility a copy of the proposed agency action order establishing the index for the year and a copy of the application. Form PSC/WAW 15 (4/99), entitled "Index Application", is incorporated into this rule by reference and may be obtained from the Commission's Division of Water and Wastewater. Applications for the newly established price index will be accepted from April 1 of the year the index is established through March 31 of the following year.

(a) The index shall be applied to all operation and maintenance expenses, except for amortization of rate case expense, costs subject to pass-through adjustments pursuant to section 367.081(4)(b), F.S., and adjustments or disallowances made in a utility's most recent rate proceeding.

(b) In establishing the price index, the Commission will consider cost statistics compiled by government agencies or bodies, cost data supplied by utility companies or other interested parties, and applicable wage and price guidelines.

(2) Any utility seeking to increase or decrease its rates based upon the application of the index established pursuant to subsection (1) and as authorized by section 367.081(4)(a), F.S., shall file an original and five copies of a notice of intention and the materials listed in (a) through (g) below with the Commission's Division of Water and Wastewater 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 on equity 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;

(g) The utility's Department of Environmental Protection Public Water System identification number and Wastewater Treatment Plant Operating Permit number.

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

(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 or corporate undertaking in the same manner as interim rates. For purposes of this subsection, "good cause" shall include:

(a) Inadequate service by the utility;



25-30.420 Establishment of Price Index, cont.

(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) 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.

(6) No utility shall file a notice of intention pursuant to this rule unless the utility has on file with the Commission an annual report as required by Rule 25-30.110(3), F.A.C., for the test year specified in the order establishing the index for the year.

(7) 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 350.127(2), 367.081(4)(a), 367.121(1)(c), 367.121(1)(f) FS.  
Law Implemented 367.081(4), 367.121(1)(c), 367.121(1)(g) FS.  
History--New 4-5-81, Amended 9-16-82, Formerly 25-10.185, Amended 11-10-86,  
6-5-91, 4-18-99.

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 2000 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 \_\_\_\_\_, 20\_\_.

My Commission expires:

(SEAL)

\_\_\_\_\_  
Notary Public  
State of Florida

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.

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).

**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, along with evidence of the utility service rates of that governmental agency or water or wastewater utility in effect on January 1 of each of the three preceding years.

(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, along with evidence of the electric power rates of the supplier in effect on January 1 of each of the three preceding years.

(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.

© 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:

(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 Protection (DEP), or because of an increase or decrease in the fees charged by DEP in connection with the National Pollutant Discharge Elimination System Program, the utility 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), (3), and (4) above, the utility shall also file:

**25-30.425 Pass Through Rate Adjustment, cont.**

(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;

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

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

(e) Revised tariff sheets reflecting the increased rates;

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

(g) The utility's DEP Public Water System identification number and Wastewater Treatment Plant Operating Permit number.

(6) The amount authorized for pass through rate adjustments shall not exceed the actual cost incurred and shall not exceed the incremental increase or decrease for the 12-month period. Foregone pass through decreases shall not be used to adjust a pass through increase below the actual cost incurred.

(7) 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.

(8) 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.

(9) The utility shall file an original and five copies of the verified notice and supporting documents with the Division of Water and Wastewater. The rates shall become effective 45 days after the official date of filing. 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 350.127(2), 367.121(1)(c), 367.121(1)(f) FS.

Law Implemented 367.081(4), 367.121(1)(c), 367.121(1)(g) 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, 4-18-99.

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.)

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 2000 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 \_\_\_\_\_, 20\_\_\_\_.

My Commission expires:

(SEAL)

\_\_\_\_\_  
Notary Public  
State of Florida



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)

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

APPENDIX "B"

Review of the Price Index Program for

Water and Wastewater Utilities

Since March 31, 1981, the Commission has received and processed approximately 2,425 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>

Wastewater Systems - 1981

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	12	\$ 379,777
C	10	55,211
D	<u>3</u>	<u>5,485</u>
Totals	<u>25</u>	<u>\$ 440,473</u>

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>46</u>	<u>\$ 832,769</u>

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>

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>

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	21	14,479
Totals	<u>68</u>	<u>\$ 555,538</u>

Wastewater Systems - 1985

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

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	25	15,555
Totals	<u>70</u>	<u>\$ 398,036</u>

Wastewater Systems - 1986

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

Water Systems - 1987

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	11	\$ 260,369
C	22	103,815
D	36	34,468
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	27	34,458
Totals	<u>60</u>	<u>\$ 407,044</u>

Water Systems - 1988

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A & B	10	\$ 305,437
C	17	106,132
D	39	41,027
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	28	35,121
Totals	<u>55</u>	<u>\$ 462,161</u>

Water Systems - 1989

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	8	\$ 282,253
B	17	72,676
C	39	80,493
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	28	92,755
Totals	<u>61</u>	<u>\$ 571,285</u>

Water Systems - 1990

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	11	\$ 245,164
B	23	163,080
C	55	95,873
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	40	67,878
Totals	<u>82</u>	<u>\$ 770,014</u>

Water Systems - 1991

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	6	\$ 237,386
B	18	181,907
C	52	148,111
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	43	166,581
Totals	<u>69</u>	<u>\$ 732,257</u>

Water Systems - 1992

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	8	\$ 243,176
B	19	146,353
C	51	97,810
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	38	78,110
Totals	<u>72</u>	<u>\$ 673,639</u>

Water Systems - 1993

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	15	\$ 676,146
B	24	149,809
C	60	92,729
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	31	56,811
Totals	<u>74</u>	<u>\$ 875,377</u>

Water Systems - 1994

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	19	\$ 474,857
B	18	93,007
C	50	59,841
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	39	45,879
Totals	<u>77</u>	<u>\$ 651,939</u>

Water Systems - 1995

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	16	\$ 321,193
B	15	73,916
C	41	42,334
Totals	<u>72</u>	<u>\$ 437,443</u>

Wastewater Systems - 1995

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	15	\$ 550,681
B	22	129,899
C	25	29,816
Totals	<u>62</u>	<u>\$ 710,396</u>

Water Systems - 1996

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	10	\$ 190,291
B	21	133,363
C	40	48,422
Totals	<u>71</u>	<u>\$ 372,076</u>

Wastewater Systems - 1996

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	7	\$ 236,795
B	29	225,293
C	21	28,695
Totals	<u>57</u>	<u>\$ 490,783</u>

Water Systems - 1997

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	6	\$ 292,453
B	9	60,990
C	56	86,588
Totals	<u>71</u>	<u>\$ 440,031</u>

Wastewater Systems - 1997

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	7	\$ 267,489
B	11	69,793
C	39	75,530
Totals	<u>57</u>	<u>412,812</u>

Water Systems - 1998

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	7	\$ 302,637
B	9	36,037
C	30	36,659
Totals	<u>46</u>	<u>\$ 375,333</u>

Wastewater Systems - 1998

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	4	\$ 165,528
B	15	72,271
C	21	22,666
Totals	<u>40</u>	<u>\$ 260,465</u>

Water Systems - 1999 (To Date)

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	6	\$ 22,122
B	5	22,107
C	27	36,654
Totals	<u>38</u>	<u>\$ 80,883</u>

Wastewater Systems - 1999 (To Date)

<u>Class</u>	<u>Number of Filings</u>	<u>Index Revenue</u>
A	5	\$ 22,551
B	10	38,627
C	16	18,255
Totals	<u>31</u>	<u>\$ 79,433</u>

Commissioners:  
JOE GARCIA, CHAIRMAN  
J. TERRY DEASON  
SUSAN F. CLARK  
E. LEON JACOBS, JR.



DIVISION OF WATER & WASTEWATER  
DANIEL M. HOPPE, DIRECTOR  
(850) 413-6900

## Public Service Commission

February 23, 1999

To All Florida Public Service  
Commission Regulated Water  
And Wastewater Utilities

Re: Docket No. 000005-WS - 2000 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 (F.A.C.), 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.

Pursuant to Rule 25-30.420 (1)(a), F.A.C., all operation and maintenance expenses shall 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 Florida should file for this rate relief on an annual basis. Utilities may apply for a 2000 Price Index anytime between April 1, 2000 through March 31, 2001. Staff designed a package to be attached to the final order and mailed to every regulated water and wastewater utility. The attached 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, the long run effect of keeping current with rising costs can be substantial.

<u>YEAR</u>	<u>ANNUAL COMMISSION APPROVED INDEX</u>	<u>YEAR</u>	<u>ANNUAL COMMISSION APPROVED INDEX</u>
1982	9.02%	1992	3.63%
1983	5.99%	1993	3.33%
1984	4.25%	1994	2.56%
1985	3.76%	1995	1.95%
1986	3.33%	1996	2.49%
1987	2.69%	1997	2.13%
1988	2.89%	1998	2.10%
1989	4.35%	1999	1.21%
1990	4.12%	2000	1.36%
1991	4.12%		

Our staff is available should you need assistance with your filing (850-413-6900). If you have any questions, please do not hesitate to call.

Yours truly,

Daniel M. Hoppe  
Director

Enclosures