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October 12, 1999

RECORDS AND
REPORTING

OCT 12 PM 4:03

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Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 980242-SU

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are the original and 15 copies of Citizen's Petition on Proposed Agency Action and Objection to Proposed Agency Action. A diskette in WordPerfect 6.1 is also submitted.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Sincerely,

Stephen C. Burgess
Deputy Public Counsel

- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
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- MAS _____
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Enclosures

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FPSC-BUREAU OF RECORDS

Done 10/14/99

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

5. The Citizens' disputed issues of material fact, and the respective ultimate facts alleged are set forth as follows:

- (a) The quality of service provided by Lindrick is below the standard required by Section 367.111(2), Florida Statutes, and below any other reasonable quality standard. The quality of service is so unsatisfactory as to require that, pursuant to Sections 367.111(2), and 367.081(2)(a), Florida Statutes, Lindrick's return on equity should be reduced by an amount greater than the fifty basis points applied by the PAA.
- (b) The interconnection to the city of New Port Richey was not the most cost effective prudent option for resolving the environmental problems posed by Lindrick's system. The data which is purported to be the basis of the PAA does not demonstrate that a cost comparison was performed on the various alternatives to resolve the wastewater problems. Because the interconnection is not shown to be the most cost effective alternative, this investment does not reflect the prudent cost of providing service. The rate base approved by the PAA is overstated by the amount of excessive cost caused by the choice of the New Port Richey interconnection as the solution to the wastewater problems. The rate base should be reduced by the amount of that excess.
- (c) Even if the New Port Richey interconnection is the proper alternative, Lindrick's estimates of the costs of the interconnection are excessive. The costs of the interconnection as approved by the PAA exceed a reasonable and prudent amount that should have been spent for that alternative. Lindrick's rate base, as approved by the PAA, is overstated by the amount of these excess costs.

- (d) The facilities constructed for the interconnection are substantially below 100% used and useful. The PAA, however, included the entire cost of the interconnection in the rate base. Consequently, the rate base is overstated by the non-used portion included by the PAA.
- (e) The rate base should be offset by any salvage proceeds that could be generated by dismantling the plant and selling the plant and the land on which it is situated. PSC Staff initially sought information on this, but apparently withdrew its request. The rate base approved in the PAA is overstated by the value of the unused salvageable plant and property.
- (f) Test year CIAC is understated. It appears that the test year customer count is underestimated. As a result the CIAC is understated and rate base is overstated.
- (g) The cost of the purchased sewage treatment was included in the O&M expenses used to calculate the working capital. That expense, however, is paid in arrears and does not require working capital. Because the purchased sewage treatment is such a significant expense, it should be removed from O&M for the calculation of working capital.
- (h) The depreciation expense is excessive as a result of the rate base overstatements identified in paragraphs (b) through (f) and the return allowed on investment is excessive as a result of the rate base overstatements identified in paragraphs (b) through (g) above.
- (I) The amount that Lindrick pays to New Port Richey for purchased sewage treatment is excessive because if Lindrick's plant had been refurbished, it could have been

operated and maintained for less than the charge by the city. The O&M expenses authorized by the PAA are overstated by the excess of the purchased sewage charge.

- (j) The total of all contractual services (engineering, accounting, administrative, other) are excessive for the .75 mgd wastewater plant which had operated previously. The amount by which these contractual services were reduced to reflect the plant closing is not adequate, so those contractual services are excessive. The authorized O&M expenses must be reduced by this excess to arrive at reasonable rates.
- (k) Test year chemical expenses are overstated due to the excessive infiltration and inflow which should be corrected in the future.
- (l) Test year wages and salaries are excessive. Consequently, pensions and benefits and payroll taxes are also overstated. The excesses must be removed to arrive at fair and reasonable rates.
- (m) Test year testing expenses are overstated. There was unusually high activity in 1997 because of DEP requirements that year. This base year should have been normalized before the 1999 adjustments were made.
- (n) The 10.12% cost rate allowed for advances from affiliates is excessive. Receivables from affiliates has not been assigned a cost rate, so advances should be treated likewise.
- (o) Historically, the system has not been properly maintained. The cost of this failure should not be borne by the customers. Had Lindrick been engaging in a prudent preventive maintenance program, the cost to comply with the consent order would be drastically decreased. All remedial costs should be adjusted to remove the cost that

would have been avoided by a proper preventive maintenance program.

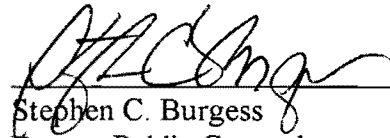
6. Because of the facts alleged in paragraphs 5(a) through 5(o), the rates authorized through the PAA are unjust, unreasonable and in excess of the level needed to be compensatory.

7. Sections 367.081 and 376.111 require a reversal of the PAA and modifications as specified in paragraphs 5(a) through 5(o).

8. The Citizens seek as relief that the PSC lower the rates authorized by the PAA to effect the changes identified in paragraphs 5(a) through 5(o) of this pleading. The Citizens seek the PSC to schedule and hold a hearing pursuant to Section 120.57, F.S. Petitioner seeks the PSC to require Lindrick to bear the burden of proof on each of the identified issues.

WHEREFORE, Citizens of the State of Florida, as petitioners, hereby object to Order No. PSC-99-1883-PAA-SU, and based on the allegations brought forth, put into dispute the issues raised through the allegations, and seek a formal hearing to address the issues identified herein as being in dispute.

Respectfully submitted,



Stephen C. Burgess
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Attorney for the Citizens
of the State of Florida

**CERTIFICATE OF SERVICE
DOCKET NO. 980242-SU**

I HEREBY CERTIFY that a true and exact copy of the above and foregoing CITIZENS' OBJECTION TO PROPOSED AGENCY ACTION has been furnished by hand-delivery(*) or U.S.

Mail to the following parties of record this 12th day of October, 1999.


Ralph Jaeger, Esquire*
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Representative Heather Fiorentino
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New Port Richey, FL 34652

Ms. Arleen Arnold, Co-Chairman
West Pasco Waterfront Community
Impact Council
5471 Nimitz Road
New Port Richey, FL 34652



Stephen C. Burgess