FILED 12/21/2017
DOCUMENT NO. 10814-2017
FPSC - COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.	DOCKET NO. 20170005-WS ORDER NO. PSC-2017-0480-PAA-WS ISSUED: December 21, 2017

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
ART GRAHAM
RONALD A. BRISÉ
DONALD J. POLMANN
GARY F. CLARK

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING 2018 PRICE INDEX FOR WATER AND WASTEWATER UTILITIES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

Since March 31, 1981, pursuant to the guidelines established by Section 367.081(4)(a), Florida Statutes (F.S.), and Rule 25-30.420, Florida Administrative Code (F.A.C.), this Commission has established a price index increase or decrease for major categories of operating costs on or before March 31 of each year. This process allows water and wastewater utilities to adjust rates based on current specific expenses without applying for a rate case.

This order calculates the 2018 price index by comparing the Gross Domestic Product Implicit Price Deflator Index for the fiscal year ended September 30, 2017. This same procedure has been used each year since 1995 to calculate the price index. The U.S. Department of Commerce, Bureau of Economic Analysis, released its most recent third quarter figures on October 27, 2017.

By Order No. PSC-17-0040-FOF-WS, issued January 31, 2017, in Docket No. 20160223-WS, we adopted amendments to Rule 25-30.425, F.A.C., to capture the expansion of eligible

pass through costs permitted by the 2016 statutory change in Section 367.081, F.S. The expansion in eligible pass through costs include the fees charged for wastewater biosolids disposal, costs incurred for any tank inspection required by the Department of Environmental Protection (DEP) or local governmental authority, treatment plant operator and water distribution system operator license fees required by the DEP or local governmental authority, water or wastewater operating permit fees charged by the DEP or local governmental authority, and consumptive or water use permit fees charged by a water management district.

Since March 31, 1981, we have received and processed approximately 3,603 index applications. We have jurisdiction over this matter pursuant to Section 367.081, F.S.

Decision

In 1993, the Gross Domestic Product Implicit Deflator (GDP) was established as the appropriate measure for determining the water and wastewater price index. At the same time, the convention of using a four quarter fiscal year comparison was also established and this practice has been used every year since then.[1] The GDP is prepared by the U.S. Department of Commerce. Prior to that time, the Gross National Product Implicit Price Deflator Index (GNP) was used as the indexing factor for water and wastewater utilities. The Department of Commerce switched its emphasis from the GNP to the GDP as the primary measure of U.S. production.

Pursuant to Section 367.081(4)(a), F.S., this 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. Since 1995, the price index was determined by using a four quarter comparison, ending September 30, of the Implicit Price Deflator Index in order to meet the statutory deadline. The current price index was determined by comparing the change in the GDP using the four quarter fiscal year comparison ending September 30. This method has been used consistently since 1995 to determine the price index.[2]

In Order No. PSC-2016-0552-PAA-WS, issued December 12, 2016, in Docket No. 20160005-WS, in keeping with the practice started in 1993, we reiterated the alternatives which could be used to calculate the indexing the utility revenues. Past concerns expressed by utilities, as summarized from utility input in previous hearing, are:

1) Inflation should be a major factor in determining the index;

2) Nationally published indices should be vital to this determination;

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[1] Order No. PSC-1993-0195-FOF-WS, issued February 9, 1993, in Docket No. 19930005-WS, In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.

[2] Order No. PSC-1995-0202-FOF-WS, issued February 10, 1995, in Docket No. 19950005-WS, In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.

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, Consumer Price Index, and the GDP should be considered;

5) A broad measure index should be used; and

6) The index procedure should be easy to administer.

Based upon these concerns, we have previously explored the following alternatives:

1) Survey of Regulated Water and Wastewater Utilities;

2) Consumer Price Index;

3) Florida Price Level Index;

4) Producer Price Index – previously the Wholesale Price Index; and

5) GDP (replacing the GNP).

Over the past years, we have rejected the Survey of Regulated Water and Wastewater Utilities because using the results of a survey would allow utilities to pass on to customers all cost increases, thereby reducing the incentives of promoting efficiency and productivity. We have also rejected the Consumer Price Index and the Florida Price Level Index 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 Producer Price Index (PPI) is a family of indices that measures the average change over time in selling prices received by domestic producers of goods and services. PPI measures price change from the perspective of the seller, not the purchaser, and therefore the index has also been rejected. Because the bases for these indices have not changed, the conclusions reached in Order No. PSC-2016-0552-PAA-WS shall continue to apply in this case. Since 1993, we have found that the GDP has a greater degree of applicability to the water and wastewater industry. Therefore, we shall continue to use the GDP to calculate water and wastewater price level adjustments.

The following information provides a historical perspective of the annual price index:

Table 1
Historical Analysis of the Annual Price Index for Water and Wastewater Utilities

Year	Commission Approved Index	Year	Commission Approved Index
2006	2.74%	2012	2.41%
2007	3.09%	2013	1.63%
2008	2.39%	2014	1.41%
2009	2.55%	2015	1.57%
2010	0.56%	2016	1.29%
2011	1.18%	2017	1.51%

The table below shows the historical participation in the Index and/or Pass-Through programs:

Table 2
Percentage of Jurisdictional Water and Wastewater Utilities Filing for Indexes and Pass-Throughs

Year	Percentage	Year	Percentage
2006	32%	2012	30%
2007	47%	2013	41%
2008	42%	2014	39%
2009	53%	2015	49%
2010	29%	2016	38%
2011	43%	2017	37%

The U.S. Department of Commerce, Bureau of Economic Analysis, released the most recent third quarter 2017 figures on October 27, 2017. Consistent with our establishment of the 2017 Price Index last year, we are using the third quarter 2017 amounts to calculate the 2018 Price Index. Using the third quarter amounts allows time for a hearing if there is a protest, in order for this Commission to establish the 2018 Price Index by March 31, 2018, in accordance with Section 367.081(4)(a), F.S. The percentage change in the GDP using the fiscal year comparison ending with the third quarter is 1.76 percent. This number was calculated as follows.

GDP Index for the fiscal year ended 9/30/17	113.63
GDP Index for the fiscal year ended 9/30/16	111.67
Difference	1.96
Divided by 9/30/16 GDP Index	111.67
2018 Price Index	1.76%

Noticing of Indexing Requirements

The package presented in Form PSC/AFD 15(4/99) and Appendix A (Attachment 1) shall be mailed to every regulated water and wastewater utility after the expiration of the PAA protest period, along with a copy of the PAA order that has become final. The entire package will also be made available on the Commission's website. Because Rule 25-30.420(1), F.A.C., references Form PSC/AFD 15 (4/99), we note that there will be rulemaking necessary.

In an effort to increase the number of water and wastewater utilities taking advantage of the annual price index and pass-through programs, the attached cover letter (Attachment 2) from the Director of the Division of Accounting and Finance shall be included with the mailing of the PAA Order in order to explain the purpose of the index and pass-through applications and to communicate that Commission staff is available to assist them.

Closure of Docket

Rule 25-22.029(1), F.A.C., contains an exception to the procedural requirements set forth in Uniform Rule 28-106.111, F.A.C., providing that "[t]he time for requesting a Section 120.569 or 120.57 hearing shall be 14 days from issuance of the notice for PAA orders establishing a price index pursuant to Section 367.081(4)(a), F.S." Therefore, we 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 shall be required to prefile testimony with the protest. Upon expiration of the protest period, if a timely protest is not received, the decision shall become final and effective upon the issuance of a Consummating Order. However, this docket shall remain open through the end of the year and be closed upon the establishment of the new docket on January 2, 2018.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Gross Domestic Product Implicit Price Deflator Index shall continue to be used to calculate water and wastewater price level adjustments. It is further

ORDERED that the 2018 price index is 1.76 percent as set forth in the body of this order. It is further

ORDERED that the 2018 Price Index Application, Form PSC/ECR 15 (4/99) shall be used by Commission-regulated water and wastewater utilities to calculate annualized revenue for indexing purposes. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that any substantially affected person filing a protest to this order shall do so within 14 days of the issuance of this order. It is further

ORDERED that any substantially affected person filing a protest to this order shall prefile direct testimony with the protest. It is further

ORDERED that in the event this Order becomes final, this docket shall remain open through the end of the year and be closed upon the establishment of the new docket on January 2, 2018.

By ORDER of the Florida Public Service Commission this 21st day of December, 2017.

Carlotta S. Stauffer

CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

WDT

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This

petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 4, 2018.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

FLORIDA PUBLIC SERVICE COMMISSION
2018 PRICE INDEX APPLICATION
TEST YEAR ENDED DECEMBER 31, 2017

DEP PWS ID NO. _____ WATER
WASTEWATER
DEP WWTP ID NO. _____

*2017 Operation and Maintenance Expenses	$	$
LESS:		
(a) Pass-through Items:		
(1) Purchased Power		
(2) Purchased Water		
(3) Purchased Wastewater Treatment		
(4) Sludge Removal		
** (5) Other		
(b) Rate Case Expense Included in 2017 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	.0176	.0176
Indexed Costs	$	$
*** Add Change in 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 2017 Revenue	_____	_____
Percentage Increase in Rates	%	%

EXPLANATORY NOTES APPEAR ON THE FOLLOWING PAGE

PAGE 1 NOTES

* This amount must match 2017 annual report.

** Other expense items may include increases in required DEP testing, ad valorem taxes, permit fees charged by the DEP or a local government authority, NPDES fees, and regulatory assessment fees. These items should not be currently embedded in the utility's rates.

*** This may include an increase in purchased power, purchased water, purchased wastewater treatment, sludge hauling, required DEP testing, ad valorem taxes, and permit fees charged by the DEP or a local government authority 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. All pass-through items require invoices. See Rule 25-30.425, F.A.C. for more information.

**** If rates changed after January 1, 2017, 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, 2017?

( ) 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 2017 customer consumption at the most current rates in effect. To complete this calculation, the utility will need consumption data for 2017 to apply to the existing rate schedule. Below is a sample format which may be used.

CALCULATION OF ANNUALIZED REVENUES*
Consumption Data for 2017

	Number of Bill/Gal. Sold	X	Current Rates	Annualized Revenues
Residential Service:				
Bills:				
5/8"x3/4" meters	. . . . .		. . . . .	. . . . .
1" meters	. . . . .		. . . . .	. . . . .
1 ½" meters	. . . . .		. . . . .	. . . . .
2" meters	. . . . .		. . . . .	. . . . .
Gallons Sold	. . . . .		. . . . .	. . . . .
General Service:				
Bills:				
5/8"x3/4" meters	. . . . .		. . . . .	. . . . .
1" meters	. . . . .		. . . . .	. . . . .
1 ½" meters	. . . . .		. . . . .	. . . . .
2" meters	. . . . .		. . . . .	. . . . .
3" meters	. . . . .		. . . . .	. . . . .
4" meters	. . . . .		. . . . .	. . . . .
6" meters	. . . . .		. . . . .	. . . . .
Gallons Sold	. . . . .		. . . . .	. . . . .

Total Annualized Revenues for 2017 $

* 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.

Appendix A

PRICE INDEX ADJUSTMENTS IN RATES

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

Sections 367.081(4)(a), (c), (d), (e), and (f), 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 or she 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.

(f) The commission may regularly, not less often than once each year, establish by order a leverage formula or formulae that reasonably reflect the range of returns on common equity for an average water or wastewater utility and which, for purposes of this section, shall be used to calculate the last authorized rate of return on equity for any utility which otherwise would have no established rate of return on equity. In any other proceeding in which an authorized rate of return on equity is to be established, a utility, in lieu of presenting evidence on its rate of return on common equity, may move the commission to adopt the range of rates of return on common equity that has been established under this paragraph.

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 the Commission Clerk and Administrative Services 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/AFD 15 (04/99), entitled "Index Application", is incorporated into this rule by reference and may be obtained from the Commission's Division of Economic Regulation. 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 (i) below with the Commission's Division of Economic Regulation 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.

(h) A statement that the utility does not have any active written complaints, corrective orders, consent orders, or outstanding citations with the Department of Environmental Protection (DEP) or the County Health Department(s) or that the utility does have active written complaints, corrective orders, consent orders, or outstanding citations with the DEP or the County Health Department(s).

(i) A copy of any active written complaints, corrective orders, consent orders, or outstanding citations with the Department of Environmental Protection (DEP) or the County Health Department(s).

(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;

(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 therefore.

(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), F.S. Law Implemented: 367.081(4), 367.121(1)(c), 367.121(1)(g), F.S. History: New 04/05/81, Amended 09/16/82, Formerly 25-10.185, Amended 11/10/86, 06/05/91, 04/18/99, 12/12/03.

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
(Utility Name)
authorized rate of return on equity, which is _____.

I, the undersigned/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.

This affirmation is made pursuant to my request for a 2018 price index and/or pass-through rate increase, in conformance with Section 367.081(4)(c), Florida Statutes.

Further, I am aware that pursuant to Section 837.06, Florida Statutes, 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.

Signature: _____
Title: _____
Telephone Number: _____
Fax Number: _____

Sworn to and subscribed before me this _____day of _____, 20__.

My Commission expires:

(SEAL)

_____
Notary Public
State of Florida

STATEMENT OF QUALITY OF SERVICE

Pursuant to Rule 25-30.420(2)(h) and (i), Florida Administrative Code,

_____.
(Utility Name)

[ ] does not have any active written complaints, corrective orders, consent orders, or outstanding citations with the Department of Environmental Protection (DEP) or the County Health Departments.

[ ] does have the attached active written complaint(s), corrective order(s), consent order(s), or outstanding citation(s) with the DEP or the County Health Department(s). The attachment(s) includes the specific system(s) involved with DEP permit number and the nature of the active complaint, corrective order, consent order, or outstanding citation.

This statement is intended such that the Florida Public Service Commission can make a determination of quality of service pursuant to Section 367.081(4)(a), Florida Statutes, and Rule 25-30.420(4)(a), Florida Administrative Code.

Name: _____
Title: _____
Telephone Number: _____
Fax Number: _____
Date: _____

NOTICE TO CUSTOMERS

Pursuant to Section 367.081(4)(a), Florida Statutes, water and wastewater utilities are permitted to adjust 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. Water rates will increase by approximately _____% and wastewater rates by _____%. These rates should be reflected for service rendered on or after _____.(date)

PASS-THROUGH RATE ADJUSTMENTS IN RATES

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

Section 367.081(4)(b), Florida Statutes

(b) The approved rates of any utility 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 utility's costs for any specified expense item have changed.

1. The new rates authorized shall reflect, on an amortized or annual basis, as appropriate, the cost of or the amount of change in the cost of the specified expense item. The new rates, however, shall not reflect the costs of any specified expense item already included in a utility's rates. Specified expense items that are eligible for automatic increase or decrease of a utility's rates include, but are not limited to:

a. The rates charged by a governmental authority or other water or wastewater utility regulated by the commission which provides utility service to the utility.

b. The rates or fees that the utility is charged for electric power.

c. The amount of ad valorem taxes assessed against the utility's used and useful property.

d. The fees charged by the Department of Environmental Protection in connection with the National Pollutant Discharge Elimination System Program.

e. The regulatory assessment fees imposed upon the utility by the commission.

f. Costs incurred for water quality or wastewater quality testing required by the Department of Environmental Protection.

g. The fees charged for wastewater biosolids disposal.

h. Costs incurred for any tank inspection required by the Department of Environmental Protection or a local governmental authority.

i. Treatment plant operator and water distribution system operator license fees required by the Department of Environmental Protection or a local governmental authority.

j. Water or wastewater operating permit fees charged by the Department of Environmental Protection or a local governmental authority.

k. Consumptive or water use permit fees charged by a water management district.

2. A utility may not use this procedure to increase its rates as a result of an increase in a specific expense item which occurred more than 12 months before the filing by the utility.

3. The commission may establish by rule additional specific expense items that are outside the control of the utility and have been imposed upon the utility by a federal, state, or local law, rule, order, or notice. If the commission establishes such a rule, the commission shall review the rule at least once every 5 years and determine if each expense item should continue to be cause for an automatic increase or decrease and whether additional items should be included.

4. This subsection does not prevent a utility from seeking a change in rates pursuant to subsection (2).

25-30.425 Pass Through Rate Adjustment.

(1) This rule applies to any regulated water or wastewater utility that adjusts its rates pursuant to Section 367.081(4)(b), F.S., to reflect an increase or decrease in the rates, fees, or costs for the following specified expenses:

(a) Water or wastewater utility service purchased from a governmental authority or other water or wastewater utility regulated by the Commission;

(b) Purchased electric power;

(c) Ad valorem taxes;

(d) National Pollutant Discharge Elimination System (NPDES) Permit Program fees charged by the Florida Department of Environmental Protection;

(e) Regulatory Assessment Fees imposed by the Commission;

(f) Water or wastewater quality testing required by the Department of Environmental Protection (DEP);

(g) Wastewater biosolids disposal fees;

(h) Tank inspection required by the DEP or a local governmental authority;

(i) Treatment plant operator and water distribution system operator license fees required by the DEP or a local governmental authority;

(j) Water or wastewater operating permit fees charged by the DEP or a local governmental authority, or

(k) Consumptive or water use permit fees charged by a water management district.

(2) Prior to an adjustment in rates pursuant to Section 367.081(4)(b), F.S., the utility shall file its verified notice and supporting documents with the Commission's Division of Accounting and Finance at least 45 days prior to the effective date of its pass through rate adjustment, or at least 60 days prior to the effective date of its combined or simultaneously filed price index and pass through rate adjustments if the utility requests an exception to the 45 day effective date, as referenced in paragraph (2)(h), to allow the price index and pass through rate adjustments to be implemented as one rate adjustment pursuant to Section 367.081(4)(e), F.S. Each verified notice of a pass through rate adjustment shall include the following supporting documents. If the same information or supporting document is required for both the price index and pass through rate adjustments, such as revised tariff sheets, annualized revenue calculations, return on equity affirmations, and customer notices, the applicant may file a combined supporting document to be used for both applications:

(a) Revised tariff sheets reflecting the increased or decreased rates;

(b) A schedule showing the calculation of the proposed rates, including the following information. If the pass through rate adjustment is combined with a price index rate adjustment, a combined schedule that shows the calculation of both the price index and pass through rate adjustments may be provided:

1. The calculation of the recurring annual or amortized annual amount of the new expense or incremental change calculated as referenced in subsection (3);

2. The utility's actual annual revenue or calculation of the annualized revenue for the most recent 12-month period, or 12-month test year if combined or simultaneously filed with a price index application. If there were any Commission-approved changes to the utility's rates during the 12-month period or test year, the revenue should be annualized to reflect the revenue that would have resulted if the rate change had been in effect the entire 12 months. The annualized revenue calculation should reflect the annual number of bills broken down by customer class and meter size, and the annual gallons of water or wastewater service sold broken down by customer class. Annualized revenues should be calculated separately if the utility provides both water and wastewater service;

3. If the pass through of an increase or decrease in purchased water or wastewater utility service, purchased power, or wastewater biosolids disposal is applied only to the gallonage charge in the rate adjustment calculation, provide a schedule showing the gallons of water or wastewater service sold during each month of the most recent 12-month period or test year, broken down by customer class and meter

size, if not shown in the revenue calculation previously provided in subparagraph (2)(b)2. above; and,

4. The calculation of the proposed rates that shows the current rates, dollar amount of the pass through increase or decrease, and proposed adjusted rates. The percentage increase or decrease resulting from the pass through adjustment for any specified expense may be applied to all rates equally or allocated between the base facility charge and gallonage charge based on the following guidelines:

(I) The percentage increase or decrease in purchased water or wastewater utility service, purchased power, or wastewater biosolids disposal may be applied solely to the gallonage charge;

(II) The percentage increase or decrease in ad valorem taxes may be applied solely to the base facility charge;

(III) The percentage increase or decrease in any specified expense that was adjusted using a specific allocation methodology in the utility's last rate proceeding or in a prior pass through adjustment may be applied using that same methodology; and,

(IV) The percentage increase or decrease in any specified expense that reflects a single assessment to the water and wastewater systems combined may be allocated between the water and wastewater rates based on the equivalent residential connection ratio of water and wastewater customers;

(c) A copy of the current invoice, proof of payment, or other documentation that demonstrates that the specified expense has been adjusted or is a new requirement. If the specified expense is an existing expense that was not previously included in the utility's rates, also provide a statement confirming that the specified expense has never been embedded in the utility's rates;

(d) A copy of the invoice(s) or other documentation that supports the utility's calculation of the recurring annual or amortized annual increase or decrease in the specified expense referenced in subparagraph (2)(b)1., as follows:

1. For a frequently recurring specified expense, such as purchased power, provide a copy of all invoices received for the most recent 12-month period or test year;

2. For a specified expense that occurs on an annual basis, such as ad valorem taxes, provide a copy of the invoice received for the prior year;

3. For a specified expense that occurs less than annually, such as NPDES permit program fees, provide a copy of the invoice received the last time the expense occurred, or

4. For the pass through of an incremental increase or decrease in regulatory assessment fees that were previously included in the utility's rates by another governmental entity prior to the Commission's regulation of the utility, provide documentation that shows the percentage or amount of regulatory assessment fees that were previously included in the utility's rates, such as a copy of an order, ordinance, rate calculation, or other available information that can be used to determine and verify the percentage of regulatory assessment fees that were previously included in the utility's rates.

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

(f) The affirmation required by Section 367.081(4)(c), F.S., including the rate of return on equity that the utility is affirming it will not exceed with this rate adjustment;

(g) A copy of the notice to customers required by subsection (6); and,

(h) If applicable, a statement that the utility requests an exception to the 45 day effective date provided by Section 367.081(4)(b), F.S., to allow combined or simultaneously filed price index and pass through rate adjustments to be implemented together as one rate adjustment pursuant to Section 367.081(4)(e), F.S., with an effective date 60 days after the official filing date of the utility's notice of intention to increase rates through a price index rate adjustment filed pursuant to Section 367.081(4)(a), F.S., and subsection 25-30.420(2), F.A.C.

(3) The recurring annual or amortized annual amount of the new expense or incremental change shall be calculated as follows:

(a) The change in a frequently recurring specified expense, such as purchased power, shall be calculated as an annual total, broken down by month for the most recent 12-month period or for the 12-

month test year if combined or simultaneously filed with a price index rate adjustment. The calculation shall reflect the following information:

1. All charges or fees included in the total specified expense, such as the purchased water or wastewater base facility charge, gallonage charge, any applicable billing or service fees, and taxes, even if some of the rates or fees did not change;

2. The actual or annualized charges for the specified expense. If the rates or charges for the specified expense changed during the 12-month period or test year, the actual charges should be annualized to reflect the charges that would have resulted if the prior rates or charges had been in effect the entire 12 months;

3. The annualized charges that would have resulted if the new rates had been in effect the entire 12 months;

4. The difference between the charges at the prior and new rates; and,

5. If the utility's most recent rate proceeding included adjustments for excessive unaccounted for water (EUW) or excessive inflow and infiltration (I&I), the calculation of an increase or decrease in purchased water or wastewater utility service or purchased electric power shall also include the same percentage EUW or I&I adjustments. If the utility has taken steps to reduce EUW or I&I since its most recent rate proceeding, the utility may, but is not required to, provide additional information to demonstrate that the EUW or I&I percentages have been reduced. Any proposed revision to the EUW or I&I percentages should be calculated as referenced in subsection (4).

(b) The change in a specified expense that occurs on an annual basis, such as ad valorem taxes, shall be calculated as an annual total based on a comparison of the prior expense and new expense. If applicable, the calculation of the increase or decrease in ad valorem taxes only shall include the following additional adjustments:

1. If any ad valorem tax bills reflect a single assessment for combined water and wastewater property, the calculation shall also include the utility's calculation of the equivalent residential connection ratio of water and wastewater customers used to allocate the combined tax assessment between the utility's water and wastewater rates; and,

2. If the utility's last rate proceeding included adjustments for non-used and useful plant, the calculation shall also include an adjustment to remove the portion of the ad valorem taxes related to the water or wastewater plant that is not used and useful in providing utility service.

(c) The change in a specified expense that occurs less than annually, such as NPDES permit program fees, shall be calculated as an annual amortized amount based on a comparison of the prior and new expense. The expense shall be amortized as a non-recurring expense in accordance with subsection 25-30.433(8), F.A.C., and the calculation shall include an explanation if the expense is amortized for a period other than five years.

(4) The pass through of changes in purchased water or wastewater utility service or purchased electric power shall be adjusted for EUW or I&I consistent with adjustments approved by the Commission in the utility's most recent rate proceeding, if applicable. If the utility has taken steps to reduce the EUW and I&I percentages since its most recent rate proceeding, the utility may, but is not required, to provide the following information to demonstrate that the EUW and I&I percentages have been reduced and that the previously approved EUW and I&I percentages should either be reduced or eliminated from the pass through rate adjustment calculation:

(a) A description of any steps taken by the utility to reduce the EUW or I&I since the utility's last rate proceeding; and,

(b) A schedule showing the updated calculation of EUW or I&I broken down by month for the most recent 12-month period or test year including:

1. The gallons of water or wastewater treatment purchased from the governmental authority or regulated utility that has increased or decreased its rates. If wastewater treatment service is not based on a metered flow, describe how the wastewater flows are determined and include the number of units by

which the service is measured;

2. If the utility purchases water or wastewater service from more than one governmental authority or regulated utility, include the gallons of water or wastewater treatment purchased from any other governmental authority or regulated utility not reflected in subparagraph (4)(b)1., above. If wastewater treatment service is not based on a metered flow, describe how the wastewater flows are determined and include the number of units by which the service is measured;

3. The gallons of water pumped or wastewater treated by the utility, if applicable;

4. The gallons of water or wastewater service sold by the utility;

5. The total unaccounted for water or inflow and infiltration; and,

6. A statement explaining the EUW or I&I if the total water available for sale or total wastewater treatment purchased is still in excess of 110 percent of the water or wastewater service sold.

(5) The amount administratively approved for a pass through rate adjustment shall not exceed the actual cost incurred. Foregone pass through decreases shall not be used to adjust a pass through increase below the actual cost incurred.

(6) The utility shall provide each customer with written notice of the administratively approved rate adjustment, including the effective date and an explanation of the reasons for the increase or decrease, prior to the time each customer will begin consumption at the adjusted rates. If the pass through rate adjustment is combined or simultaneously filed with a price index rate adjustment, the utility may provide the information for both rate adjustments in a combined customer notice.

Rulemaking Authority 350.127(2), 367.081, 367.121(1)(c), (f) FS. Law Implemented 367.081(4), 367.121(1)(c), (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, 2-19-17.

Exception

_____ 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
(Utility Name)
authorized rate of return on equity, which is _____.

I, the undersigned/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.

This affirmation is made pursuant to my request for a 2018 price index and/or pass-through rate increase, in conformance with Section 367.081(4)(c), Florida Statutes.

Further, I am aware that pursuant to Section 837.06, Florida Statutes, 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.

Signature: _____
Title: _____
Telephone Number: _____
Fax Number: _____

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; costs incurred for water quality or wastewater quality testing required by the Department of Environmental Protection; the fees charged for wastewater biosolids disposal; costs incurred for any tank inspection required by the Department of Environmental Protection or a local governmental authority; treatment plant and water distribution system operator license fees required by the Department of Environmental Protection or a local governmental authority; water or wastewater operating permit fees charged by the Department of Environmental Protection or a local governmental authority; and consumptive or water use permit fees charged by a water management district.

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. Water rates will increase by approximately _____% and wastewater rates by _____%. These rates should be reflected on your bill for service rendered on or after _____.(date)

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

COMMISSIONERS:
JULIE I. BROWN, CHAIRMAN
ART GRAHAM
RONALD A. BRISÉ
DONALD J. POLMANN
GARY F. CLARK

STATE OF FLORIDA

DIVISION OF
ACCOUNTING AND FINANCE
ANDREW L. MAUREY
DIRECTOR
(850) 413-6900

Public Service Commission

Month Day, 2018

All Florida Public Service Commission
Regulated Water & Wastewater Utilities

Re: Docket No. 20170005-WS - 2018 Price Index

Dear Utility Owner:

Since March 31, 1981, pursuant to the guidelines established by Section 367.081(4)(a), Florida Statutes (F.S.), and Rule 25-30.420, Florida Administrative Code (F.A.C.), the Commission has established a price index increase or decrease for major categories of operating costs. This process allows water and wastewater utilities to adjust rates based on current specific expenses without applying for a rate case. 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), F.S.;

b) Any amortization of rate case expense; and

c) Disallowances or adjustments made in an applicant's most recent rate proceeding.

Please note that all sludge removal expense should now be removed from operation and maintenance expenses for the purpose of indexing. Incremental increases in this category of expense may now be recovered using a pass-through request.

All Florida Public Service Commission
Regulated Water & Wastewater Utilities

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 2018 Price Index anytime between April 1, 2018, through March 31, 2019. 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, (see chart below), the long-run effect of keeping current with rising costs can be substantial.

Year	Annual Commission Approved Index	Year	Annual Commission Approved Index
1993	3.33%	2006	2.74%
1994	2.56%	2007	3.09%
1995	1.95%	2008	2.39%
1996	2.49%	2009	2.55%
1997	2.13%	2010	0.56%
1998	2.10%	2011	1.18%
1999	1.21%	2012	2.41%
2000	1.36%	2013	1.63%
2001	2.50%	2014	1.41%
2002	2.33%	2015	1.57%
2003	1.31%	2016	1.29%
2004	1.60%	2017	1.51%
2005	2.17%	2018	1.76%

Please be 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 or her official duty shall be guilty of a misdemeanor of the second degree.

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

Sincerely,

Andrew L. Maurey
Director

Enclosures