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

Public Service Commission

February 23, 2015

Mr. Gerald Davis
6132 Spring Lake Circle
Zephyrhills, FL 33540

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

Dear Mr. Davis:

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

The Commission is required to set rates that are just, reasonable, compensatory, and not unfairly discriminatory and we use the rate of return methodology as set forth in Chapter 367, Florida Statutes. The Commission's accountants, engineers, and economists examine the financial and engineering information filed by the Utility as part of its rate increase application. The Commission's auditors also examine this information and publish the results of their findings in an audit report. All costs found to be imprudent or unreasonable are disallowed. Please remember that there are many factors that affect the cost of providing service: including, the size and age of the utility system; the cost of water and wastewater bulk services; the number of customers; and the geographic spread of the service area.

The Commission's staff also makes a recommendation regarding the overall quality of service provided by a utility after evaluating: (1) the quality of the utility's product; (2) the operating conditions of the utility's facilities; and, (3) the utility's attempt to address customers' satisfaction. As part of this evaluation we review sanitary surveys, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the County Health Department over the preceding three-year period, along with input from the DEP and health department officials. We also review complaints regarding secondary water quality standards¹ for a five year period and consider customer comments and complaints.

¹ Secondary water quality standards are contaminants, such as odor and color; customers would notice but are not a health risk.

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

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

Sincerely,



Penelope D. Buys
Engineering Specialist
Division of Engineering

PDB: tj

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