

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in
water/wastewater rates in Pasco County by
Labrador Utilities, Inc.

DOCKET NO. 140135-WS
ORDER NO. PSC-14-0695-PCO-WS
ISSUED: December 15, 2014

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN

ORDER SUSPENDING PROPOSED RATES AND GRANTING INTERIM RATES

BY THE COMMISSION:

Labrador Utilities, Inc., (Labrador or Utility) is a Class B utility providing water and wastewater services to approximately 764 water and 751 wastewater customers in Pasco County. Water and wastewater rates were last established for this Utility in its 2011 rate case.¹

On September 15, 2014, Labrador filed its application for the rate increase at issue in the instant docket. On October 16, 2014, Florida Public Service Commission (Commission) staff sent Labrador a letter indicating deficiencies in the filing of its minimum filing requirements (MFRs). Corrections to the MFRs were due November 17, 2014. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and requested interim rates. The test year established for interim and final rates is the simple-average period ended December 31, 2013.

Labrador requested interim revenue increases of \$41,409 (15.6 percent) for water and \$111,995 (27.4 percent) for wastewater. The Utility requested final revenue increases of \$96,942 (37.0 percent) for water and \$287,269 (70.7 percent) for wastewater.

The original 60-day statutory deadline for this Commission to suspend the Utility's requested final rate and approve interim rates was November 17, 2014. However, by letter dated September 22, 2014, the Utility agreed to extend the time by which we are required to suspend the proposed rates and authorize interim rates through the November 25, 2014, Commission Conference.

¹ See Order No. PSC-12-0206-PAA-WS, issued April 19, 2012, in Docket No. 110264-WS, In re: Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

This order addresses the suspension of Labrador's requested final rates and its requested interim rates. We have jurisdiction pursuant to Section 367.081 and 367.082, Florida Statutes (F.S.).

Suspension of Water and Wastewater Rates

Section 367.081(6), F.S., provides that this Commission may, for good cause, withhold consent to the implementation of requested rates within 60 days after the date the rate request is filed. As previously stated, the Utility has extended the 60-day deadline until November 25, 2014. Further, Section 367.081(8), F.S., permits the proposed rates to go into effect (secured and subject to refund) at the expiration of five months from the official date of filing if: (1) we have not acted upon the requested rate increase; or (2) if the proposed agency action order is protested by a party other than the Utility.

We reviewed the filing and considered the information filed in support of the rate application and the proposed final rates. Further investigation of this information, including on-site investigation by Commission staff, is warranted. Commission staff sent a deficiency letter to Labrador on October 16, 2014. To date, Commission staff has initiated an audit of Labrador's books and records. The audit was tentatively set to be completed on November 25, 2014. Commission staff sent a data request to Labrador on November 4, 2014 and the response was due on November 19, 2014. We believe additional requests will be necessary to process this case. Based on the foregoing, the Utility's proposed final rate increase shall be suspended.

Interim Rates

On September 15, 2014, Labrador filed its rate base, cost of capital, and operating statements to support its requested interim increase in water and wastewater rates. Pursuant to Section 367.082(1), F.S., in order to establish a prima facie entitlement for interim relief, the utility shall demonstrate that it is earning outside the range of reasonableness on its rate of return. Pursuant to Section 367.081(2)(a), F.S., in a proceeding for an interim increase in rates, this Commission shall authorize, within 60 days of the filing for such relief, the collection of rates sufficient to earn the minimum of the range of rate of return. Based on the Utility's filing and the recommended adjustments below, we believe that the Utility has demonstrated a prima facie entitlement in accordance with Section 367.082(1), F.S.

Pursuant to Section 367.082(5)(b)1, F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the utility's most recent rate proceeding and annualizing any rate changes. We have reviewed Labrador's interim request, as well as Order No. PSC-12-0206-PAA-WS, in which this Commission last established rate base. We have attached accounting schedules to illustrate our calculation of the appropriate rate base, capital structure, and test year operating income amounts. Rate base schedules are labeled as Schedule Nos. 1-A and 1-B, with the adjustments shown on Schedule No. 1-C. Capital structure is labeled as Schedule No. 2. Operating income schedules for water and wastewater, respectively, are labeled as Schedule Nos. 3-A and 3-B, with the adjustments shown on Schedule No. 3-C.

Rate Base

Pursuant to Section 367.082(5)(b)1, F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the utility's most recent rate proceeding. Based on our review, there are several adjustments necessary for interim purposes.

Adjustments are necessary to remove amounts from the plant in service balances associated with the Utility's Phoenix Project. Those amounts equate to reductions of \$8,844 for water and \$8,693 for wastewater. Corresponding adjustments are necessary to decrease accumulated depreciation for water and wastewater by \$6,193 and \$6,091, respectively. Further, depreciation expense shall be reduced by \$3,154 for water and \$3,105 for wastewater. These adjustments are consistent with the methodology we used in the Utility's last rate case.

Pursuant to Section 367.082, F.S., the method used to calculate used and useful (U&U) in Labrador's previous rate case must be used for interim purposes. By Order No. PSC-12-0206-PAA-WS, we found Labrador's water treatment plant, ground storage tank, water distribution system, and wastewater collection system were 100 percent U&U. This Commission found the wastewater treatment plant to be 79.94 percent U&U. Therefore, in accordance with Section 367.082, F.S., wastewater rate base shall be reduced by \$159,457 for interim purposes. Corresponding adjustments shall also be made to reduce depreciation expense and property taxes by \$3,757 and \$2,517, respectively.

As discussed later in the cost of capital section, Labrador's rate base shall be increased by the U&U net debit accumulated deferred income taxes (ADITs). Based on the test year balances for accumulated depreciation for water and wastewater, the total company net ADIT balance of \$3,261 results in allocations of \$970 and \$2,291 for water and wastewater, respectively. Further, applying the U&U percentage of 79.94 percent for the wastewater treatment plant results in a U&U ADIT amount of \$1,832 for wastewater.

Pursuant to Rule 25-30.433(2), Florida Administrative Code (F.A.C.), working capital for Class B utilities shall be calculated using the formula method which is one-eighth of operation and maintenance (O&M) expenses. As discussed below, we are approving O&M expense reductions of \$466 for water and \$739 for wastewater. Therefore, Labrador's interim water and wastewater rate base shall be \$579,749 and \$1,082,591, respectively.

Cost Of Capital

Based on our analysis of the MFRs and Order No. PSC-12-0206-PAA-WS from the Utility's last rate proceeding, an adjustment is necessary to the Utility's capital structure. On MFR Schedule D-2 for interim, the Utility reflected a negative amount of \$3,261 for ADITs. Pursuant to Rule 25-30.433(3), F.A.C., utilities are required to offset used and useful debit deferred taxes against any used and useful credit deferred taxes. If the offset results in a net debit ADIT, it is included as a separate line item in rate base. If the offset results in a net credit ADIT, it is included in the capital structure. Accordingly, the net debit ADIT amount of \$3,261 shall be removed from the capital structure and only the used and useful amount shall be included in rate base. Based on the above, we calculate the appropriate interim weighted average cost of capital to be 8.04 percent.

Net Operating Income

Pursuant to Section 367.082(5)(b)1, F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the Utility's most recent rate proceeding and annualizing any rate changes. Based on our review, we find some adjustments are necessary for interim purposes.

First, on MFR Schedule B-3 for interim, the Utility made adjustments to increase revenues by \$510 for water and \$1,764 for wastewater. Based on Commission staff's annualized revenue calculations in accordance with the interim statute, we find that revenues shall be increased further by \$1,025 and \$2,074 for water and wastewater, respectively.

Second, using the same methodology as in the last rate case for salaries, benefits, sludge removal, miscellaneous expenses, and excessive unaccounted for water, we shall reduce operation and maintenance (O&M) expenses by \$3,733 for water and \$5,911 for wastewater.

Based on the above, the appropriate test year operating income, before any revenue increase, is \$25,975 and \$37,566 for water and wastewater, respectively.

Revenue Requirement

Based on the above adjustments, we find that the appropriate revenue requirement is \$301,102 for water and \$493,223 for wastewater. Therefore, Labrador shall be authorized to collect annual water and wastewater revenues as indicated below:

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Water	\$266,438	\$34,665	\$301,102	13.01%
Wastewater	\$410,128	\$83,096	\$493,223	20.26%

This represents interim increases in annual revenues of \$34,665 (or 13.01 percent) for water and \$83,096 (or 20.26 percent) for wastewater. These increases will allow the Utility the opportunity to recover its water and wastewater operating expenses and earn an 8.04 percent return on its water and wastewater rate bases.

Interim Rates

The interim rate increases of 13.09 percent for water and 20.31 percent for wastewater shall be applied as an across-the-board increase to the service rates in effect as of December 31, 2013. The rates, as shown on Schedule Nos. 4-A and 4-B, shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. In addition, the approved rates shall not be implemented until the required security has been filed, the proposed customer notice is approved, and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

Interim service rates for Labrador shall be designed to allow the Utility the opportunity to generate annual operating revenues of \$301,102 and \$493,223 for water and wastewater, respectively. Before removal of miscellaneous revenues, this would result in an increase of \$34,665 (13.01 percent) for water and \$83,096 (20.26 percent) for wastewater. To determine the appropriate increase to apply to the service rates, miscellaneous revenues shall be removed from the test year revenues. The calculation is as follows:

Table 1

	<u>Water</u>	<u>Wastewater</u>
1 Total Test Year Revenues	\$266,438	\$410,128
2 Less: Miscellaneous Revenues	<u>\$1,521</u>	<u>\$903</u>
3 Test Year Revenues from Service Rates	\$264,917	\$409,225
4 Revenue Increase	<u>\$34,665</u>	<u>\$83,096</u>
5 % Service Rate Increase (Line 4/Line 3)	13.09%	20.31%

The interim rate increase of 13.09 percent for water and 20.31 percent for wastewater shall be applied as an across-the-board increase to the service rates in effect as of December 31, 2013. The rates, as shown on Schedule Nos. 4-A and 4-B, shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. In addition, the approved rates should not be implemented until the required security has been filed, the proposed customer notice is approved, and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

Appropriate Security

A cumulative corporate undertaking of \$178,147 is acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc. (UI or Company) and written confirmation that the cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed \$1.2 million (inclusive of all Florida utilities). UI shall be required to file a corporate undertaking on behalf of its subsidiaries to guarantee any potential refunds of revenues collected under interim conditions. UI's total guarantee shall be a cumulative amount of \$178,147, which includes an amount of \$68,706 subject to refund in this docket. Pursuant to Rule 25-30.360(6), F.A.C., the Utility shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund shall be with interest and in accordance with Rule 25-30.360, F.A.C.

Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by this Commission. As approved above, the total annual interim increase is \$117,761 for water and wastewater combined. In accordance with Rule 25-30.360, F.A.C., Commission staff calculated the potential refund of revenues and interest collected under interim conditions to be \$68,706. This amount is based on an estimated seven months of revenue being collected from approved interim rates over the Utility's current authorized rates shown on Schedule Nos. 4-A and 4-B.

Labrador is a wholly-owned subsidiary of Utilities Inc. (UI), which provides all investor capital to its subsidiaries. Based on the requested interim rate increase for its Labrador system, the incremental increase in UI's corporate undertaking is \$68,706. The current cumulative corporate undertaking amount outstanding for other UI systems is \$109,441. The new request would bring the cumulative amount outstanding to \$178,147 (\$68,706 + \$109,441).

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. We reviewed UI's 2011, 2012, and 2013 financial statements to determine if the Company can support a corporate undertaking on behalf of its subsidiary. UI reported both an insufficient working capital amount and an inadequate current ratio in 2012 and 2013. 2013 had an insufficient Interest Coverage Ratio. However, in all other time periods, the Company achieved sufficient liquidity and interest coverage ratios. In addition, UI reported adequate ownership equity over the three-year review period. UI also reported net income in excess of \$5 million a year in all periods.

Based on our review of the financial reports submitted by UI, we believe UI has adequate resources to support a corporate undertaking in the amount requested. Based on this analysis, we find that a cumulative corporate undertaking of \$178,147 is acceptable contingent upon receipt of the written guarantee of UI and written confirmation that the cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed \$1.2 million (inclusive of all Florida utilities).

The brief financial analysis above is only appropriate for deciding if UI can support a corporate undertaking in the amount proposed and shall not be considered a finding regarding this Commission's position on other issues in this proceeding.

Pursuant to Rule 25-30.360(6), F.A.C., the Utility shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, F.A.C.

In no instance shall maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and shall be borne by, the Utility.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the final water and wastewater rates proposed by Labrador Utilities, Inc. are hereby suspended. It is further

ORDERED that the request for an interim rate increase for water and wastewater rates by Labrador Utilities, Inc., is hereby granted, as set forth herein. It is further

ORDERED that the approved interim rates shall be effective for service rendered as of the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that all matters contained in the schedules attached to this order are incorporated herein by reference. It is further

ORDERED that the interim rates shall not be implemented until Commission staff verifies that the tariff sheets are consistent with our decision, the proposed customer notice is approved, and the required security is filed. It is further

ORDERED that Labrador Utilities, Inc., shall provide proof of the date notice was given within 10 days after the date of notice. It is further

ORDERED that in order to secure the interim rates approved herein, Utilities Inc., Labrador Utilities, Inc.'s parent company, shall file a cumulative corporate undertaking of \$178,147 on behalf of its subsidiaries, which includes \$68,706 subject to refund to refund in this docket. It is further

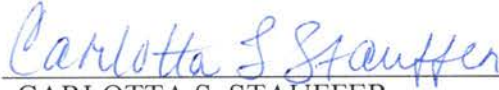
ORDERED that Utilities Inc.'s cumulative corporate undertaking is contingent upon receipt of the written guarantee of Utilities Inc. and written confirmation that the cumulative outstanding guarantees on behalf of Utilities Inc. owned utilities in other states will not exceed \$1.2 million (inclusive of all Florida utilities).

ORDERED that Labrador Utilities, Inc., shall keep an accurate and detailed account of all monies it receives, and that pursuant to Rule 25-30.360, F.A.C., it shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. It is further

ORDERED that should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, F.A.C. It is further

ORDERED that this docket shall remain open pending our Proposed Agency Action decision on Labrador Utilities Inc.'s requested water and wastewater rate increase.

By ORDER of the Florida Public Service Commission this 15th day of December, 2014.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
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Tallahassee, Florida 32399
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is non-final in nature, may request (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code, or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

Labrador Utilities, Inc.		Schedule No. 1-A				
Schedule of Water Rate Base		Docket No. 140135-WS				
Test Year Ended 12/31/13						
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Comm. Adjustments	Comm. Adjusted Test Year	
1 Plant in Service	\$934,990	(\$1,020)	\$933,970	(\$8,844)	\$925,126	
2 Land and Land Rights	540	(3)	537	0	537	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(375,176)	701	(374,475)	6,193	(368,282)	
5 CIAC	(342)	0	(342)	0	(342)	
6 Amortization of CIAC	64	0	64	0	64	
7 Net Debit Deferred Income Taxes	0	0	0	970	970	
8 CWIP	94,653	(94,653)	0	0	0	
9 Working Capital Allowance	0	22,143	22,143	(466)	21,677	
10 Acquisition Adjustments	(351,387)	351,387	0	0	0	
11 Accum. Amort. Of Acq. Adjustments	<u>94,285</u>	<u>(94,285)</u>	<u>0</u>	<u>0</u>	<u>0</u>	
12 Rate Base	<u>\$397,627</u>	<u>\$184,270</u>	<u>\$581,897</u>	<u>(\$2,148)</u>	<u>\$579,749</u>	

Labrador Utilities, Inc.				Schedule No. 1-B	
Schedule of Wastewater Rate Base				Docket No. 140135-WS	
Test Year Ended 12/31/13					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Comm. Adjust- ments	Comm. Adjusted Test Year
1 Plant in Service	\$2,086,875	(\$1,002)	\$2,085,873	(\$8,693)	\$2,077,180
2 Land and Land Rights	0	0	0	0	0
3 Non-used and Useful Components	0	0	0	(159,457)	(159,457)
4 Accumulated Depreciation	(876,820)	688	(876,132)	6,091	(870,041)
5 CIAC	0	0	0	0	0
6 Amortization of CIAC	0	0	0	0	0
7 CWIP	1,565	(1,565)	0	0	0
8 Net Debit Deferred Income Taxes	0	0	0	1,832	1,832
9 Working Capital Allowance	<u>0</u>	<u>33,818</u>	<u>33,818</u>	<u>(739)</u>	<u>33,079</u>
10 Rate Base	<u>\$1,211,620</u>	<u>\$31,939</u>	<u>\$1,243,559</u>	<u>(\$160,968)</u>	<u>\$1,082,591</u>

Labrador Utilities, Inc.		Schedule No. 1-C	
Adjustments to Rate Base		Docket No. 140135-WS	
Test Year Ended 12/31/13			
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
To reflect Phoenix Project adjustment from last rate case.	<u>(\$8,844)</u>	<u>(\$8,693)</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment	<u>\$0</u>	<u>(\$159,457)</u>	
<u>Accumulated Depreciation</u>			
To reflect Phoenix Project adjustment from last rate case.	<u>\$6,193</u>	<u>\$6,091</u>	
<u>Net Debit Deferred Income Taxes</u>			
To reflect the appropriate net debit deferred tax balance.	<u>\$970</u>	<u>\$1,832</u>	
<u>Working Capital</u>			
To reflect the appropriate amount of working capital.	<u>(\$466)</u>	<u>(\$739)</u>	

Labrador Utilities, Inc.							Schedule No. 2		
Capital Structure-Simple Average							Docket No. 140135-WS		
Test Year Ended 12/31/13									
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
Per Utility									
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$179,081,065)	\$918,935	50.34%	6.64%	3.34%	
2 Short-term Debt	3,100,000	0	3,100,000	(3,084,175)	15,825	0.87%	8.48%	0.07%	
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	174,356,625	0	174,356,625	(173,466,501)	890,124	48.76%	9.51%	4.64%	
5 Customer Deposits	3,833	0	3,833	0	3,833	0.21%	6.00%	0.01%	
6 Deferred Income Taxes	<u>(3,261)</u>	<u>0</u>	<u>(3,261)</u>	<u>0</u>	<u>(3,261)</u>	<u>-0.18%</u>	0.00%	<u>0.00%</u>	
7 Total Capital	<u>\$357,457,197</u>	<u>\$0</u>	<u>\$357,457,197</u>	<u>(\$355,631,741)</u>	<u>\$1,825,456</u>	<u>100.00%</u>		<u>8.07%</u>	
Per Commission									
8 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$179,164,846)	\$835,154	50.24%	6.64%	3.34%	
9 Short-term Debt	3,100,000	0	3,100,000	(3,085,617)	14,383	0.87%	8.48%	0.07%	
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
11 Common Equity	174,356,625	0	174,356,625	(173,547,655)	808,970	48.66%	9.51%	4.63%	
12 Customer Deposits	3,833	0	3,833	0	3,833	0.23%	2.00%	0.00%	
13 Deferred Income Taxes	<u>(3,261)</u>	<u>3,261</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>	
14 Total Capital	<u>\$357,457,197</u>	<u>\$3,261</u>	<u>\$357,460,458</u>	<u>(\$355,798,117)</u>	<u>\$1,662,341</u>	<u>100.00%</u>		<u>8.04%</u>	
						LOW	HIGH		
RETURN ON EQUITY						<u>9.51%</u>	<u>11.51%</u>		
OVERALL RATE OF RETURN						<u>8.04%</u>	<u>9.02%</u>		

Labrador Utilities, Inc.						Schedule No. 3-A	
Statement of Water Operations						Docket No. 140135-WS	
Test Year Ended 12/31/13							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$264,903</u>	<u>\$41,919</u>	<u>\$306,822</u>	<u>(\$40,384)</u>	<u>\$266,438</u>	<u>\$34,665</u> 13.01%	<u>\$301,102</u>
Operating Expenses							
2 Operation & Maintenance	\$202,275	(\$25,130)	\$177,145	(\$3,733)	\$173,412		\$173,412
3 Depreciation	40,877	(1,638)	39,239	(3,154)	36,085		36,085
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	31,188	(3,953)	27,235	0	27,235	1,560	28,795
6 Income Taxes	<u>(19,914)</u>	<u>36,190</u>	<u>16,276</u>	<u>(12,545)</u>	<u>3,731</u>	<u>12,457</u>	<u>16,188</u>
7 Total Operating Expense	<u>254,426</u>	<u>5,469</u>	<u>259,895</u>	<u>(19,433)</u>	<u>240,462</u>	<u>14,017</u>	<u>254,480</u>
8 Operating Income	<u>\$10,477</u>	<u>\$36,450</u>	<u>\$46,927</u>	<u>(\$20,952)</u>	<u>\$25,975</u>	<u>\$20,648</u>	<u>\$46,623</u>
9 Rate Base	<u>\$397,627</u>		<u>\$581,897</u>		<u>\$579,749</u>		<u>\$579,749</u>
10 Rate of Return	<u>2.63%</u>		<u>8.06%</u>		<u>4.48%</u>		<u>8.04%</u>

Labrador Utilities, Inc. Statement of Wastewater Operations Test Year Ended 12/31/13						Schedule No. 3-B Docket No. 140135-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$406,290</u>	<u>\$113,759</u>	<u>\$520,049</u>	<u>(\$109,921)</u>	<u>\$410,128</u>	<u>\$83,096</u> 20.26%	<u>\$493,223</u>
Operating Expenses							
2 Operation & Maintenance	\$286,328	(\$15,788)	\$270,540	(\$5,911)	\$264,629		\$264,629
3 Depreciation	69,563	(1,610)	67,953	(6,862)	61,091		61,091
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	38,644	7,831	46,475	0	46,475	3,739	50,214
6 Income Taxes	<u>3</u>	<u>34,787</u>	<u>34,790</u>	<u>(34,423)</u>	<u>367</u>	<u>29,862</u>	<u>30,229</u>
7 Total Operating Expense	<u>394,538</u>	<u>25,220</u>	<u>419,758</u>	<u>(47,197)</u>	<u>372,561</u>	<u>33,601</u>	<u>406,163</u>
8 Operating Income	<u>\$11,752</u>	<u>\$88,539</u>	<u>\$100,291</u>	<u>(\$62,725)</u>	<u>\$37,566</u>	<u>\$49,495</u>	<u>\$87,061</u>
9 Rate Base	<u>\$1,211,620</u>		<u>\$1,243,559</u>		<u>\$1,082,591</u>		<u>\$1,082,591</u>
10 Rate of Return	<u>0.97%</u>		<u>8.06%</u>		<u>3.47%</u>		<u>8.04%</u>

Labrador Utilities, Inc.		Schedule No. 3-C	
Adjustment to Operating Income		Docket No. 140135-WS	
Test Year Ended 12/31/13			
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested interim revenue increase.	(\$41,409)	(\$111,995)	
2 To reflect the appropriate amount of annualized revenues.	<u>1,025</u>	<u>2,074</u>	
Total	<u>(\$40,384)</u>	<u>(\$109,921)</u>	
<u>Operation and Maintenance Expense</u>			
Salaries, Benefits, Sludge Removal, Misc. Exp., and EUW.	<u>(\$3,733)</u>	<u>(\$5,911)</u>	
<u>Depreciation Expense - Net</u>			
1 To reflect Phoenix Project adjustment from last rate case.	(\$3,154)	(\$3,105)	
2 To remove net depreciation on non-U&U adjustment above.	<u>0</u>	<u>(3,757)</u>	
Total	<u>(\$3,154)</u>	<u>(\$6,862)</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,817)	(\$4,946)	
2 To remove property taxes on non-U&U adjustment above.	<u>0</u>	<u>(2,517)</u>	
Total	<u>(\$1,817)</u>	<u>(\$7,463)</u>	

LABRADOR UTILITIES, INC.		SCHEDULE NO. 4-A			
TEST YEAR ENDED DECEMBER 31, 2013		DOCKET NO. 140135-WS			
MONTHLY WATER RATES					
	RATES		UTILITY	UTILITY	COMMISSION
	AT	CURRENT	REQUESTED	REQUESTED	APPROVED
	12/31/2013 (1)	RATES (2)	INTERIM	FINAL	INTERIM
<u>Residential Service</u>					
Base Facility Charge – 5/8” Meter Size	\$10.57	\$10.38	\$12.18	\$14.24	\$11.95
Charge per 1,000 Gallons- Residential	\$8.43	\$8.30	\$9.71	\$11.39	\$9.53
<u>General Service</u>					
Base Facility Charge by Meter Size					
5/8"	\$10.57	\$10.38	\$12.18	\$14.24	\$11.95
3/4"	\$15.86	\$15.58	\$18.27	\$21.36	\$17.94
1"	\$26.43	\$25.96	\$30.45	\$35.60	\$29.36
1-1/2"	\$52.85	\$51.90	\$60.90	\$71.20	\$58.69
2"	\$84.56	\$83.03	\$97.44	\$113.92	\$95.63
3"	\$169.12	\$166.07	\$182.70	\$213.60	\$191.26
4"	\$264.25	\$259.48	\$304.50	\$356.00	\$298.84
6"	\$528.50	\$518.96	\$609.00	\$712.00	\$597.68
Charge per 1,000 Gallons - General Service	\$8.43	\$8.30	\$9.71	\$11.39	\$9.53
<u>Irrigation</u>					
Base Facility Charge – 2”Meter Size	\$84.56	\$83.03	\$97.44	\$113.92	\$95.63
Charge per 1,000 Gallons – Irrigation	\$8.43	\$8.30	\$9.71	\$11.39	\$9.53
<u>Typical Residential 5/8” x 3/4” Meter Bill Comparison</u>					
3,000 Gallons	\$35.86	\$35.28	\$41.31	\$48.41	\$40.54
5,000 Gallons	\$52.72	\$51.88	\$60.73	\$71.19	\$59.60
10,000 Gallons	\$94.87	\$93.38	\$109.28	\$128.14	\$107.25
<p>(1) The interim rate increase was applied to the rates at 12/31/2013.</p> <p>(2) The current rates became effective 8/25/2014 as a result of a four-year rate reduction.</p>					

LABRADOR UTILITIES, INC.					SCHEDULE NO. 4-B
TEST YEAR ENDED DECEMBER 31, 2013					DOCKET NO. 140135-WS
MONTHLY WASTEWATER RATES					
	RATES AT 12/31/2013 (1)	CURRENT RATES (2)	UTILITY REQUESTED INTERIM	UTILITY REQUESTED FINAL	COMMISSION APPROVED INTERIM
<u>Residential</u>					
Base Facility Charge - All Meter Sizes	\$22.65	\$22.43	\$28.74	\$38.33	\$27.25
Charge per 1,000 Gallons- Residential 10,000 gallon cap	\$10.10	\$10.00	\$12.82	\$17.09	\$12.15
<u>General Service</u>					
Base Facility Charge by Meter Size					
5/8"	\$22.65	\$22.43	\$28.74	\$38.33	\$27.25
3/4"	\$33.98	\$33.65	\$43.11	\$57.50	\$40.88
1"	\$56.63	\$56.07	\$71.85	\$95.83	\$68.13
1-1/2"	\$113.25	\$112.13	\$143.70	\$191.65	\$136.25
2"	\$181.20	\$179.40	\$229.92	\$306.64	\$218.00
3"	\$362.40	\$358.82	\$431.10	\$574.95	\$436.00
4"	\$566.25	\$560.65	\$718.50	\$958.25	\$681.26
6"	\$1,132.50	\$1,121.29	\$1,437.00	\$1,916.50	\$1,362.51
8"	\$1,812.00	\$1,828.43	\$2,299.20	\$3,066.40	\$2,180.02
Charge per 1,000 Gallons - General Service	\$12.12	\$12.00	\$15.38	\$20.51	\$14.58
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>					
3,000 Gallons	\$52.95	\$52.43	\$67.20	\$89.60	\$63.70
5,000 Gallons	\$73.15	\$72.43	\$92.84	\$123.78	\$88.00
10,000 Gallons	\$123.65	\$122.43	\$156.94	\$209.23	\$148.75
(1) The interim rate increase was applied to the rates at 12/31/2013.					
(2) The current rates became effective 8/25/2014 as a result of a four-year rate reduction.					