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(LICENSED IN TEXAS ONLY)

May 9, 2003

030434-WS

HAND DELIVERY

Ms. Blanca Bayo  
Commission Clerk and Administrative Services Director  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

Re: Docket No. \_\_\_\_\_; Petition for Establishment of an Approved AFUDC Rate  
Labrador Utilities, Inc.  
Our File No.: 30057.42

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are the original and fifteen (15) copies of Labrador Utilities, Inc.'s Petition for Establishment of an Approved AFUDC Rate.

Very truly yours,



VALERIE L. LORD  
Of Counsel

VLL:dmp  
Enclosures

cc: Mr. Steve Lubertozi (w/enclosure)  
Mr. Donald Rasmussen (w/enclosure)  
Mr. David L. Orr, EI (w/enclosure)  
Mr. Patrick Flynn (w/enclosure)

DOCUMENT NUMBER DATE

04212 MAY-98

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by LABRADOR  
UTILITIES, INC  
for establishment of an approved  
AFUDC rate

Docket No. \_\_\_\_\_

**PETITION FOR ESTABLISHMENT OF AN APPROVED AFUDC RATE**

LABRADOR UTILITIES, INC. (*Labrador*, or *Applicant*) by and through its undersigned attorneys, pursuant to Chapter 367, Florida Statutes, and Rule 25-30.116, Florida Administrative Code, requests the Florida Public Service Commission (*Commission*) to establish an approved allowance for funds used during construction (*AFUDC*) rate, and in support states:

**INFORMATION PROVIDED IN ACCORDANCE WITH RULE 25-22.036(7)**

1. The name and address of the Applicant is:  
Labrador Utilities, Inc.  
200 Weathersfield Avenue  
Altamonte Springs, Florida 32714
2. The name and address of the Applicant's representative authorized to receive notices and communications with respect to the Application is:

Martin S. Friedman, Esq.  
Rose Sundstrom & Bentley, LLP  
600 South North Lake Boulevard, Suite 160  
Altamonte Springs, Florida 32701  
Telephone: (407) 830-6331  
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Email: [mfriedman@rsbattorneys.com](mailto:mfriedman@rsbattorneys.com)

**FACTS**

1. Labrador is a water and wastewater utility as defined by Section 367.021(12), Florida Statutes, and is not exempt from regulation by the Commission pursuant to Section 367.022, Florida Statutes,. Labrador may implement an approved AFUDC change only with the approval of the

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

Commission under the criteria established in Rule 25-30.116, Florida Administrative Code.

2. Labrador has never had an AFUDC rate established in a prior proceeding before the Commission. Labrador now seeks approval for such a rate change effective immediately.
3. The calculation of the appropriate new AFUDC rate is set out in the attached supporting Schedules.
4. This calculation is in accordance with the requirements of Rule 25-30.116, Florida Administrative Code.
5. Approval of such rate is necessary in order for Labrador to accurately accrue and recover its costs of providing utility service.
6. The Commission should approve the new AFUDC rate expeditiously.

### **SCHEDULES ATTACHED**

1. **Schedule A** shows the capital structure, cost rates and weighted average costs of capital that form the basis for the AFUDC rate calculated in accordance with the provisions of Rule 25-30.116(2), Florida Administrative Code.
2. **Schedule B** shows the capital structure adjustments and adjusted capital structure that form the basis for the AFUDC rate calculated in accordance with the provisions of Section 25-30.116(2), Florida Administrative Code.
3. **Schedule C** shows the calculation of the methodology set out in Rule 25-30.116, Florida Administrative Code.

### **REQUESTED ACTIONS**

Labrador requests the Commission to:

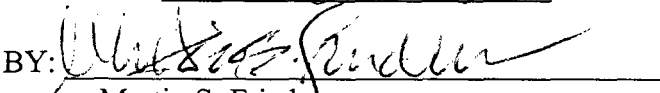
1. Consider the information provided in this Petition and approve the Petition and the new AFUDC rate shown in Schedule A in an expeditious manner.
2. Order the effective date of the new AFUDC rate be effective for the month following the twelve month period used to establish the new AFUDC rate in accordance with Rule 25.30-116(5).

3. Grant such other relief to Labrador as is just and reasonable.

Respectfully submitted on this  
6<sup>th</sup> day of May, 2003 by:

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BY:

  
\_\_\_\_\_  
Martin S. Friedman  
For the Firm

**SCHEDULE A**

**Labrador Utilities, Inc.****Cost of Capital**

A: 12/31/02

<u>Capital Structure</u>	<u>7-Month Average 12/31/2002</u>	<u>Percent Ratio</u>	<u>Cost of Each Percent</u>	<u>Weighted Cost</u>
(1) Common Equity	88,070,607	45.70%	10.84%	4.96%
(1) Long-Term Debt	104,621,968	54.29%	7.24%	3.93%
(2) Customer Deposits	0	0.00%	6.00%	0.00%
(2) Deferred Income Taxes	<u>4,412</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>
<b>Total</b>	192,696,987	100.00%		<b>8.89%</b>

(1) The Common Equity and Long-Term Debt amounts used in this calculation are derived from the common equity and long-term debt of Utilities, Inc., the parent company of Labrador Utilities, Inc.

(2) The Customer Deposits and Deferred Income Taxes amounts used in this calculation are derived specifically from the customer deposits and deferred income taxes of Labrador Utilities, Inc.

**Labrador Utilities, Inc.**

**Leverage Calculation**

A: 12/31/02

$$\begin{aligned} \text{Return on Common Equity} &= 9.65\% + 0.582 / \text{Equity Ratio} \\ &= 9.65\% + 0.582 / 45.70\% \\ &= 9.65\% + 1.2734 \\ &= 10.84\% \end{aligned}$$

**SCHEDULE B**



**Labrador Utilities, Inc.**  
**7 Month Average Capital Structure**

A: 12/31/02

	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>7-Month Average</u>
Common Equity	88,343,173	89,290,407	90,013,729	90,688,297	89,695,479	90,813,022	77,650,144	88,070,607
Long-term Debt	69,338,992	69,337,857	119,336,712	119,335,559	119,334,396	117,835,720	117,834,538	104,621,968
Customer Dep.	-	-	-	-	-	-	-	-
Deferred Taxes								
1901024	-	-	-	-	-	-	226	226 *
1901031	-	-	-	-	-	-	4,186	4,186 *
								<u>4,412</u>

NOTE> Labrador Utilities, Inc. was acquired in May 2002. Therefore, a seven month average was utilized rather than a twelve month average.

\* This amount was adjusted at year-end. It was noted that this amount should have been booked once the utility was acquired in May. Therefore, the monthly balance should have been the same throughout the year, and the 7-month average would be \$226 and \$4,186.

**SCHEDULE C**

**Labrador Utilities, Inc.**

**Monthly AFUDC Rate**

A: 12/31/02

$$M = [(1 + A/100)^{1/12} - 1] * 100$$

Where:

M = discounted monthly AFUDC rate

A = annual AFUDC rate

$$M = [(1 + .0889)^{1/12} - 1] * 100$$

$$= 0.0071223 * 100$$

$$= \boxed{0.7122294}$$