

State of Florida



# Public Service Commission

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COMMISSION  
CLERK

**DATE:** JANUARY 22, 2004

**TO:** DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)

**FROM:** DIVISION OF ECONOMIC REGULATION (GREENE, MERCHANT, MAUREY, EDWARDS) *AS*  
OFFICE OF THE GENERAL COUNSEL (C. KEATING) *WCK* *W* *dm* *ACM*

**RE:** DOCKET NO. 030443-WS - APPLICATION FOR RATE INCREASE IN PASCO COUNTY BY LABRADOR UTILITIES, INC.

**AGENDA:** 2/3/04 - REGULAR AGENDA - DECISION ON INTERIM RATES - PARTICIPATION AT THE COMMISSION'S DISCRETION

**CRITICAL DATES:** 60-DAY SUSPENSION DATE: 2/3/04

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\030443.RCM

## CASE BACKGROUND

Labrador Utilities, Inc. (Labrador or utility) is a Class C water and wastewater utility located approximately one mile east of Zephyrhills, in Pasco County. The utility is located within the Southwest Florida Water Management District (SWFWMD), but the utility's service territory is not in a water use caution area. The utility provides service to 894 lots in Forest Lake Estates Mobile Home Park and 274 lots in Forest Lakes R.V. Resort. For the year ended December 31, 2002, the utility's total revenues were \$167,373, with a total net operating loss of \$147,291.

The Commission granted original certificates to Labrador Services pursuant to Order No. PSC-01-1483-PAA-WS, issued July 16, 2001, in Docket No. 000545-WS. Prior to that time, Labrador was an exempt entity.

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On April 2, 2002, Labrador Services entered into a Purchase and Sale Agreement (sales contract) with Utilities, Inc. (UI). By Order No. PSC-03-0638-PAA-WS, issued May 27, 2003, in Docket No 020484-WS, the Commission approved the transfer of facilities and certificates and continued the utility's existing rates and charges.

By letter dated May 14, 2003, Labrador requested approval of an historical test year ended December 31, 2002, to increase its rates for its water and wastewater systems. Staff reviewed that request and concluded that a 2002 test year would be unrepresentative for Labrador and communicated our recommendation with the utility. After several conversations with staff, the utility agreed to revise its test year. By letter dated June 16, 2003, the utility requested approval of an historical test year ending June 30, 2003, for interim rate purposes, and an historical test year ending December 31, 2003, for final rate purposes.

By letter dated July 16, 2003, the Chairman approved the utility's requested interim and final test years. By that letter, the utility was required to file its interim rate request by October 30, 2003, and file its MFRs for final rates on June 30, 2004. On October 27, 2003, the utility filed an application for approval of an interim rate increase pursuant to Section 367.082, Florida Statutes. By letter dated December 3, 2003, Labrador waived the sixty-day statutory deadline to process an interim rate increase to January 20, 2004. On December 29, 2003, the utility further waived the deadline through February 3, 2004. The utility has requested that the Commission process its final rate case under the proposed agency action (PAA) procedures, pursuant to Section 367.081(8), Florida Statutes.

The utility's requested test year for interim rates is based on the year ended June 30, 2003. Labrador has requested interim revenues of \$196,564 and \$285,084 for water and wastewater, respectively. This represents an increase of \$143,844, or 272.85%, for water and \$161,052, or 129.85%, for wastewater.

The Commission has jurisdiction pursuant to Section 367.082, Florida Statutes.

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should an interim revenue increase be approved?

**RECOMMENDATION:** Yes. On an interim basis, the utility should be authorized to collect annual revenues as indicated below: (GREENE, EDWARDS, C. KEATING)

<u>System</u>	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Water	\$52,720	\$141,117	\$193,837	267.67%
Wastewater	\$124,032	\$146,292	\$270,324	117.95%

**STAFF ANALYSIS:** Labrador requested interim rates designed to generate annual revenues of \$196,564 and \$285,084 for water and wastewater, respectively. This represents an increase of \$143,844, or 272.85%, for water and \$161,052, or 129.85%, for wastewater. The utility filed rate base, cost of capital, and operating statements to support its requested interim water and wastewater increase for the test year ended June 30, 2003.

As discussed in the case background, the utility has requested interim rate relief prior to filing its MFRs to support final rates. The utility originally requested that it be allowed to use a December 31, 2002, test year for interim and final rates. During the test year approval process, staff became aware of three reasons why the 2002 test year would be not representative of future rates. First, UI purchased Labrador in May 2002 and as such did not have a full year of operation under UI's ownership for that test year. The 2002 test year would also be materially impacted by the allocations of UI's common costs since those costs are allocated at the end of each year.

Second, Labrador currently has flat rates for both water and wastewater, and meters were not installed until November 2002. Trying to estimate consumption for customers that previously had flat rates would have created a very burdensome and imprecise task. Further, matching future period billing determinants with historical revenue requirement calculations could create a material mismatch in determining consumption-based rates for a final test year. Thus, staff believed that the most recent historical test

year ending December 31, 2002, would not be representative for prospective rate setting.

The utility communicated that Labrador was in immediate need of rate relief because of the large operating losses that it was incurring. As reflected in Labrador's 2002 annual report, the utility's operating expenses before depreciation and taxes exceeded revenues by more than \$115,000. The utility requested instead an interim test year ended June 30, 2003, and a final test year ended December 31, 2003. The utility's existing flat rates are very low as follows:

<b>Residential Flat Rates</b>	<b><u>Water</u></b>	<b><u>Wastewater</u></b>
Mobile Home Park, per lot	\$4.50	\$10.50
R.V. Resort, per lot	\$3.00	\$7.00

Pursuant to Section 367.082(1), Florida Statutes:

The commission may, during any proceeding for a change of rates, upon its own motion, upon petition from any party, or by a tariff filing of a utility or a regulated company, authorize the collection of interim rates until the effective date of the final order. Such interim rates may be based upon a test period different from the test period used in the request for permanent rate relief.

Staff has reviewed the utility's interim rate request and believes that it is reasonable. Staff notes that this case is unique in that the utility is seeking interim rate relief before an official date of filing has been established for final rates. While this situation is unique, staff believes it is permitted by the statute, as the utility has commenced a proceeding to change rates. The Commission commonly allows interim rate consideration based on an historical interim year that is different from that used to establish final rates, consistent with the statute. Further, because interim rates are subject to refund with interest, staff believes that the customers are protected during this proceeding if the interim rates are deemed excessive at the conclusion of the final decision. Staff believes that to deny interim rates for a utility that is in economic distress could be considered confiscatory. For the reasons above, staff believes that the utility's request for interim rate relief should be

granted and that interim rates should be allowed, as discussed below.

Section 367.082(5)(b)1, Florida Statutes, requires that the achieved rate of return for interim purposes be calculated by applying appropriate adjustments consistent with those used in the utility's most recent rate proceeding. Staff has reviewed Labrador's application to determine if its interim request is consistent with Section 367.082, Florida Statutes.

Based on our review of the utility's interim request, staff has made adjustments as discussed below. We have attached accounting schedules to illustrate staff's recommended rate base, capital structure, and test year operating income amounts. The rate base schedules are reflected on Schedules 1-A, 1-B, and with adjustments shown on Schedule 1-C. The capital structure is reflected on Schedule 2. The operating statements are attached as Schedules 3-A and 3-B, with the schedule of adjustments to the operating statements shown on Schedule 3-C.

#### Rate Base

In its application, Labrador used a simple average to calculate its requested rate base and cost of capital. Labrador is a Class C utility and filed its interim request consistent with the averaging requirement of Rule 25-30.433(4), Florida Administrative Code.

Staff has reviewed the utility's interim rate base, and we believe two adjustments are necessary. First, Labrador made an adjustment that reduced wastewater accumulated depreciation by \$73,664 for the depreciation associated with non-used and useful plant. It then averaged this amount into the year-end balance of accumulated depreciation. Staff believes that this method of averaging understated the appropriate balance of test year accumulated depreciation by \$36,832. To correct this, staff has removed this adjustment from the utility's accumulated depreciation and recommends that accumulated depreciation should be increased by \$36,832. Further, staff has incorporated the correct amount of non-used and useful accumulated depreciation in rate base on the line entitled "Non-used and Useful Components."

Second, the utility indicated that the used and useful percentage for the wastewater treatment plant should be 74%. The

utility calculated this percentage by dividing the Maximum Month Average Daily Flows (MMADF) of 158,806 gallons per day (gpd) for March 1999 (with no allowance for growth) by the plant's DEP permitted capacity of 216,000 gpd. This resulted in a non-used and useful percentage of 26%, which the utility applied to all plant accounts, excluding general plant.

Staff has reviewed the utility's calculation and believes that Labrador erroneously did not use the test year MMADF, which was 115,871 gpd for March 2002. The method used by the utility is not consistent with the utility's approved interim test year. Staff recalculated the used and useful percentage by dividing the test year MMADF of 115,871 gpd by 216,000 gpd capacity of the plant. The result is a 53.7% used and useful, or 46.3% non-used and useful percentage for plant. Staff also believes that the utility made an error in applying this adjustment to all plant accounts, except general plant. Accordingly, staff has applied this percentage only to wastewater treatment plant, not to the collection system and intangible plant.

Staff's recommended used and useful percentage results in a net non-used and useful plant balance of \$267,906. As such, the utility's requested non-used and useful plant of \$277,999 reflected on rate base should be reduced by \$10,093. A corresponding adjustment should also be made to decrease depreciation expense by \$7,513 for non-used and useful plant.

The utility also reflected its water treatment plant and distribution system, as well as its wastewater collection system, as 100% used and useful. Based on staff's review, these calculations appear to be appropriate for interim purposes.

After the above adjustments have been made, staff recommends that the appropriate rate base for interim purposes should be \$303,691 for water and \$619,579 for wastewater.

#### Cost of Capital

The utility's capital structure is based on that of its parent company, Utilities, Inc., which includes long-term debt, short-term debt, and common equity. Deferred income taxes and customer deposits are specifically identified to Labrador. Based on our review, staff believes no adjustments are necessary to Labrador's capital components. The utility reflected an interim cost of

capital of 9.08%.

For interim purposes, Labrador requested a cost rate of 11.79% for common equity. The utility's calculation reflects the mid-point of the range and is based on the current leverage formula in effect pursuant to Order No. PSC-03-0707-PAA-WS, issued June 13, 2003, in Docket No. 030006-WS, In Re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), Florida Statutes.

The Commission has not previously established a return on equity (ROE) for Labrador. Pursuant to Section 367.082(5)(b)3., Florida Statutes, the current leverage formula shall be used for utilities without a previously authorized ROE. Further, that same statute requires that the minimum of the range be used to calculate an interim rate increase. In addition, staff notes that the utility made an error in applying the calculation of the current leverage formula. Instead of applying the equity ratio to only investor sources of capital, the utility used the equity ratio over total capital. Staff has reflected the correct calculation, pursuant to Order No. PSC-03-0707-PAA-WS, in our recommended ROE.

Thus, in accordance with Section 367.082, Florida Statutes, staff recommends that the appropriate cost rate for common equity is 10.77%. Based on the above adjustments, staff recommends that the interim weighted average cost of capital is 8.65%.

#### Net Operating Income

Staff has reviewed Labrador's requested operating income for interim purposes and believes two adjustments are appropriate. First, the utility reflected test year regulatory assessment fees (RAFs) of \$3,725 to each water and wastewater system. Based on our review, those amounts do not reflect 4.5% of test year revenues. To correct this, staff believes that RAFs should be decreased by \$1,353 for water and increased by \$1,856 for wastewater.

Second, the utility did not adjust property taxes for any non-used and useful plant. Consistent with Rule 25-30.433(5), Florida Administrative Code, property tax expense on non-used and useful plant shall not be allowed. Staff has calculated the ratio of non-used and useful plant to total plant and applied this percentage to the utility's requested property taxes. As a result, the utility's

requested wastewater property taxes should be reduced by \$3,466.

Based on the utility's filing and the above adjustments, the test year operating loss, before any revenue increase, should be \$108,491 and \$86,103 for water and wastewater, respectively. This represents an achieved rate of return of (35.72%) for water and (13.90%) for wastewater.

#### Revenue Requirement

For the reasons above, staff recommends an interim revenue requirement of \$193,837 and \$270,324 for water and wastewater, respectively. This represents an interim increase in annual revenues of \$141,117 for water and \$146,292 for wastewater, or 267.67% and 117.95% for water and wastewater, respectively. This will allow the utility the opportunity to recover its operating expenses and earn an 8.65% required rate of return on its rate base.



**ISSUE 2:** What are the appropriate interim rates?

**RECOMMENDATION:** The service rates in effect as of June 30, 2003, should be increased by 262.91% and 117.05% for water and wastewater, respectively, to generate the recommended increases for the interim period. The revised tariff sheets will be approved upon staff's verification that the tariff sheets are consistent with the Commission's decision. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice and the required security has been filed. The utility should provide proof to staff of the date notice was given within 10 days after the date of the notice. (GREENE)

**STAFF ANALYSIS:** Staff recommends that interim rates should be designed to allow the utility the opportunity to generate annual operating revenues of \$193,837, for water and \$270,324, for wastewater, which represents an increase of \$141,117, for water and \$146,292, for wastewater. To determine the appropriate increase to apply to the service rates, miscellaneous service revenues should be removed from the test year revenues. The calculation is as follows:

	<u>Water</u>	<u>Wastewater</u>
1 Total Test Year Revenues	\$52,720	\$124,032
2 Less: Miscellaneous Service Revenues <sup>1</sup>	(953)	(953)
3 Test Year Revenues form Service Rates	<u>\$53,673</u>	<u>\$124,985</u>
4 Revenue Increase	<u>\$141,117</u>	<u>\$146,292</u>
5 % Service Rate Inc. (Line 4/Line 3)	<u>262.91%</u>	<u>117.05%</u>

These increases should be applied as an across the board increase to service rates in effect as of June 30, 2003, which are also the utility's current flat rates.

The interim rates should be implemented for service rendered on or after the stamped approval date on the tariff sheets pursuant

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<sup>1</sup>The utility reflected negative amounts in its miscellaneous revenues for the interim test year.

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to Rule 25-30.475(1), Florida Administrative Code, provided customers have received notice. The revised tariff sheets will be approved upon staff's verification that the tariff sheets are consistent with the Commission's decision, that the proposed notice to the customers is adequate, and that the required security discussed in Issue 3 has been filed. The utility should provide proof to staff of the date notice was given within 10 days after the date of the notice.

Schedule 4 reflects Labrador's current and requested interim rates, and staff's recommended interim rates.

**ISSUE 3:** What is the appropriate security to guarantee the interim rate increase?

**RECOMMENDATION:** A corporate undertaking is acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc. (UI), and written confirmation of UI's continued attestation that it does not have any outstanding guarantees on behalf of UI-owned utilities in other states. UI should 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 should be a cumulative amount of \$704,180. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should provide a report by the 20<sup>th</sup> of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be made with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code. (GREENE, MAUREY)

**STAFF ANALYSIS:** Pursuant to Section 367.082, Florida Statutes, 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 the Commission. As recommended in Issue 1, the recommended annual interim revenue increases are \$141,117 for water and \$146,292 for wastewater. In accordance with Rule 25-30.360, Florida Administrative Code, staff has calculated the potential refund of revenues and interest collected under interim conditions to be \$313,093. This amount is based on an estimated thirteen months of revenue being collected from staff's recommended interim rates less such revenue that would have been collected under the utility's current authorized rates shown on Schedule 4.

The utility has requested that a corporate undertaking be allowed to secure its interim increase. Labrador is a wholly-owned subsidiary of UI, which provides all investor capital to its subsidiaries. UI currently is guaranteeing a total of \$391,087 with a corporate undertaking on behalf of its Florida subsidiaries. This request will bring the total cumulative amount to \$704,180.

The criteria for a corporate undertaking includes sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Staff has reviewed UI's financial statements from 2000 to 2002 to determine the financial condition of the parent company. Staff's analysis shows that UIF

has minimal liquidity and experienced a significant decline in net income and interest coverage from 2000 to 2002. The primary reason for this reversal has been merger-related charges of \$9.8 million in 2001 and \$9.9 million in 2002. The company states that merger-related costs have been fully recovered and there will be no additional charges levied by the parent. Absent these merger-related charges, UI's financial performance would show a 3-year trend of stable equity capitalization, interest coverage, and profitability. Based upon this analysis, staff recommends that a cumulative corporate undertaking of \$704,180 is acceptable contingent upon the receipt of the written guarantee of UI and written confirmation that UI does not have any outstanding guarantees on behalf on UI-owned utilities in other states.

Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall provide a report by the 20<sup>th</sup> day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be made with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

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

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**ISSUE 4:** Should this docket be closed?

**RECOMMENDATION:** No. This docket should remain open pending the Commission's final action to determine permanent rates. (C. KEATING, GREENE)

**STAFF ANALYSIS:** This docket should remain open pending the Commission's final action to determine permanent rates.

Labrador Utilities, Inc. Schedule of Water Rate Base Test Year Ended 6/30/03		Schedule No. 1-A Docket No. 030443-SU			
DESCRIPTION	Test Year Utility Per Utility	Adjust- Ments	Adjusted Test Year Per Utility	Staff Adjust- Ments	Staff Adjusted Test Year
1 Utility Plant in Service	\$387,590	\$0	\$387,590	\$0	\$387,590
2 Land & Land Rights	0	0	0	0	0
3 Non-used & Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(103,668)	0	(103,668)	0	(103,668)
5 CIAC	0	0	0	0	0
6 Amortization of CIAC	0	0	0	0	0
7 Allocated Plant	3,422	0	3,422	0	3,422
8 Working Capital Allowance	<u>16,347</u>	<u>0</u>	<u>16,347</u>	<u>0</u>	<u>16,347</u>
<b>Rate Base</b>	<u>\$303,691</u>	<u>\$0</u>	<u>\$303,691</u>	<u>\$0</u>	<u>\$303,691</u>

Labrador Utilities, Inc. Schedule of Wastewater Rate Base Test Year Ended 6/30/03		Schedule No. 1-B Docket No. 030443-SU				
Description	Test Year Per Utility	Utility Adjust- Ments	Adjusted Test Year Per Utility	Staff Adjust- Ments	Staff Adjusted Test Year	
1 Utility Plant in Service	\$1,175,141	\$0	\$1,175,141	\$0	\$1,175,141	
2 Land	0	0	0	\$0	0	
3 Non-used & Useful Components	(277,999)	0	(277,999)	10,093	(267,906)	
4 Accumulated Depreciation	(310,969)	36,832	(274,137)	(36,832)	(310,969)	
5 CIAC	0	0	0	0	0	
6 Amortization of CIAC	0	0	0	0	0	
7 Allocated Plant	3,422	0	3,422	0	3,422	
8 Working Capital Allowance	<u>19,891</u>	<u>0</u>	<u>19,891</u>	<u>0</u>	<u>19,891</u>	
<b>Rate Base</b>	<u>\$609,486</u>	<u>\$36,832</u>	<u>\$646,318</u>	<u>(\$26,739)</u>	<u>\$619,579</u>	

Labrador Utilities, Inc. Adjustments to Rate Base Test Year Ended 6/30/03	Sched. No. 1-C Docket 030443-su Page 1 of 1	
Explanation	Water	Wastewater
<u>Non-used and Useful Components</u>		
To reflect appropriate non-used and useful adjustment.	<u>\$0</u>	<u>\$10,093</u>
<u>Accumulated Depreciation</u>		
To remove non-used & useful adjustment and include in non-used and useful components.	<u>\$0</u>	<u>(\$36,832)</u>



Labrador Utilities, Inc.  
 Capital Structure  
 Test Year Ended 6/30/03

Schedule No. 2  
 Docket No. 030443-SU

Description	Total Capital	Specific Adjust- Ments (Explain)	Pro Rata Adjust- Ments	Capital Reconciled To Rate Base	Ratio	Cost Rate	Weighted Cost
<b>Per Utility</b>							
1 Long-term Debt	\$94,090,081	\$0	(\$93,604,536)	\$485,545	51.11%	7.58%	3.87%
2 Short-term Debt	11,824,500	0	(11,763,512)	60,988	6.42%	3.93%	0.25%
3 Common Equity	77,021,455	0	(76,623,993)	397,462	41.84%	11.79%	4.93%
4 Customer Deposits	3,713	0	0	3,713	0.39%	6.00%	0.02%
5 Deferred Income Taxes	<u>2,206</u>	<u>0</u>	<u>0</u>	<u>2,206</u>	0.23%	0.00%	<u>0.00%</u>
6 <b>Total Capital</b>	<u>\$182,941,955</u>	<u>\$0</u>	<u>(\$181,992,041)</u>	<u>\$949,914</u>	<u>100.00%</u>		<u>9.08%</u>
<b>Per Staff</b>							
7 Long-term Debt	\$94,090,081	\$0	(\$93,618,257)	\$471,824	51.10%	7.58%	3.87%
8 Short-term Debt	11,824,500	0	(11,765,205)	59,295	6.42%	3.93%	0.25%
9 Common Equity	77,021,455	0	(76,635,223)	386,232	41.83%	10.77%	4.50%
10 Customer Deposits	3,713	0	0	3,713	0.40%	6.00%	0.02%
11 Deferred Income Taxes	<u>2,206</u>	<u>0</u>	<u>0</u>	<u>2,206</u>	0.24%	0.00%	<u>0.00%</u>
12 <b>Total Capital</b>	<u>\$182,941,955</u>	<u>\$0</u>	<u>(\$182,018,685)</u>	<u>\$923,270</u>	<u>100.00%</u>		<u>8.65%</u>
					<u>Low</u>	<u>High</u>	
				Return on Equity	<u>10.77%</u>	<u>12.77%</u>	
				Overall Rate of Return	<u>8.65%</u>	<u>9.49%</u>	

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Labrador Utilities, Inc. Statement of Water Operations Test Year Ended 6/30/03							Schedule No. 3-A Docket No. 030443-SU	
Description	Test Year Per Utility	Utility Adjust- Ments	Adjusted Test Year Per Utility	Staff Adjust- Ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement	
1 Operating Revenues	<u>\$52,720</u>	<u>\$143,844</u>	<u>\$196,564</u>	<u>(\$143,844)</u>	<u>\$52,720</u>	<u>\$141,117</u> 267.67%	<u>\$193,837</u>	
Operating Expenses:								
2 Operation & Maintenance	\$130,775	\$0	130,775	\$0	130,775	\$0	130,775	
3 Depreciation	11,697	0	11,697	0	11,697	0	11,697	
4 Amortization	0	0	0	0	0	0	0	
5 Taxes Other than Income	20,092	6,473	26,565	(7,826)	18,739	6,350	25,090	
6 Income Taxes	<u>(15,038)</u>	<u>15,038</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7 Total Operating Expenses	<u>\$147,526</u>	<u>\$21,511</u>	<u>\$169,037</u>	<u>(\$7,826)</u>	<u>\$161,211</u>	<u>\$6,350</u>	<u>\$167,562</u>	
8 Operating Income	<u>(\$94,806)</u>	<u>\$122,333</u>	<u>\$27,527</u>	<u>(\$136,018)</u>	<u>(\$108,491)</u>	<u>\$134,766</u>	<u>\$26,275</u>	
9 Rate Base	<u>\$303,691</u>		<u>\$303,691</u>		<u>\$303,691</u>		<u>\$303,691</u>	
10 Rate of Return	<u>-31.22%</u>		<u>9.06%</u>		<u>-35.72%</u>		<u>8.65%</u>	

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Labrador Utilities, Inc. Statement of Wastewater Operations Test Year Ended 6/30/03		Schedule No. 3-B Docket No. 030443-SU					
Description	Test Year Per Utility	Utility Adjust- Ments	Adjusted Test Year Per Utility	Staff Adjust- Ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues	<u>\$124,032</u>	<u>\$161,052</u>	<u>\$285,084</u>	<u>(\$161,052)</u>	<u>\$124,032</u>	<u>\$146,292</u> 117.95%	<u>\$270,324</u>
Operating Expenses							
2 Operation & Maintenance	\$159,129	\$0	\$159,129	\$0	\$159,129	\$0	\$159,129
3 Depreciation	52,446	(12,409)	40,037	(7,513)	32,524	0	32,524
4 Amortization	0	0	0	0	0	0	0
5 Taxes Other than Income	20,092	7,247	27,339	(8,857)	18,482	6,583	25,065
6 Income Taxes	<u>(15,038)</u>	<u>15,038</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expenses	<u>\$216,629</u>	<u>\$9,876</u>	<u>\$226,505</u>	<u>(\$16,370)</u>	<u>\$210,135</u>	<u>\$6,583</u>	<u>\$216,719</u>
8 Operating Income	<u>(\$92,597)</u>	<u>\$151,176</u>	<u>\$58,579</u>	<u>(\$144,682)</u>	<u>(\$86,103)</u>	<u>\$139,708</u>	<u>\$53,605</u>
9 Rate Base	<u>\$609,486</u>		<u>\$646,318</u>		<u>\$619,579</u>		<u>\$619,579</u>
10 Rate of Return	<u>-15.19%</u>		<u>9.06%</u>		<u>-13.90%</u>		<u>8.65%</u>

Labrador Utilities, Inc. Adjustments to Operating Income Test Year Ended 6/30/03		Sched. No. 3-C Docket 030443-SU	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested interim revenue increase	<u>(\$143,844)</u>	<u>(\$161,052)</u>	
<u>Depreciation Expense-net</u>			
To remove net depreciation on non-U&U adjustment	<u>\$0</u>	<u>(\$7,513)</u>	
<u>Taxes Other than Income</u>			
1 RAFs on revenue adjustments above	(\$6,473)	(\$7,247)	
2 To correct RAFs on TY revenues	(\$1,353)	\$1,856	
3 To remove non-used & useful property taxes	<u>0</u>	<u>(\$3,466)</u>	
Total	<u>(\$7,826)</u>	<u>(\$8,857)</u>	

DOCKET NO. 030443-WS  
 DATE: JANUARY 22, 2004

Labrador Utilities, Inc. Water Monthly Service Rates Test Year Ended 6/30/03		Schedule No. 4 Docket No. 030443-SU	
	Rates Prior to Filing	Utility Requested Interim	Staff Recomm. Interim
<b><u>Water Residential</u></b>			
<b>Flat Rates</b>			
Mobile Home Park, per lot	\$4.50	\$16.56	\$16.33
R.v. Resort, per lot	\$3.00	\$11.04	\$10.89
<b><u>Wastewater Residential</u></b>			
<b>Flat Rates</b>			
Mobile Home Park, per lot	\$10.50	\$24.03	\$22.79
R.v. Resort, per lot	\$7.00	\$16.02	\$15.19