

State of Florida



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COMMISSION
CLERK

-M-E-M-O-R-A-N-D-U-M-

DATE: August 5, 2004

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Merchant, Greene, Willis) [Handwritten initials]
Office of the General Counsel (C. Keating) [Handwritten initials]

RE: Docket No. 030443-WS – Application for rate increase in Pasco County by Labrador Utilities, Inc.

AGENDA: 08/17/04 – Regular Agenda – Decision on Suspension of Rates – Interested Persons May Participate

CRITICAL DATES: 60-Day Suspension Date: 08/30/04

SPECIAL INSTRUCTIONS: None

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

Case Background

Labrador Utilities, Inc. (Labrador or utility) is a Class B 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 to Forest Lakes R.V. Resort. For the year ended December 31, 2003, the utility's total revenues were \$181,836, with a total net operating loss of \$162,305.

By Order No. PSC-03-0638-PAA-WS, issued May 27, 2003, in Docket No. 020484-WS, In re: Application for transfer of facilities and Certificates Nos. 616-W and 530-S from Labrador Services, Inc. to Labrador Utilities, Inc. in Pasco County, the Commission approved a certificate transfer to Labrador Utilities, Inc. By Order No. PSC-04-0200-PCO-WS, issued February 24, 2004, in this current docket, the Commission approved an interim rate increase of \$141,117 (or 267.67%) for water and \$146,292 (or 117.95%) for wastewater based on the historical test year ended June 30, 2003.

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On June 30, 2004, the utility filed its application for a final rate increase pursuant to Sections 367.081 and 367.082, Florida Statutes. However, the information submitted did not satisfy the minimum filing requirements (MFRs) for a general rate increase. Subsequently, on August 2, 2004, the utility satisfied the MFRs and this date was designated as the official filing date, pursuant to Section 367.083, Florida Statutes. This utility has requested that the Commission process this case under the Proposed Agency Action (PAA) procedure.

The test year for purposes of setting final rates is the historical test year ended December 31, 2003. Labrador has requested water and wastewater revenues of \$199,958 and \$389,475, respectively. This permanent annual revenue request represents an increase of \$144,477 (or 260.41%) for water and \$260,380 (or 201.70%) for wastewater. A customer meeting will be held at the Forest Lake Estates Community Clubhouse on August 24, 2004, in Zephyrhills, Florida, at 6:00 p.m.

The sixty-day statutory deadline for the Commission to suspend the utility's requested final rates is August 30, 2004. This recommendation addresses the suspension of Labrador's requested final rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes.

Discussion of Issues

Issue 1: Should the utility's proposed final water and wastewater rates be suspended?

Recommendation: Yes. Labrador's proposed final water and wastewater rates should be suspended. (Greene)

Staff Analysis: Section 367.081(6), Florida Statutes, provides that the Commission may, for good cause, withhold consent to the implementation of the requested rates by a vote to that effect within 60 days after the date the rate request is filed. Further, Section 367.081(8), Florida Statutes, permits the proposed rates to go into effect (secured and subject to refund) at the expiration of five months if: (1) the Commission has not acted upon the requested rate increase; or (2) if the Commission's PAA action is protested by a party other than the utility.

Staff has reviewed the filing and has considered the proposed final rates, the revenues thereby generated, and the information filed in support of the rate application. Staff recommends that it is reasonable and necessary to require further explanation regarding this data, and to require production of additional and/or corroborative data. This further examination will include on-site investigations by staff accountant and engineers. Based on the foregoing, staff recommends that it is appropriate to suspend the utility's proposed rate increase.

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Issue 2: Should the docket be closed?

Recommendation: No. The docket should remain open pending the Commission's final action on the utility's requested rate increase. (C. Keating)

Staff Analysis: The docket should remain open pending the Commission's final action on the utility's requested rate increase.