

State of Florida



ORIGINAL

Public Service Commission

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

DATE: April 18, 2006

TO: Lisa Polak Edgar, Chairman

FROM: Timothy J. Devlin, Director, Division of Economic Regulation *TJD*
Mary Anne Helton, Attorney Supervisor, Office of the General Counsel *MAH*

RE: Docket No. 060262-WS - Application of Labrador Utilities, Inc. for an increase in water and wastewater rates in Lake County - Test Year Approval

By letter dated March 20, 2006, Application of Labrador Utilities, Inc. (Labrador) requested approval to use a historical test year ended December 31, 2005, for a water and wastewater rate case filing. The company has indicated this requested test year is representative of a normal full year of operation. Further, the utility will file its application using the Proposed Agency Action provision in Section 367.081(8), Florida Statutes.

Labrador states that it has made major changes to plant and equipment, but there has been no major changes in operational methods. Further, Labrador states it will include pro forma plant additions, as well as, pro forma increases in salaries, salary related benefits, purchased power and other costs included in its application for an increase in water and wastewater rates.

By Order No. PSC-04-1281-PAA-WS, issued July 15, 1996, the Commission addressed the utility's rates in the utility's last rate case. A final order in that case was entered in Order No. PSC-05-0087-CO-WS, issued January 24, 2005. Staff believes that the requested test year will be representative because of the reasons stated above. Staff has reviewed the utility's annual reports for calendar years 2003 through 2005, as well as the utility's proposed plant additions. Based on our review, we believe the utility is not experiencing significant growth and is proposing to replace and/or improve its water and wastewater systems providing service to existing customers. Therefore, its requested historical test year, with pro forma adjustments for plant and O&M, should be approved. Labrador indicated that it intends to submit the minimum filing requirements on or before June 30, 2006. However, since many utilities find it difficult to meet such a short timeframe, the utility is instructed to file the MFRs no later than August 31, 2006.

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_____c: Dr. Mary Bane, Executive Director
 Charles H. Hill, Deputy Executive Director
 Betty Ashby
 Division of Economic Regulation (Willis, Rendell, Joyce, Edwards)
 Office of the General Counsel (Keating)
 Division of the Commission Clerk and Administrative Services

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