

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for rate increase in Pasco
County by Labrador Utilities, Inc.

DOCKET NO. 030443-WS
ORDER NO. PSC-04-0200-PCO-WS
ISSUED: February 24, 2004

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
LILA A. JABER
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

ORDER APPROVING INTERIM RATES

BY THE COMMISSION:

I. 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.

This 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.

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, this 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. After discussions with our staff, who had concluded that a 2002 test year would be unrepresentative for Labrador, the utility agreed to revise its test year. By letter dated June 16, 2003, the utility

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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 sitting 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 minimum filing requirements ("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 we process its final rate case under the proposed agency action ("PAA") procedures, pursuant to Section 367.081(8), Florida Statutes.

We have jurisdiction pursuant to Chapter 367, Florida Statutes, including Section 367.082, Florida Statutes.

II. Decision on Interim Rate Increase

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 utility filed rate base, cost of capital, and operating statements to support its request.

As discussed above, 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, our staff believed for several reasons that the 2002 test year would not serve as an appropriate basis for setting 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. In addition, 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. Finally, 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, 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:

<u>Residential Flat Rates</u>	<u>Water</u>	<u>Wastewater</u>
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.

Upon review of the utility's interim rate request, we believe that an interim rate increase for Labrador is reasonable as further discussed in this Order. We note 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, we believe it is permitted by Section 367.092(1), Florida Statutes, as the utility has commenced a proceeding to change rates. This 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, we find that customers will be protected during this proceeding if the interim rates are deemed excessive at the conclusion of the final decision. We believe that to deny interim rates for a utility that is in economic distress could be considered confiscatory.

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

Based on our review of the utility's interim rate request, we believe some adjustments are appropriate as discussed below. Attached hereto, and incorporated herein by reference, are schedules illustrating the rate base, capital structure, and test year operating income amounts approved through this Order. The rate base schedules are reflected on Schedules 1-A, 1-B, 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. Upon review, we find that two adjustments to Labrador's interim rate base are necessary.

First, we find that Labrador erred in calculating its test year accumulated depreciation. 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. We believe that this method of averaging understated the appropriate balance of test year accumulated depreciation by \$36,832. To correct this, this adjustment should be removed from the utility's accumulated depreciation, and that accumulated depreciation should be increased by \$36,832. Further, we incorporate the correct amount of non-used and useful accumulated depreciation in rate base on the line entitled "Non-used and Useful Components."

Second, we find that Labrador made two errors with respect to its calculation of used and useful plant. 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. We find that Labrador erroneously failed to use the test year MMADF, which was 115,871 gpd for March 2002. Recalculating the used and useful percentage by dividing the test year MMADF of 115,871 gpd by the 216,000 gpd capacity of the plant results in a 53.7% used and useful percentage, or 46.3% non-used and useful percentage, for plant. We also find that the utility made an error in applying this adjustment to all plant accounts, except general plant. Instead, this percentage should be applied only to wastewater treatment plant, not to the collection system and intangible plant. Using our adjusted used and useful percentage results in a net non-used and useful plant balance of \$267,906. Accordingly, the utility's requested non-used and useful plant balance of \$277,999 reflected in 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 reflected its water treatment plant and distribution system, as well as its wastewater collection system, as 100% used and useful. Based on our review, these calculations appear to be appropriate for interim rate purposes.

After the above adjustments have been made, we find that the appropriate rate base for interim rate 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, we find that no adjustments are necessary to Labrador's capital components. The utility reflected an interim cost of capital of 9.08%.

For interim rate 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.

We have 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 statute requires that the minimum of the range be used to calculate an interim rate increase. We note 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. We have reflected the correct calculation, pursuant to Order No. PSC-03-0707-PAA-WS, in the ROE used herein for interim rate purposes.

In accordance with Section 367.082, Florida Statutes, we find that the appropriate cost rate for common equity is 10.77%. Based on the above adjustments, the weighted average cost of capital is 8.65% for interim rate purposes.

Net Operating Income

Upon review of Labrador's requested operating income for interim rate purposes, we find that 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, 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. Calculating the ratio of non-used and useful plant to total plant and applying this percentage to the utility's requested property taxes results in a reduction of \$3,466 from the utility's requested wastewater property taxes.

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

Based on the foregoing, we approve interim revenue requirements 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 increase will allow the utility the opportunity to recover its operating expenses and earn an 8.65% required rate of return on its rate base.

III. Appropriate Interim Rates

Consistent with our findings above, interim rates shall 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	(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 the service rates in effect as of June 30, 2003, which are also the utility's current flat rates.

These interim rates shall be implemented 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 customers have received notice. The revised tariff sheets may be approved administratively upon our staff's verification that the tariff sheets are consistent with this decision, that the proposed notice to the customers is adequate, and that the required security has been filed. Within 10 days after the date of the notice, the utility should provide staff proof of the date notice was given.

Schedule 4, which is attached hereto and incorporated herein by reference, shows Labrador's current rates, its requested interim rates, and the interim rates approved by this Order.

IV. Security Requirements

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 this Commission. As stated above, the annual interim revenue increases approved herein are \$141,117 for water and \$146,292 for wastewater. In accordance with Rule 25-30.360, Florida Administrative Code, the potential refund of revenues and interest collected under interim conditions is \$313,093. This amount is based on an estimated thirteen months of revenue being collected under the interim rates approved herein, 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 would 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. We have reviewed UI's financial statements from 2000 to 2002 to determine the financial condition of the parent company. Our 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 that no additional charges will be 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, we find 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 20th 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 shall be borne by, the utility.

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Labrador Utilities, Inc.'s application for an interim revenue increase is granted, subject to our adjustments, as set forth in the body of this Order. It is further

ORDERED that Labrador Utilities, Inc. is authorized to charge the interim rates set forth in Schedule 4, attached to this Order and incorporated herein by reference, under the terms set forth in the body of this Order. It is further

ORDERED that Labrador Utilities, Inc. shall submit tariff sheets reflecting the interim rates authorized herein, and such tariff sheets shall be administratively approved upon verification that they are consistent with our decision herein, that the proposed customer notice is adequate, and that the security required by this Order is provided. It is further

ORDERED that the interim rates authorized herein shall become effective for service rendered as of the stamped approval date on the tariff sheets, provided customers have received notice. It is further

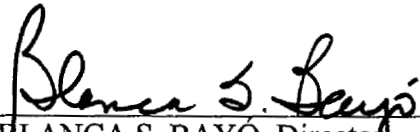
ORDERED that Labrador Utilities, Inc. shall provide a corporate undertaking guaranteed by Utilities, Inc., its parent company, in the amount of \$313,093 which shall remain in effect until released or terminated by subsequent Commission Order as guarantee of any potential refund of revenues collected under the interim conditions. It is further

ORDERED that during the time the interim rates are in effect, Labrador Utilities, Inc. shall file a report by the 20th of each month indicating the monthly and total revenue collected subject to refund pursuant to Rule 25-30.360(6), Florida Administrative Code. It is further

ORDERED that this docket shall remain open.

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By ORDER of the Florida Public Service Commission this 24th day of February, 2004.



BLANCA S. BAYO, Director
Division of the Commission Clerk
and Administrative Services

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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 15 days pursuant to Rule 25-22.060, 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 Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, 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 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	PSC Adjust- Ments	PSC 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>	
Rate Base	<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	PSC Adjust- Ments	PSC 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>
Rate Base	<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.		Schedule No. 2 Docket No. 030443-SU					
Capital Structure Test Year Ended 6/30/03							
Description	Total Capital	Specific Adjust- Ments (Explain)	Pro Rata Adjust- Ments	Capital Reconciled To Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility							
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 Total Capital	<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>
Commission-Adjusted							
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 Total Capital	<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>	

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	PSC Adjust- Ments	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>	

Labrador Utilities, Inc.
 Statement of Wastewater Operations
 Test Year Ended 6/30/03

Description	Test Year Per Utility	Utility Adjust- Ments	Adjusted Test Year Per Utility	PSC Adjust- Ments	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>	

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	Commission Approved Interim
<u>Water Residential</u>			
Flat Rates			
Mobile Home Park, per lot	\$4.50	\$16.56	\$16.33
R.v. Resort, per lot	\$3.00	\$11.04	\$10.89
<u>Wastewater Residential</u>			
Flat Rates			
Mobile Home Park, per lot	\$10.50	\$24.03	\$22.79
R.v. Resort, per lot	\$7.00	\$16.02	\$15.19