

LAW OFFICES
ROSE, SUNDBSTROM & BENTLEY, LLP

2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

FREDERICK L. ASCHAUER, JR.
CHRIS H BENTLEY, P.A.
ROBERT C. BRANNAN
F. MARSHALL DETERDING
JOHN R. JENKINS, P.A.
KYLE L. KEMPER
STEVEN T. MINDLIN, P.A.
CHASITY H. O'STEEN
WILLIAM E. SUNDBSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON

ROBERT M. C. ROSE (1924-2006)

(850) 877-6555
FAX (850) 656-4029
www.rsbatorneys.com

REPLY TO CENTRAL FLORIDA OFFICE

January 7, 2009

E-FILING

CENTRAL FLORIDA OFFICE
SANLANDO CENTER
2180 W. STATE ROAD 434, SUITE 2118
LONGWOOD, FLORIDA 32779
(407) 830-6331
FAX (407) 830-8522

MARTIN S. FRIEDMAN, P.A.
BRIAN J. STREET

CHRISTIAN W. MARCELLI, OF COUNSEL
(LICENSED IN NEW YORK ONLY)

Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RE: Docket No. 080249-WS; Labrador Utilities, Inc.'s Application for an Increase in
Water and Wastewater Rates in Pasco County, Florida
Our File No.: 30057.157

Dear Ms. Cole:

Enclosed for filing in the above-referenced docket is the response of Labrador
Utilities, Inc., to Staff's audit report filed with the Clerk on December 19, 2008.

Feel free to contact us if you have any questions or concerns.

Very truly yours,



CHRISTIAN W. MARCELLI
Of Counsel

CM/tlc
Enclosures

cc: John Hoy, Chief Regulatory Officer (w/enclosures)
Patrick C. Flynn, Regional Director (w/enclosures)
Ms. Deborah Swain (w/enclosures)
Mr. Frank Seidman (w/enclosures)
Stan Rieger, Division of Economic Regulation (w/enclosures)
Ralph Jaeger, Esquire, Office of General Counsel (w/enclosures)

LABRADOR UTILITIES, INC.
DOCKET NO. 080249-WS
AUDIT REPORT RESPONSES

Audit Finding No. 1 – Corrections to Prior Order Adjustments

The Company agrees with Audit Finding No. 1, except for the debit adjustment to accumulated depreciation for transportation in the amount of \$3,320. In 2003, when this adjustment was ordered, transportation equipment and its related depreciation accounts were booked directly to Labrador. These accounts are now an allocation for per book purposes, and are further adjusted for ratemaking purposes as a pro forma adjustment based on the operator who drives the vehicle. Therefore, this entry would have corrected itself when it was removed from Labrador for allocation purposes. The Company's proposed general ledger entry is reflected on the attached document "w/p 1."

Effect on filing: Water plant should be decreased (credited) for \$2,864. Water accumulated depreciation should be increased (credited) for \$19,949. Water depreciation expense should be decreased (credited) for \$45. Wastewater plant should be increased (debited) for \$2,864. Wastewater accumulated depreciation should be decreased (debited) for \$13,488. Wastewater depreciation expense should be increased (debited) for \$611.

Effect on general ledger: Water plant should be decreased (credited) for \$2,864. Water accumulated depreciation should be increased (credited) for \$19,949. Water depreciation expense should be decreased (credited) for \$45. Wastewater plant should be creased (debited) for \$2,864. Wastewater accumulated depreciation should be decreased (debited) for \$13,488. Wastewater depreciation expense should be increased (debited) for \$611.

Audit Finding No. 2 – Adjustment to Organization Cost and Franchise Fees

The Company agrees with the framework of this adjustment, but believes some of the figures used by Audit Staff are incorrect. For example, the wastewater accumulated depreciation debit adjustment to franchises should be for the amount of \$331, since the Company's ledger reflects a December 2007 balance of \$2,330, rather than \$2,230 as shown by Audit Staff on page 11 of its Audit Report (\$1,999 - \$2,330 = -\$331). Moreover, the Company believes that the adjustment to wastewater accumulated depreciation for organization should be a \$10 credit, since the balance on the ledger at December 2007 is a debit balance. The Company's proposed general ledger entry is reflected on the attached "w/p 2" and "w/p 2(a)."

Effect on filing: Water plant should be decreased (credited) for \$15,338. Water accumulated depreciation should be decreased (debited) for \$2,324. Water

depreciation expense should be increased (debited) for \$198. Wastewater accumulated depreciation should be decreased (debited) for \$320.

Effect on general ledger: Water plant should be decreased (credited) for \$15,338. Water accumulated depreciation should be decreased (debited) for \$2,225. Water depreciation expense should be increased (debited) for \$198. Wastewater accumulated depreciation should be decreased (debited) for \$320.

Audit Finding No. 3 – Adjustment to Retire Utility Plant in Service

The Company agrees with these retirements, but would like to correct an error in Audit Staff's journal entry. The credit adjustment to depreciation expense for meters should actually be \$361 as noted below Audit Staff's journal entry on page 13. The Company's proposed journal entry is reflected on the attached "w/p 3" and "w/p 3(a)."

Effect on filing: Water plant should be decreased (credited) for \$13,005. Water accumulated depreciation should be decreased (debited) for \$14,366. Water depreciation expense should be decreased (credited) for \$651. Wastewater plant should be decreased (credited) for \$6,913. Wastewater accumulated depreciation should be decreased (debited) for \$7,257. Wastewater depreciation expense should be decreased (credited) for \$344.

Effect on general ledger: Water plant should be decreased (credited) for \$13,005. Water accumulated depreciation should be decreased (debited) for \$14,691. Water depreciation expense should be decreased (credited) for \$651. Wastewater plant should be decreased (credited) for \$6,913. Wastewater accumulated depreciation should be decreased (debited) for \$7,429. Wastewater depreciation expense should be decreased (credited) for \$344.

Audit Finding No. 4 – UPIS Miscellaneous Adjustments

The Company is in partial agreement with Audit Finding No. 4.

Audit Finding No. 4(1): The Company disagrees with the removal of the \$8,000 in electric pump equipment. The \$8,000 payment is associated with work done on the water treatment plant's storage tank, and reflects the balance due the contractor for work performed through the termination date. Therefore, it should not be expensed to miscellaneous non-utility expense. Audit Staff notes that the \$808 booked to electric pump equipment was to repair a pump. Repairing a pump is not a normal day-to-day occurrence, and the repair work extended the life of the asset. Therefore, this should not be expensed either.

Audit Finding No. 4(2): The Company disagrees with removal of \$275 booked to meters. Audit Staff notes that the \$275 booked to meters was to repair a

meter. Repairing a meter is not a normal day-to-day occurrence, and the repair work extended the life of the asset. Therefore, this should not be expensed.

Audit Finding No. 4(3). The Company agrees with item 3. The entry is a double entry and cannot be supported, so the \$440 and any related accumulated depreciation and depreciation expense should be removed. The Company's proposed journal entry is reflected on w/p 3 and w/p 3(a).

Audit Finding No. 5 – Adjustment to Remove Contribution

The Company agrees that the \$342 is not a service availability charge, and that the item was likely miscoded. However, the Company collected actual cost from a customer when it installed a general service meter at a clubhouse pool that is served by the Company. The \$342 was for this meter. An entry was made into the meters account in 2005 for a reasonably similar amount of \$358.86. Since we collected \$342 from the customer for the meter, this amount should be CIAC, and no adjustment entry should be necessary

Effect on filing: N/A.

Effect on general ledger: N/A.

Audit Finding No. 6 – Adjustment to Expenses – System Misclassification

The Company agrees with audit finding no. 6.

Audit Finding No. 7 – Adjustment to Rental Expenses

The Company agrees with audit finding no. 7.

Audit Finding No. 8 – Adjustment to Prior Rate Case Expense

The Company agrees with audit finding no. 8.

Audit Finding No. 1 - Corrections to Prior Order Adjustments

Entry #1

Location: Docket No. 080249-WS audit report pg. 5-9

Entry Description: To correct ordered adjustments from Order No. PSC-04-1281-PAA-WS.

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
1050	259100	Structures & Improvements - Source Supply	2,703	
1400	259101	Treatment Disposal Equipment - Treatment Plant	21,455	
1920	259100	A/D - Transmission & Distribution Mains	6,079	
2060	259101	A/D - Structures & Improvements - Treatment	3,016	
2160	259101	A/D - Treatment Disposal Equipment - Treatment Plant	10,472	
6455	259100	Dep Exp - Structures & Improvements - Source Supply	85	
6765	259101	Dep Exp - Treatment Disposal Equipment - Treatment	1,193	
?	259100	Balancing Entry	22,858	
?	259101	Balancing Entry		16,963
1900	259100	A/D - Electric Pump Equipment		56
1125	259100	Transmission & Distribution Mains		5,567
1300	259101	Structures & Improvements - Treatment Plant		18,591
1845	259100	A/D - Structures & Improvements - Source Supply		23,518
1985	259100	A/D - Tools, Shop, & Garage Equipment		2,454
6530	259100	Dep Exp - Transmission & Distribution Mains		130
6665	259101	Dep Exp - Structures & Improvements - Treatment		582

Effect on Filing

UPIS - water	should be decreased by	(2,864) credit
UPIS - w/water	should be increased by	2,864 debit
A/D - water	should be increased by	(19,949) credit
A/D - w/water	should be decreased by	13,488 debit
Dep Expense - water	should be decreased by	(45) credit
Dep Expense - w/water	should be increased by	611 debit

LABRADOR UTILITIES, INC.
DOCKET NO. 080249-WS
AUDIT REPORT RESPONSE WORKPAPERS

w/p 2

Audit Finding No. 2 - Adjustment to Organization Cost and Franchise Fees

Entry #2

Location: Docket No. 080249-WS audit report pg. 10-11

Entry Description: To remove organization costs for ratemaking purposes and to properly calculate depreciation on franchise fees.

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
1835	259100	A/D - Organization	2,820	
2040	259101	A/D - Franchises	330	
6450	259100	Dep Exp - Franchises	198	
?	259100	Balancing Entry	12,915	
?	259101	Balancing Entry		320
1020	259100	Organization		15,338
1840	259100	A/D - Franchises		595
2030	259101	A/D - Organization		10

Effect on Filing

UPIS - water	should be decreased by	(595) credit
A/D - water	should be decreased by	(297) debit
A/D - w/water	should be decreased by	320 debit
Dep Expense - water	should be increased by	2,820 debit

LABRADOR UTILITIES, INC.
DOCKET NO. 080249-WS
AUDIT REPORT RESPONSE WORKPAPERS

Audit Finding No. 2

Roll Forward A/D For Plant Through 2007 (Entry 2)

	Object A/C	Business Unit	Description	(a) U/P/S Adjustment	(b) Dec-04 Balance	(c) Years to Roll Forward	(d) Depreciation Rate	(e) Roll Forward A/D	(f) Total A/D	(g) A/D Booked in 2007	(h) Adjustment
(1)	1020	259100	Organization	(15,338)						(2,820)	2,820 debit
(2)	N/A	259101	Organization	-						10	(10) credit
(3)	1025	259100	Franchises	7,933	(1,008)	3	2.50%	(595)	(1,603)	(1,008)	(595) credit
(4)	1250	259101	Franchises	7,933	(1,405)	3	2.50%	(595)	(2,000)	(2,330)	330 debit
<u>Roll Forward A/D For Plant Through 2006</u>											
	Object A/C	Business Unit	Description	(a) U/P/S Adjustment	(b) Dec-04 Balance	(c) Years to Roll Forward	(d) Depreciation Rate	(e) Roll Forward A/D	(f) Total A/D	(g) A/D Booked in 2006	(h) Adjustment
(5)	1025	259100	Franchises	7,933	(1,008)	2	2.50%	(397)	(1,405)	(1,008)	(397) credit
(6)	1250	259101	Franchises	7,933	(1,405)	2	2.50%	(397)	(1,802)	(2,132)	330 debit

Averaging Adjustment For Filing

	Object A/C	Business Unit	Description	(a) A/D Adjustment at 2006	(b) A/D Adjustment at 2007	Averaging Adjustment
(7)	1025	259100	Franchises	(397)	(595)	(496)
(8)	1250	259101	Franchises	330	330	330

Audit Finding No. 3 - Adjustment to Retire Utility Plant in Service

Entry #3

Location: Docket No. 080249-WS audit report pg. 12-13

Entry Description: To account for retirements not made in 2004-2007.

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
1900	259100	A/D - Electric Pump Equipment	6,575	
1930	259100	A/D - Meters	8,116	
2060	259101	A/D - Structures & Improvements - Treatment	1,736	
2160	259101	A/D - Treatment Disposal Equipment - Treatment Plant	5,693	
?	259101	Balancing Entry		172
?	259100	Balancing Entry		1,035
1105	259100	Electric Pump Equipment		5,791
1135	259100	Meters		7,214
1300	259101	Structures & Improvements - Treatment Plant		1,658
1400	259101	Treatment Disposal Equipment - Treatment Plant		5,255
6510	259100	Dep Exp - Electric Pump Equipment		290
6540	259100	Dep Exp - Meters		361
6665	259101	Dep Exp - Structures & Improvements - Treatment		52
6765	259101	Dep Exp - Treatment Disposal Equipment - Treatment		292

Effect on Filing

UPIS - water	should be decreased by	(13,005) credit
UPIS - w/w/ater	should be decreased by	(6,913) credit
A/D - water	should be decreased by	14,366 debit
A/D - w/water	should be decreased by	7,257 debit
Dep Exp - water	should be decreased by	(651) credit
Dep Exp - w/water	should be decreased by	(344) credit

LABRADOR UTILITIES, INC.
DOCKET NO. 060249-WS
AUDIT REPORT RESPONSE WORKPAPERS

w/p 3(a)

Audit Finding No. 3

A/D to Remove Through 2007 Entry 3)

Objct./A/C	Business Unit	Description	(a) Retirement Amount (75% of new asset)	(b) A/D Past Retirement (per Audit Staff at 2007	(c) Total A/D to Remove	(c) Depreciation Expense
(1)	1105	259100 Electric Pump Equipment	(3,497)	(612)	4,109	debit (175) credit
(2)	1105	259100 Electric Pump Equipment	(2,284)	(172)	2,466	debit (115) credit
(3)	1135	259100 Meters	(7,214)	(902)	8,116	debit (361) credit
(4)	1300	259101 Structures & Improvements - Treatment Plant	(1,658)	(78)	1,736	debit (52) credit
(5)	1400	259101 Treatment Disposal Equipment - Treatment Plant	(5,255)	(438)	5,693	debit (292) credit

Average Adjustment For Filing

Objct./A/C	Business Unit	Description	(a) A/D Past Retirement (per Audit Staff at 2007	(b) A/D Past Retirement (per Audit Staff at 2006	(c) Average Adjustment
(6)	1105	259100 Electric Pump Equipment	4,109	3,934	4,022
(7)	1105	259100 Electric Pump Equipment	2,466	2,351	2,409
(8)	1135	259100 Meters	8,116	7,755	7,936
(9)	1300	259101 Structures & Improvements - Treatment Plant	1,736	1,684	1,710
(10)	1400	259101 Treatment Disposal Equipment - Treatment Plant	5,693	5,401	5,547

LABRADOR UTILITIES, INC.
DOCKET NO. 080249-WS
AUDIT REPORT RESPONSE WORKPAPERS

w/p 4

Audit Finding No. 4 - UPIS Miscellaneous Adjustments

Entry #4

Location: Docket No. 080249-WS audit report pg. 14-15

Entry Description: To remove a double entry in sewer treatment plant.

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
?	259101	Balancing Entry	440	
2160	259101	A/D - Treatment Disposal Equipment - Treatment Plant	12	
1400	259101	Treatment Disposal Equipment - Treatment Plant		440
6765	259101	Dep Exp - Treatment Disposal Equipment - Treatment		12

Effect on Filing

UPIS - water	should be decreased by	(220) credit
A/D - water	should be decreased by	6 debit
Dep Exp - water	should be decreased by	(12) credit