

State of Florida



Public Service Commission  
CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

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

COMMISSIONER  
CLERK

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RECEIVED-FPSC

DATE: November 9, 2011

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Deason, Fletcher, Maurey, Daniel, Rieger) *DR*  
Office of the General Counsel (Brown) *MCB JSC*

RE: Docket No. 110264-WS – Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

AGENDA: 11/22/11 – Regular Agenda – Decision on Suspension of Rates and on Interim Rates – Participation is at the Discretion of the Commission

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: 11/26/11 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\110264.RCM.DOC

Case Background

Labrador Utilities, Inc. (Labrador or Utility) is a Class B utility providing water and wastewater service to approximately 767 water and 754 wastewater customers in Pasco County. Water and wastewater rates were last established for this Utility in its 2008 rate case.<sup>1</sup>

<sup>1</sup> See Order Nos. PSC-09-0462-PAA-WS, issued January 22, 2009, in Docket No. 080249-WS, In re: Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc. and PSC-09-0711-AS-WS, issued October 26, 2009, in Docket No. 080249-WS, In re: Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

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FPSC-COMMISSION CLERK

On September 27, 2011, Labrador filed its application for a rate increase at issue in the instant docket. The Utility's application did not meet the minimum filing requirements (MFRs). On October 31, 2011, the Utility provided corrections to its MFRs. Upon review of the MFRs, staff determined that the MFRs are complete. Therefore, the official filing date was established as October 31, 2011. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and requested interim rates. The test year established for interim and final rates is the simple average period ended December 31, 2010.

Labrador requested interim revenue increases of \$49,447 (20.0 percent) for water and \$63,582 (14.4 percent) for wastewater. The Utility requested final revenue increases of \$106,066 (42.5 percent) for water and \$103,778 (23.3 percent) for wastewater.

This recommendation addresses the suspension of Labrador's requested final rates and the Utility's requested interim rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

### **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. (Deason, Fletcher)

**Staff Analysis:** Section 367.081(6), F.S., provides that the Commission may, for good cause, withhold consent to the implementation of the requested rates within 60 days after the date the rate request is filed. Further, Section 367.081(8), F.S., permits the proposed rates to go into effect (secured and subject to refund) at the expiration of five months from the official date of filing 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 information filed in support of the rate application and the proposed final rates. Staff believes that it is necessary to require further investigation of this information, including on-site investigations by staff accountants and engineers. To date, staff has initiated an audit of Labrador's books and records, as well as an audit of Utilities, Inc. (UI), the Utility's parent, to examine allocated investment and operating expenses. Both of these audits are tentatively due on November 28, 2011. In addition, staff sent its first data request on October 19, 2011 and its second data request on October 25, 2011. The Utility's responses to these data requests are due on November 18, 2011 and November 28, 2011, respectively. Further, staff believes additional requests will be necessary to process this case. Based on the foregoing, staff recommends suspension of the Utility's proposed rate increase.

**Issue 2:** Should any interim revenue increases be approved?

**Recommendation:** Yes, Labrador should be authorized to collect annual water and wastewater revenues as indicated below:

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Water	\$246,613	\$39,180	\$285,793	15.89%
Wastewater	\$442,466	\$53,416	\$495,882	12.07%

(Deason, Fletcher)

**Staff Analysis:** On September 27, 2011, Labrador filed its rate base, cost of capital, and operating statements to support its requested interim increase in water and wastewater rates. Pursuant to Section 367.082(1), F.S., in order to establish a prima facie entitlement for interim relief, the Utility shall demonstrate that it is earning outside the range of reasonableness on its rate of return. Pursuant to Section 367.081(2)(a), F.S., in a proceeding for an interim increase in rates, the Commission shall authorize, within 60 days of the filing for such relief, the collection of rates sufficient to earn the minimum of the range of rate of return. Based on the Utility's filing and the recommended adjustments below, staff believes that the Utility has demonstrated a prima facie entitlement in accordance with Section 367.082(1), F.S.

Pursuant to Section 367.082(5)(b)1, F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the Utility's most recent rate proceeding and annualizing any rate changes. Staff has reviewed Labrador's interim request, as well as Order Nos. PSC-09-0462-PAA-WS and PSC-09-0711-AS-WS, in which the Commission last established rate base. Staff's recommended adjustments are discussed below. Staff has attached accounting schedules to illustrate staff's recommended rate base, capital structure, and test year operating income amounts. Rate base is labeled as Schedule Nos. 1-A and 1-B, capital structure is labeled as Schedule No. 2, and operating income for water and wastewater, respectively, is labeled as Schedule Nos. 3-A and 3-B, with the adjustments shown on Schedule No. 3-C.

#### RATE BASE

Pursuant to Rule 25-30.433(2) Florida Administrative Code (F.A.C.), working capital for class B utilities shall be calculated using the formula method which is one-eighth of operation and maintenance (O&M) expenses. Based on staff's adjustments to water and wastewater O&M expenses discussed below, staff reduced working capital by \$1,120 for water and \$1,206 for wastewater. Therefore, staff recommends that Labrador's interim water rate base should be \$553,305, and wastewater rate base should be \$1,351,111.

Pursuant to Section 367.082, F.S., the method used to calculate Used and Useful (U&U) in Labrador's last rate case must be used for interim purposes. In Order No. PSC-09-0462-PAA-WS, staff recommended Labrador's water and wastewater systems be considered 100 percent U&U. Therefore, no U&U adjustments are necessary for interim purposes.

### COST OF CAPITAL

Based on an analysis of the MFRs and staff's review of Order Nos. PSC-09-0462-PAA-WS and PSC-09-0711-AS-WS from the Utility's last rate proceeding, staff believes no cost of capital adjustments are necessary. Therefore, staff recommends an interim weighted average cost of capital of 8.06 percent.

### NET OPERATING INCOME

Pursuant to Section 367.082(5)(b)1, F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the Utility's most recent rate proceeding and annualizing any rate changes. Based on staff's review, a few adjustments are necessary for interim purposes.

First, in its last rate proceeding, the Commission approved annual amortization of rate case expense of \$8,749 for water and \$8,561 for wastewater. In its MFRs, the Utility recorded rate case expense of \$19,615 for water and \$19,304 for wastewater. Pursuant to Section 367.082(5)(b)1, F.S., staff reduced expenses by \$10,866 (\$19,615 - \$8,749) for water and \$10,743 (\$19,304 - \$8,561) for wastewater.

Second, Labrador included a net adjustment to decrease expenses by \$1,108 for water and \$1,089 for wastewater relating to salaries, employee pensions and benefits, and transportation expense. In its filing, the Utility stated these adjustments were to correct allocations and to annualize salary and related expenses. Staff believes the Utility's proposed adjustments for annualizing salary and related expenses are pro forma because they are outside the interim test year. Since Labrador did not provide a breakdown of what amount related to correcting allocations and to annualizing salary and related expenses, staff recommends that the net adjustment totaling \$1,108 for water and \$1,089 for wastewater be removed from the interim net operating income calculation. Further, a corresponding adjustment should be made to remove pro forma payroll taxes of \$90 for water and \$88 for wastewater.

Based on the above, staff recommends that the appropriate test year operating income, before any revenue increase, is \$21,284 for water and \$77,143 for wastewater.

### REVENUE REQUIREMENT

Based on the above adjustments, staff recommends revenue requirements of \$285,793 for water and \$495,882 for wastewater. This represents interim increases in annual revenues of \$39,180 (or 15.89 percent) for water and \$53,416 (or 12.07 percent) for wastewater. These increases will allow the Utility the opportunity to recover its water and wastewater operating expenses and earn an 8.06 percent return on its water and wastewater rate bases.

**Issue 3:** What are the appropriate interim water and wastewater rates?

**Recommendation:** The water and wastewater service rates for Labrador in effect as of December 31, 2010, should be increased by 15.95 percent and 12.09 percent, respectively,<sup>2</sup> to generate the recommended revenue increase for the interim period. The approved rates should be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1)(a), F.A.C. The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission’s decision, the proposed customer notice is adequate, and the required security has been filed. The Utility should provide proof of the date notice was given within 10 days after the date of notice. (Deason, Fletcher)

**Staff Analysis:** Staff recommends that interim water and wastewater service rates for Labrador be designed to allow the Utility the opportunity to generate annual operating revenues of \$285,793 for water operations and \$495,882 for wastewater operations. Before removal of miscellaneous revenues, this would result in increases of \$39,180 or 15.89 percent for water and \$53,416 or 12.07 percent for wastewater. To determine the appropriate percentage increase to apply to the service rates, miscellaneous service revenues should be removed from the test year revenues. The calculation is as follows:

Table 3-1

	<u>Water</u>	<u>Wastewater</u>
1 Total Test Year Revenues	\$246,613	\$442,466
2 Less: Miscellaneous Revenues	<u>965</u>	<u>578</u>
3 Test Year Revenues from Service Rates	\$245,648	\$441,888
4 Revenue Increase	<u>\$39,180</u>	<u>\$53,416</u>
5 % Service Rate Increase (Line 4/Line3)	<u>15.95%</u>	<u>12.09%</u>

The interim rate increase of 15.95 percent for water and 12.09 percent for wastewater should be applied as an across-the-board increase to the service rates in effect as of December 31, 2010. The approved rates should be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission’s decision, the proposed customer notice is adequate, and the required security has been filed. The Utility should provide proof of the date notice was given within 10 days after the date of notice.

The Utility’s test year, proposed interim and final rates, and staff’s recommended interim rates are shown on Schedule No. 4-A for water and Schedule No. 4-B for wastewater.

<sup>2</sup> The 15.95 percent and 12.09 percent represent the percentage rate increases based on rates charged in the historical test year through December 31, 2010. However, in accordance with Section 367.081(4)(a), F.S., the Utility was granted index increases in August 2011. As a result, the customer will actually experience increases of 14.52 percent for water and 10.12 percent for wastewater based on the rates currently in effect.

**Issue 4:** What is the appropriate security to guarantee the interim increase?

**Recommendation:** A cumulative corporate undertaking of \$909,602 is acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc. (UI or Company) and written confirmation that the cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed \$1.2 million (inclusive of all Florida utilities). 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 \$909,602, which includes an amount of \$54,040 subject to refund in this docket. Pursuant to Rule 25-30.360(6), F.A.C., the Utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and in accordance with Rule 25-30.360, F.A.C. (Deason, Fletcher, Buys)

**Staff Analysis:** Pursuant to Section 367.082, F.S., 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 2, the total annual interim increase is \$92,596. In accordance with Rule 25-30.360, F.A.C., staff calculated the potential refund of revenues and interest collected under interim conditions to be \$54,040. This amount is based on an estimated seven months of revenue being collected from staff's recommended interim rates over the Utility's current authorized rates shown on Schedule No. 4.

Labrador is a wholly-owned subsidiary of UI, which provides all investor capital to its subsidiaries. Based on the requested interim rate increase for its Labrador system, the incremental increase in UI's corporate undertaking is \$54,040. The current cumulative corporate undertaking amount outstanding for other UI systems is \$855,562. The new request would bring the cumulative amount outstanding to \$909,602

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Staff reviewed UI's 2008, 2009, and 2010 financial statements to determine if the Company can support a corporate undertaking on behalf of its subsidiary. UI reported deficient liquidity in 2008 and 2009 and low levels of interest coverage over the review period. However, in 2010, the Company achieved sufficient liquidity, and its interest coverage ratio has also been trending upwards since 2008. In addition, UI reported adequate ownership equity over the three year review period. In 2008, the Company experienced a net loss in the amount of \$635,405, but improved profitability to sufficient levels in 2009 achieving net income in the amount of \$5,492,924. UI's profitability in 2010 increased from \$5,276,388 to \$15,576,121 by virtue of a one-time gain on the disposition of utility systems in the amount of \$10,299,733. The amount of the one-time gain is atypical of the amounts UI reported in prior-year financial statements and there is no indication a gain of that magnitude will occur in future years. Replacing the \$10 million gain with the Company's five-year average gain on the disposition of utility systems, or \$4,076,430, UI's average net income over the three-year period from 2008 to 2010 is \$4,736,779, which is more than 5 times greater than the requested cumulative corporate undertaking amount of \$909,602.

Based on staff's review of the financial reports submitted by UI, staff believes UI has adequate resources to support a corporate undertaking in the amount requested. Based on the analysis, staff recommends that a cumulative corporate undertaking of \$909,602 is acceptable contingent upon receipt of the written guarantee of UI and written confirmation that the cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed \$1.2 million (inclusive of all Florida utilities).

Pursuant to Rule 25-30.360(6), F.A.C., the Utility should 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 with interest and undertaken in accordance with Rule 25-30.360, F.A.C.

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.



Docket No. 110264-WS  
Date: November 9, 2011

**Issue 5:** Should the docket be closed?

**Recommendation:** No. The docket should remain open pending the Commission's PAA decision on the Utility's requested rate increase. (Brown, Deason, Fletcher)

**Staff Analysis:** The docket should remain open pending the Commission's PAA decision on the Utility's requested rate increase.

Labrador Utilities, Inc. Schedule of Water Rate Base Test Year Ended 12/31/10		Schedule No. 1-A Docket No. 110264-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$962,062	(\$175,007)	\$787,055	\$0	\$787,055
2 Land and Land Rights	529	(253)	276	0	276
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(344,659)	90,948	(253,711)	0	(253,711)
5 CIAC	(342)	0	(342)	0	(342)
6 Amortization of CIAC	38	0	38	0	38
7 Acquisition Adjustment	(351,387)	351,387	0	0	0
8 Amortization of Acq. Adjustment	66,690	(66,690)	0	0	0
9 Working Capital Allowance	<u>0</u>	<u>21,209</u>	<u>21,209</u>	<u>(1,220)</u>	<u>19,989</u>
10 <b>Rate Base</b>	<b><u>\$332,931</u></b>	<b><u>\$221,594</u></b>	<b><u>\$554,525</u></b>	<b><u>(\$1,220)</u></b>	<b><u>\$553,305</u></b>

<b>Labrador Utilities, Inc.</b> <b>Schedule of Wastewater Rate Base</b> <b>Test Year Ended 12/31/10</b>			<b>Schedule No. 1-B</b> <b>Docket No. 110264-WS</b>			
<b>Description</b>		<b>Test Year Per Utility</b>	<b>Utility Adjust- ments</b>	<b>Adjusted Test Year Per Utility</b>	<b>Staff Adjust- ments</b>	<b>Staff Adjusted Test Year</b>
1	Plant in Service	\$1,865,420	\$145,067	\$2,010,487	\$0	\$2,010,487
2	Land and Land Rights	0	271	271	0	271
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(609,112)	(77,457)	(686,569)	0	(686,569)
5	CIAC	0	0	0	0	0
6	Amortization of CIAC	0	0	0	0	0
7	Acquisition Adjustment	0	0	0	0	0
8	Amortization of Acq. Adjustment	0	0	0	0	0
9	Working Capital Allowance	0	<u>28,128</u>	<u>28,128</u>	<u>(1,206)</u>	<u>26,922</u>
10	<b>Rate Base</b>	<u>\$1,256,308</u>	<u>\$96,009</u>	<u>\$1,352,317</u>	<u>(\$1,206)</u>	<u>\$1,351,111</u>

Labrador Utilities, Inc. Capital Structure - Simple Average Test Year Ended 12/31/10						Schedule No. 2 Docket No. 110264-WS			
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
<b>Per Utility</b>									
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$179,075,050)	\$924,950	48.51%	6.65%	3.23%	
2 Short-term Debt	8,500,000	0	8,500,000	(8,456,403)	43,597	2.29%	7.36%	0.17%	
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	171,000,439	0	171,000,439	(170,121,672)	878,767	46.08%	10.13%	4.67%	
5 Customer Deposits	800	0	800	0	800	0.04%	6.00%	0.00%	
6 Tax Credits-Zero Cost	0	0	0	0	0	0.00%	0.00%	0.00%	
7 Deferred Income Taxes	<u>58,729</u>	<u>0</u>	<u>58,729</u>	<u>0</u>	<u>58,729</u>	<u>3.08%</u>	0.00%	<u>0.00%</u>	
8 <b>Total Capital</b>	<u>\$359,559,968</u>	<u>\$0</u>	<u>\$359,559,968</u>	<u>(\$357,653,125)</u>	<u>\$1,906,843</u>	<u>100.00%</u>		<u>8.06%</u>	
<b>Per Staff</b>									
9 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$179,076,275)	\$923,725	48.50%	6.65%	3.23%	
10 Short-term Debt	8,500,000	0	8,500,000	(8,456,380)	43,620	2.29%	7.36%	0.17%	
11 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
12 Common Equity	171,000,439	0	171,000,439	(170,122,898)	877,541	46.08%	10.13%	4.67%	
13 Customer Deposits	800	0	800	0	800	0.04%	6.00%	0.00%	
14 Tax Credits-Zero Cost	0	0	0	0	0	0.00%	0.00%	0.00%	
15 Deferred Income Taxes	<u>58,729</u>	<u>0</u>	<u>58,729</u>	<u>0</u>	<u>58,729</u>	<u>3.08%</u>	0.00%	<u>0.00%</u>	
16 <b>Total Capital</b>	<u>\$359,559,968</u>	<u>\$0</u>	<u>\$359,559,968</u>	<u>(\$357,655,552)</u>	<u>\$1,904,416</u>	<u>100.00%</u>		<u>8.06%</u>	
						<b>LOW</b>	<b>HIGH</b>		
RETURN ON EQUITY						<u>10.13%</u>	<u>12.13%</u>		
OVERALL RATE OF RETURN						<u>8.06%</u>	<u>8.99%</u>		

Labrador Utilities, Inc. Statement of Water Operations Test Year Ended 12/31/10						Schedule No. 3-A Docket No. 110264-WS	
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 <b>Operating Revenues:</b>	<u>\$244,730</u>	<u>\$51,330</u>	<u>\$296,060</u>	<u>(\$49,447)</u>	<u>\$246,613</u>	<u>\$39,180</u> 15.89%	<u>\$285,793</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$350,514	(\$180,845)	\$169,669	(\$9,758)	\$159,911	\$0	\$159,911
3 Depreciation	49,180	(12,698)	36,482	0	36,482	0	36,482
4 Amortization	0	0	0	0	0	0	0
5 Taxes Other Than Income	73,988	(44,420)	29,568	(2,135)	27,433	1,763	29,196
6 Income Taxes	<u>12,639</u>	<u>2,980</u>	<u>15,619</u>	<u>(14,116)</u>	<u>1,503</u>	<u>14,080</u>	<u>15,583</u>
7 <b>Total Operating Expense</b>	<u>\$486,321</u>	<u>(\$234,983)</u>	<u>\$251,338</u>	<u>(\$26,009)</u>	<u>\$225,329</u>	<u>\$15,843</u>	<u>\$241,172</u>
8 <b>Operating Income</b>	<u>(\$241,591)</u>	<u>\$286,313</u>	<u>\$44,722</u>	<u>(\$23,438)</u>	<u>\$21,284</u>	<u>\$23,337</u>	<u>\$44,621</u>
9 <b>Rate Base</b>	<u>\$332,931</u>		<u>\$554,525</u>		<u>\$553,305</u>		<u>\$553,305</u>
10 <b>Rate of Return</b>	<u>(72.56%)</u>		<u>8.06%</u>		<u>3.85%</u>		<u>8.06%</u>

Labrador Utilities, Inc. Statement of Wastewater Operations Test Year Ended 12/31/10						Schedule No. 3-B Docket No. 110264-WS	
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 <b>Operating Revenues:</b>	<u>\$439,110</u>	<u>\$66,938</u>	<u>\$506,048</u>	<u>(\$63,582)</u>	<u>\$442,466</u>	<u>\$53,416</u> 12.07%	<u>\$495,882</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$68,925	156,103	\$225,028	(\$9,654)	\$215,374	\$0	\$215,374
3 Depreciation	68,100	16,214	84,314	0	84,314	0	84,314
4 Amortization	0	0	0	0	0	0	0
5 Taxes Other Than Income	0	49,553	49,553	(2,773)	46,780	2,404	49,184
6 Income Taxes	<u>12,437</u>	<u>25,653</u>	<u>38,090</u>	<u>(19,235)</u>	<u>18,855</u>	<u>19,196</u>	<u>38,051</u>
7 <b>Total Operating Expense</b>	<u>\$149,462</u>	<u>\$247,523</u>	<u>\$396,985</u>	<u>(\$31,662)</u>	<u>\$365,323</u>	<u>\$21,600</u>	<u>\$386,922</u>
8 <b>Operating Income</b>	<u>\$289,648</u>	<u>(\$180,585)</u>	<u>\$109,063</u>	<u>(\$31,920)</u>	<u>\$77,143</u>	<u>\$31,817</u>	<u>\$108,960</u>
9 <b>Rate Base</b>	<u>\$1,256,308</u>		<u>\$1,352,317</u>		<u>\$1,351,111</u>		<u>\$1,351,111</u>
10 <b>Rate of Return</b>	<u>23.06%</u>		<u>8.06%</u>		<u>5.71%</u>		<u>8.06%</u>

<b>Labrador Utilities, Inc.</b>		<b>Schedule No. 3-C</b>	
<b>Adjustments to Operating Income</b>		<b>Docket No. 110264-WS</b>	
<b>Test Year Ended 12/31/10</b>			
<b>Explanation</b>	<b>Water</b>	<b>Wastewater</b>	
<u>Operating Revenues</u>			
Remove requested interim revenue increase.	(\$49,447)	(\$63,582)	
<u>Operation and Maintenance Expense</u>			
To reflect appropriate amount of rate case expense.	(\$10,866)	(\$10,743)	
To remove annualized O&M Expense Adjustments.	1,108	1,089	
Total	(\$9,758)	(\$9,654)	
<u>Taxes Other Than Income</u>			
RAFs on revenue adjustments above.	(\$2,225)	(\$2,861)	
To remove annualized TOTI Income Adjustments.	90	88	
Total	(\$2,135)	(\$2,773)	

<b>Labrador Utilities, Inc. Water Monthly Service Rates Test Year Ended 12/31/10</b>		<b>Schedule No. 4-A Docket No. 110264-WS</b>			
	<b>Test Year Rates</b>	<b>Present Rates</b>	<b>Utility Requested Interim</b>	<b>Utility Requested Final</b>	<b>Staff Recomm. Interim</b>
<b><u>Residential</u></b>					
Base Facility Charge All Meter Sizes:	\$9.05	\$9.16	\$10.87	\$13.07	\$10.49
Gallonge Charge, per 1,000 Gallons	\$6.70	\$6.78	\$8.05	\$9.67	\$7.77
<b><u>General Service</u></b>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$9.05	\$9.16	\$10.87	\$13.07	\$10.49
3/4"	\$13.58	\$13.75	\$16.31	\$19.62	\$15.75
1"	\$22.63	\$22.91	\$27.17	\$32.68	\$26.24
1-1/2"	\$45.26	\$45.81	\$54.35	\$65.35	\$52.48
2"	\$72.42	\$73.30	\$86.96	\$104.57	\$83.97
3"	\$144.84	\$146.61	\$173.92	\$209.15	\$167.94
4"	\$226.30	\$229.06	\$271.73	\$326.78	\$262.39
6"	\$452.62	\$458.14	\$543.48	\$653.58	\$524.81
Gallonge Charge, per 1,000 Gallons	\$6.70	\$6.78	\$8.05	\$9.67	\$7.77
<b><u>Irrigation Service</u></b>					
2"	\$72.42	\$73.30	\$86.96	\$104.57	\$83.97
Gallonge Charge, per 1,000 Gallons	\$6.70		\$8.05	\$9.67	\$7.77
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>					
3,000 Gallons	\$29.15	\$29.50	\$35.02	\$42.08	\$33.80
5,000 Gallons	\$42.55	\$43.06	\$51.12	\$61.42	\$49.34
10,000 Gallons	\$76.05	\$76.96	\$91.37	\$109.77	\$88.18



<b>Labrador Utilities, Inc. Wastewater Monthly Service Rates Test Year Ended 12/31/10</b>			<b>Schedule No. 4-B Docket No. 110264-WS</b>		
	<b>Test Year Rates</b>	<b>Present Rates</b>	<b>Utility Requested Interim</b>	<b>Utility Requested Final</b>	<b>Staff Recomm. Interim</b>
<b><u>Residential</u></b>					
Base Facility Charge All Meter Sizes:	\$22.22	\$22.38	\$25.42	\$27.59	\$24.91
Gallonge Charge - Per 1,000 gallons (6,000 gallon cap)	\$9.91	\$9.98	\$11.33	\$12.31	\$11.11
<b><u>General Service</u></b>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$22.22	\$22.38	\$25.42	\$27.59	\$24.91
3/4"	\$33.33	\$33.58	\$38.12	\$41.40	\$37.36
1"	\$55.55	\$55.96	\$63.54	\$69.00	\$62.27
1-1/2"	\$111.09	\$111.91	\$127.06	\$137.99	\$124.52
2"	\$177.75	\$179.07	\$203.31	\$220.79	\$199.24
3"	\$355.50	\$358.14	\$406.62	\$441.59	\$398.47
4"	\$555.47	\$559.59	\$635.34	\$689.97	\$622.62
6"	\$1,110.94	\$1,119.18	\$1,270.68	\$1,379.95	\$1,245.23
Gallonge Charge, per 1,000 Gallons	\$11.89	\$11.98	\$13.60	\$14.77	\$13.13
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>					
3,000 Gallons	\$51.95	\$52.32	\$59.41	\$64.52	\$58.23
5,000 Gallons	\$71.77	\$72.28	\$82.07	\$89.14	\$80.45
10,000 Gallons	\$81.68	\$82.26	\$93.40	\$101.45	\$91.55
(Wastewater Gallonge Cap - 6,000 Gallons)					