

Diamond Williams

From: Dana Rudolf [DRudolf@RSBattorneys.com]
Sent: Monday, November 28, 2011 5:22 PM
To: Filings@psc.state.fl.us
Cc: Martin Friedman
Subject: Docket No. 110264-WS; Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

Attachments: Librarian (Pasco Co) 01.ltr.pdf

- a) Martin S. Friedman, Esquire
Rose, Sundstrom & Bentley, LLP
766 North Sun Drive, Suite 4030
Lake Mary, FL 32746
(407) 830-6331
mfriedman@rsbattorneys.com
- b) Docket No. 110264-WS
Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.
- c) Labrador Utilities, Inc.
- d) 12 pages
- e) Letter to Library with attached Synopsis.

DOCUMENT NUMBER-DATE

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www.rsbatorneys.com

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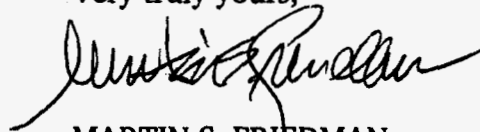
Re: Docket No. 110264-WS; Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.
Our File No.: 30057.199

To Whom It May Concern:

Labrador Utilities, Inc. has filed an Application with the Florida Public Service Commission to increase its water and wastewater rates to its customers in Pasco County, Florida. In accordance with Public Service Commission Rule 25-22.0407, the Utility is required to place a copy of the Rate Case Synopsis, Application for Increase in Rates, and the Financial, Rate and Engineering Minimum Filing Requirements at the library so that customers may review them during normal library hours. Therefore, enclosed please find a notebook containing copies of those documents.

Should you have any questions regarding this matter, please do not hesitate to give me a call.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/der
Enclosures

cc: Patrick C. Flynn, Regional Director (w/enclosures) (via e-mail)
Ann Cole, Director of Records and Recording (w/synopsis only) (via e-filing)

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766 N. SUN DRIVE, SUITE 4030, LAKE MARY, FLORIDA 32746 (407) 830-6331 FAX (407) 830-8522

2548 BLAIRSTONE PINES DRIVE, TALLAHASSEE, FLORIDA 32301 (850) 877-6555 FAX (850) 656-4029

950 PENINSULA CORPORATE CIRCLE, SUITE 2020, BOCA RATON, FLORIDA 33487 (561) 982-7114 FAX (561) 982-7116

LABRADOR UTILITIES, INC.

APPLICATION FOR INCREASE IN WATER AND WASTEWATER RATES
IN PASCO COUNTY, FLORIDA

DOCKET NO. 110264-WS

SYNOPSIS

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I. Purpose

In accordance with the Florida Public Service Commission's Rule 25-22.0407 regarding Notice of and Public Information on General Rate Increase Requests; a synopsis of the rate request must be prepared and distributed by Labrador Utilities, Inc. (the "Utility"), in Pasco County. The following information will provide the background on the rate request and the rate case process in general.

II. Comparison of the Present and Proposed Interim and Final Rates

On August 31, 2011, the Utility filed an application with the Florida Public Service Commission (the "Commission") for increased water and wastewater rates for its customers in Pasco County based on a historical test year ending December 31, 2010 for final rates. The application is assigned Docket No. 110264-WS and October 31, 2011, was established as the official date of filing.

The Utility has requested permanent revenue increases of \$106,066 (42.5%) for water and \$103,778 (23.3%) for wastewater. The requested increase would produce annual revenues of \$355,634 for water and \$549,422 for wastewater. The Utility has also requested that the Commission approve interim rates. On November 22, 2011, the Commission approved interim rates designed to generate annual revenues of \$285,793 for the Utility's water system and \$495,882 for the Utility's wastewater system. This represents a revenue increase of \$39,180 or 15.89%, for the Utility's water system and an increase of \$53,416 or 12.07% for the Utility's wastewater system.

The interim rates are subject to being refunded with interest, should the Commission find that the Utility was not entitled to collect such rates pending the final Commission decision. A schedule of the Utility's rates prior to filing, the Commission-approved interim rates and the Utility's proposed final rates follow.

WATER SERVICE

<u>Residential Service</u> Monthly	<u>Present Rates</u>	<u>Utility's Requested Interim Rates</u>	<u>Utility's Requested Final Rates</u>	<u>Commission Approved Interim Rates</u>
Base-Facility Charge - All meter sizes:	\$9.16	\$10.87	\$13.07	\$10.49
Gallage charge - per 1,000 gallons	\$6.78	\$8.05	\$9.67	\$7.77
<u>General Service</u>	<u>Present Rates</u>	<u>Utility's Requested Interim Rates</u>	<u>Utility's Requested Final Rates</u>	<u>Commission Approved Interim Rates</u>
Base Facility Charge <u>By Meter Size:</u>				
5/8" x 3/4"	\$9.16	\$10.87	\$13.07	\$10.49
3/4"	\$13.75	\$16.31	\$19.62	\$15.75
1"	\$22.91	\$27.17	\$32.68	\$26.24
1 1/2"	\$45.81	\$54.35	\$65.35	\$52.48
2"	\$73.30	\$86.96	\$104.57	\$83.97
3"	\$146.61	\$173.92	\$209.15	\$167.94
4"	\$229.06	\$271.73	\$326.78	\$262.39
6"	\$458.14	\$543.48	\$653.58	\$524.81
Gallage Charge (per 1,000 gallons)	\$6.78	\$8.05	\$9.67	\$7.77
<u>Irrigation</u>	<u>Present Rates</u>	<u>Utility's Requested Interim Rates</u>	<u>Utility's Requested Final Rates</u>	<u>Commission Approved Interim Rates</u>
Base facility charge				
2" Meter	\$73.30	\$86.96	\$104.57	\$83.97
Gallage per 1,000 gallons	\$6.78	\$8.05	\$9.67	\$7.77

WASTEWATER SERVICE

<u>Residential Service</u> Monthly	<u>Present Rates</u>	<u>Utility's Requested Interim Rates</u>	<u>Utility's Requested Final Rates</u>	<u>Commission Approved Interim Rates</u>
Base-Facility Charge - All meter sizes:	\$22.38	\$25.42	\$27.59	\$24.91
Gallorage charge - per 1,000 gallons (Max 6,000 gallons)	\$9.98	\$11.33	\$12.31	\$11.11
<u>General Service</u>	<u>Present Rates</u>	<u>Utility's Requested Interim Rates</u>	<u>Utility's Requested Final Rates</u>	<u>Commission Approved Interim Rates</u>
Base Facility Charge <u>By Meter Size:</u>				
5/8" x 3/4"	\$22.38	\$25.42	\$27.59	\$24.91
3/4"	\$33.58	\$38.12	\$41.40	\$37.36
1"	\$55.96	\$63.54	\$69.00	\$62.27
1 1/2"	\$111.91	\$127.06	\$137.99	\$124.52
2"	\$179.07	\$203.31	\$220.79	\$199.24
3"	\$358.14	\$406.62	\$441.59	\$398.47
4"	\$559.59	\$635.34	\$689.97	\$622.62
6"	\$1,119.18	\$1,270.68	\$1,379.95	\$1,245.23
Gallorage Charge (per 1,000 gallons)	\$11.98	\$13.60	\$14.77	\$13.13

SERVICE AVAILABILITY CHARGES

The Utility is not requesting any changes to its service availability charges. Even though not requested to do so, the Commission may review and adjust service availability charges.

III. General Reasons for Rate Request

The Utility is requesting a rate increase because the existing rates do not provide sufficient revenues to cover the required expenses of operations on a going-forward basis and a fair return on the Utility's investment in used and useful property for the public use. The Utility has not had a general rate increase since the Utility's last rate proceeding in Docket No. 08249-WS, utilizing a test year ending December 31, 2007, which culminated in Order No. PSC-09-0462-PAA-WS, issued June 22, 2009. That PAA Order was protested by Office of Public Counsel, and a Settlement Agreement was subsequently entered into which was approved by the Commission in Order No. PSC-09-711-AS-WS issued October 26, 2009. Since then, the Utility has incurred substantial additional operating costs and capital investment.

At its November 22, 2011 Agenda, the Commission determined that the Utility's rate of return on equity is 10.13%, and its overall return (the weighted cost of debt and equity) is 8.06% for interim rate purposes. The rate of return on equity requested in this proceeding is 10.51%. The overall return requested (the weighted cost of debt and equity) is 8.26%. The overall rate of return that the Utility is currently earning without a rate increase is 2.67% for its water system and 5.39% for its wastewater system.

IV. Major Rate Case Issues

It is impossible to anticipate all the issues that may develop during a rate case. However, the following issues are anticipated to be the major areas considered:

1. What is the test year rate base?
2. What is the test year net operating income?
3. What is the test year cost of capital?
4. What is the test year revenue requirement?
5. What is the proper rate design to recover the test year revenue requirement?

V. Description of the Ratemaking Process

Participants

Many people are involved in a utility rate case. The following is a list of some of the main participants:

1. The Commission is composed of five **Commissioners** appointed by the Governor. If a Proposed Agency Action Order is protested by a substantially affected person, a hearing is scheduled and is usually heard by a panel of three Commissioners. The

Commissioners who hear this case will make a final decision on all of the issues in the case.

2. The Commissioners are assisted by a **Commission Staff**. The Staff members involved in the case include engineers, accountants, attorneys, consumer affairs specialists, and rate and financial analysts.
3. The **Public Counsel** is appointed by the Legislature to represent the citizens in rate cases before the Commission. Public Counsel also has a staff of attorneys, accountants, rate and financial analysts. The Public Counsel may monitor the case or may participate.
4. The **Utility's** officers and staff personnel may testify about the Utility, its operation, revenue and expenses. The Utility may also employ outside consultants as expert witnesses and an attorney or other specialists to assist them with the rate case. The accountants, rate analysts and engineers compile information in support of the rate increase request and testify at hearings.
5. **Intervenors** representing organizations, local governments, consumer groups, and commercial organizations may participate. An intervenor is a party who legally intervenes in the rate case through petition to the Commission to represent a specific interest or point of view in the rate case. The intervenor has equal opportunity with other parties in the case to ask questions, present testimony, and cross examine witnesses.

Rate Case Requirements

A test year is requested by the utility, and when approved, is used as a measuring point to determine if a rate increase should be approved. The utility files an application pursuant to Commission rules (minimum filing requirements or "MFRs"). This application reflects the amount of money the utility has invested in its facilities to serve its customers. It also includes the utility's requested rate of return on its investment and the expenses the utility incurs to provide service for the test year. The data provides information about the operations of the company, supplies and expenses, taxes, construction, depreciation and all of the operating and financial matters that are crucial to a decision. The utility will also be requested to file additional information before the case is over. Among the things the Commission looks for are expenditures that could be considered unnecessary, improper, or imprudent. Expenditures of this kind are disallowed for ratemaking purposes.

The Commission and its staff review the application, and the Commission determines whether interim rates are appropriate to be collected during the pendency of the rate case. If interim rates are authorized and charged, those rates are subject to refund with interest pending the Commission's final decision in the case.

The Commission Staff performs an audit of the utility's books and records to see if they match the utility's MFRs, and that the utility is in compliance with Commission rules and policies. The Commission Staff auditors issue a report of their findings which is filed with the Commission. The Commission Staff also performs other examinations and document requests of the utility's personnel and the utility's quality of service. This includes an engineering physical inspection of the utility's facilities and a review of records filed with other regulatory agencies regarding the utility.

PAA Procedures

A utility may ask that its application be processed using the Commission's Proposed Agency Action ("PAA") procedure, as the Utility has done in this case. Under this procedure, the Commission Staff holds a customer meeting in the utility's service territory to obtain information from the customers on the utility's service and other issues regarding the requested rate increase.

After the Commission auditors have completed their audit and the Commission Staff has reviewed the information filed by the utility and comments received from customers at the customer meeting, the Commission Staff makes a recommendation to the Commission as to the amount of rate increase that the utility should be granted. This recommendation is presented to the Commission at a public agenda conference in Tallahassee at which the Commissioners consider the Commission Staff recommendations and vote on each issue identified by the Commission Staff.

The Commission attorneys then prepare a formal order containing the Commission's proposed action, including the new rates and when they will be effective. Substantially affected persons have 21 days after this written order is issued to decide whether to accept the Commission's decision or to request a formal hearing.

If no party protests the order, and the hearing process is not triggered, the Commission's decision becomes final, a consummating order is issued, the new rates go into effect, and the docket is closed.

Hearings

If any substantially affected party objects to the Commission's proposed rate increase and requests a formal hearing, then the Commission schedules public hearings on the rate case. These hearings are governed by rules similar to those used by courts. Witnesses are sworn and subject to cross-examination, and the final decision must be based upon information presented to the Commission during the hearings. At this time, customer testimony is given regarding quality of service. The customers also may testify about rates and charges they consider improper or unfairly discriminatory.

The Public Counsel provides legal representation for consumers in matters before the Commission. The Public Counsel participates in major rate cases, has access to all the information filed by the utility, assists members of the public who wish to testify, and may even provide expert witnesses on various issues in the case.

Witnesses from the utility, the Commission Staff, the Public Counsel and interveners present testimony and are cross-examined. There are official transcripts of all hearings. Court Reporters record the hearings, just as they do in a courtroom.

Completing the Rate Case

After the hearings are completed, briefs are usually filed by all parties to the case. The briefs summarize each party's position on the issues. The Commission staff then makes recommendations to the Commissioners on each issue of the case. When the Commission makes its final decision there will be a "vote sheet" which is a listing of all the issues requiring a vote by the Commissioners. There are many issues in a major water and wastewater rate case, and it sometimes takes the Commissioners several hours to complete the final review of the case and to vote on each issue based on the evidence in the record.

Commission attorneys prepare a formal order containing the background of the case, the Commission decisions, the basis for the decisions, the new rates, and when they will be effective. After the Commission's order is issued, any party may ask the Commission to reconsider any decision on the issues. After reconsideration, the Public Counsel, the utility or any other party may appeal the Commission's decision to the courts.

VI. The Utility's Tentative Time Schedule

The following tentative schedule was established by the Commission for the remaining major events in the Utility's rate case:

<u>Schedule Item</u>	<u>Due Date</u>
Staff Audit Report	12/2/11
Utilities Response to Audit	12/12/11
Customer Meeting	1/18/12
Staff's Recommendation on PAA	3/15/12
Agenda Conference on PAA Rates	3/27/12
PAA Order	4/16/12
Protest Period Expires	5/7/12
Consummating Order Entered	5/10/12

VII. Location of MFRs for Review

All of the information on file at the Commission is open to the public and is available for review at the Commission offices in Tallahassee and on the Commissions website at www.psc.state.fl.us. The MFRs filed by the Utility are also available for inspection at the following locations:

Regency Park Branch Library
9701 Little Road
New Port Richey, FL 34654

Office Hours:

Monday and Tuesday:

12:00 noon to 9:00 p.m.

Wednesday and Thursday:

10:00 a.m. to 6:00 p.m.

Friday and Saturday:

10:00 a.m. to 5:00 p.m.

Sunday (Closed)

Labrador Utilities, Inc.
200 Weathersfield Avenue
Altamonte Springs, FL 32714

Office Hours:

Monday through Friday

8:00 a.m. to 4:30 p.m.

Customer comments concerning the Utility's service and its request for an increase in rates should be addressed to the Office of Commission Clerk, at the Florida Public Service Commission:

Florida Public Service Commission
Office of Commission Clerk
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

A courtesy copy of written comments and complaints may be mailed to the following:

Martin S. Friedman, Esquire
Rose, Sundstrom & Bentley, LLP
766 N. Sun Drive, Suite 4030
Lake Mary, Florida 32746

Complaints may also be made by phone to the Commission's Division of Regulatory Compliance and Consumer Assistance at 1-800-342-3552, submitted through the Public Service Commission's toll-free facsimile line at 1-800-511-0809, or the Commission's website available at: <http://www.floridapsc.com/consumers/complaints/index.aspx>.

All comments should include reference to Commission Docket No. 110264-WS, and the name of the Utility, Labrador Utilities, Inc.