

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-**

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**DATE:** May 4, 2015  
**TO:** Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk  
**FROM:**  Lee Smith, Public Utility Analyst I, Division of Accounting & Finance  
**RE:** 140135-WS - Application for increase in water/wastewater rates in Pasco County by Labrador Utilities, Inc.

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Please add the following email and its attachment to the above-referenced docket file.

RECEIVED FPSC  
15 MAY -4 AM 9:59  
COMMISSION  
CLERK

## Lee Smith

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**From:** Merchant, Tricia <MERCHANT.TRICIA@leg.state.fl.us>  
**Sent:** Thursday, April 30, 2015 6:31 PM  
**To:** Bart Fletcher; Lee Smith  
**Cc:** Reilly, Steve  
**Subject:** Labrador AF5 Corrected Adjustments.xlsx  
**Attachments:** Labrador AF5 Corrected Adjustments.xlsx

Bart and Lee,

Attached is my analysis of the audit adjustment for AF5. As we discussed OPC disagrees with the Company's annualization of the accumulated depreciation and depreciation expense for additions made during the test year. The company did not request the annualized balance for plant. Whether plant was annualized or not, we believe that this type of adjustment violates the test year concept of matching and should not be allowed. AF5 alternative 1 corrects for the AFUDC error adjustment and further increases the plant balance to reflect a year-end balance for the plant addition.

OPC agrees with the auditor's alternative 2 with one exception. OPC believes that the auditor's adjustment to accumulated depreciation is incorrect because the auditors started with a full year of accumulated depreciation on the beginning balance not the average plus the pro forma amount. Additionally, we would note that this AF only deals with the addition to the account and doesn't include the amounts on the books at the beginning of the year. There is also a retirement in this account reflected in the annual report and in the MFRs for pumping equipment of \$8,125. No reduction has been made to reflect this non-recurring reduction of depreciation expense of \$406 in the test year.

Labrador Staff Audit Finding 5  
 CWIP Transfers Water Plant Adjustment  
 Acc 311.4  
 High Service Pumping System T&D System

	Per Books 12/31/2013	Per Audit 12/31/2013	Audit Adjustment YE
Plant	\$168,569	\$163,205	(\$5,364)
Acc Depr	(\$4,917)	(\$6,120)	(\$1,203)
Depr Exp	\$4,917	\$6,120	\$1,203
Life 20 years or 5%	5%		

Amounts Per the MFRs	Average Per Books	LUI Adjustment	Requested Balance/LUI	Average Balance Per Audit	Adjustments Per Audit
<u>Total Account Basis</u>					
Plant	\$84,788	\$0	\$84,788	\$82,398	(\$2,682)
Acc Depr	(\$2,641)	(\$3,512)	(\$6,153)	(\$3,844)	\$2,309
Depr Exp	\$4,956	\$3,512	\$8,468	\$6,160	(\$2,308)

Auditor Adjustment Alternative 2

Plant	\$84,232	\$0	\$84,232	\$81,603	(\$2,630)	Correct
Acc Depr Per AF5	(\$4,911)	(\$3,512)	(\$8,423)	(\$3,060)	\$5,363	Incorrect- Audit beginning balance is not an average #
Acc Depr Corrected Per AF5 & MFRs	(\$2,456)	(\$3,512)	(\$5,968)	(\$3,060)	\$2,908	Correct Adjustment
Depr Exp	\$4,911	\$3,512	\$8,423	\$6,120	(\$2,303)	Correct (rounding diff)

If an annualized amount for depreciation expense is allowed then the depreciation expense should be reduced for the retirement as well  
 Pumping Equipment Retirement Account 311

Retirement	(\$8,125)
Depreciation Expense on Retirement	5%
Non-recurring DE	(\$406)

Red is incorrect  
 Green is correct  
 Debits (+) Credits (-)

OPC disagrees with the auditor's alternative 1