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Public Service Commission

October 10, 2008

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Mr. Martin Friedman
Rose, Sunstrom & Bentley, LLP
Sanlando Center
2180 W. State Road 434, Suite 2118
Longwood, FL 32779

Re: Docket No. 080249-WS - Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

Dear Mr. Friedman:

We have reviewed the minimum filing requirements (MFRs) submitted on August 28, 2008, on behalf of Labrador Utilities, Inc. (Labrador or utility). After reviewing this information, we find the MFRs to be deficient. The specific deficiencies are identified below.

Rule 25-30.110(2), Florida Administrative Code (F.A.C.), requires that a utility furnish the Commission with any information concerning the utility's facilities or operations that the Commission may request and require for determining rates or judging the practices of the utility. All such data, unless otherwise specified, shall be consistent with and reconcilable with the utility's annual report to the Commission. The following schedules are deficient pursuant to this rule:

1. Schedule A-1, Schedule of Water Rate Base

The Accumulated Depreciation Balance Per Books for 2007 does not match the balance recorded in the 2007 Annual Report. Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2007 Annual Report and MFR Schedule A-1.

2. Schedule A-1, Schedule of Wastewater Rate Base

The Accumulated Depreciation Balance Per Books for 2007 does not match the balance recorded in the 2007 Annual Report. Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2007 Annual Report and MFR Schedule A-1.

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3. Schedule B-1, Schedule of Water Net Operating Income

The Depreciation Expense in this schedule does not match the expense recorded in the 2007 Annual Report. Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2007 Annual Report with Depreciation Expense shown in Schedule B-1.

4. Schedule B-1, Schedule of Water Net Operating Income

The Taxes Other Than Income in this schedule does not match the balance recorded in the 2007 Annual Report. Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2007 Annual Report with the balance shown in Schedule B-1.

5. Schedule B-1, Schedule of Water Net Operating Income

The Provision for Income Taxes in this schedule does not match the balance recorded in the 2007 Annual Report. Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2007 Annual Report with the balance shown in Schedule B-1.

6. Schedule B-2, Schedule of Wastewater Net Operating Income

The Depreciation Expense in this schedule does not match the balance expense in the 2007 Annual Report. Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2007 Annual Report with the balance shown in Schedule B-1.

7. Schedule B-2, Schedule of Wastewater Net Operating Income

The Taxes Other Than Income in this schedule does not match the balance recorded in the 2007 Annual Report. Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2007 Annual Report with the balance shown in Schedule B-1.

8. Schedule B-2, Schedule of Wastewater Net Operating Income

The Provision for Income Taxes in this schedule does not match the balance recorded in the 2007 Annual Report. Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2007 Annual Report with the balance shown in Schedule B-1.

9. Schedule C-6, Schedule of Accumulated Deferred Income Taxes -- Summary

The 2006 and 2007 totals for Net Deferred Income Taxes in this schedule do not match the totals shown on Schedule D-2. Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2007 Annual Report with the balance shown in Schedule B-1.

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Rule 25-30.437, F.A.C., requires that each applicant for a rate increase provide a calculation of revenues at present and proposed rates using the billing analysis (Schedule E-14). In addition, if a rate change occurred during the test year, a revenue calculation must be made for each period.

10. Schedule E-2, Revenue Schedule at Present and Proposed Rates

Based on a review of the number of rate changes during the test year, there should be eight E-2 pages: four for the water system, and four for the wastewater system. However, the E-2 as filed contains only three pages per system.

Although not a deficiency by rule, the utility utilized the incorrect residential wastewater gallonage cap.

Please make the necessary corrections and refile all required pages of Schedule E-2. Please ensure the corrections to (1) and (2) above are reflected on each page, and also ensure that all fallout calculations are correct.

Rule 25-30.440(8), F.A.C., requires that each applicant for a rate increase shall provide the Commission one copy of a list of all field employees, their duties, responsibilities, and certificates held, and an explanation of each employees' salary allocation method to the utility's capital or expense accounts.

11. MFR Schedules B-5 and B-6 reflect total salaries for employees of \$46,701 for water and \$45,699 for wastewater respectively. MFR Schedule B-12 reflects total salaries of \$48,850 for water and \$47,802 for wastewater. Staff believes the difference between them may have been capitalized by the utility. However, the utility's cost allocation manuals, MFRs, and the list provided by the utility do not reflect which employees' salaries were capitalized. Please provide a list detailing each employee's salary allocation to the utility's capital or expense accounts. Also, provide an explanation of the allocation method used in allocating the salaries of each employee.

In addition, given the number of adjustments made to reconcile the per books balances in the MFRs to the 2007 Annual Report that cite errors in the Annual Report as the explanation, we ask that you amend the 2007 Annual Report to reflect accurate balances.

If any above corrections require a corresponding change to any MFR schedules, those corrected schedules must also be submitted. Your petition will not be deemed filed until the deficiencies identified in this letter have been corrected. These corrections should be submitted no later than November 10, 2008.

Sincerely,



Timothy Devlin
Director

cc: Office of Commission Clerk and Administrative Services
Office of the General Counsel (Jaeger)
Division of Economic Regulation (Bulecza-Banks, Fletcher, Lingo, Mouring)