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

DATE: December 18, 2008
TO: Ann Cole, Commission Clerk - PSC, Office of Commission Clerk
FROM: *am* Curt Mouring, Regulatory Analyst II
RE: Docket No. 080249-WS, Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

Attached is a document for inclusion in the docket file for Docket No. 080249-WS, Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

The document is a letter to Bart Fletcher dated December 4, 2008 from Christian Marcelli concerning the Labrador deficiency letter from Staff.

DOCUMENT NUMBER-DATE

11688 DEC 18 08

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(LICENSED IN NEW YORK ONLY)

December 4, 2008

VIA ELECTRONIC MAIL

Mr. Bart Fletcher
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RE: Docket No. 080247-SU; Utilities, Inc. of Eagle Ridge's Application for Increase in
Wastewater Rates in Lee County, Florida
Our File No.: 30057.158

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 Bart:

The Utility believes that the December 1, 2008 deficiency letter from Staff in Labrador rate case is in error, and that November 10, 2008 should be established as the official date of filing for Docket No. 080249-WS. As you recall, we held a conference call on December 2, 2008 with Kirsten Weeks, John Hoy, Martin Friedman and myself, wherein we discussed the December 1, 2008 deficiency letters in Docket Nos. 080247-SU (Eagle Ridge) and 080249-WS (Labrador). An official date of filing has been established for Eagle Ridge based on that conversation.

During the conversation, you requested a note clarifying the Utility's November 10, 2008 deficiency response in Eagle Ridge and in Labrador (with respect to the issue of field employees). You also requested the Utility address Items 1, 2, and 3 in the December 1, 2008 deficiency letter. Please see the following responses.

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EAGLE RIDGE (DOCKET NO. 080247-SU)

During the telephone conference, you requested the Company note that the deficiency response submitted by the Utility on November 10, 2008 (responding to Item No. 11) related to field employees only. The difference between the allocated salary for Eagle Ridge (from *Salary Allocation of Field Employees*) and the total allocated salary expense on the general ledger is the allocated salary for office and corporate employees. In addition the (\$295) amount on *Salary Allocation of Field Employees* labeled as unknown is for captime that could not be reconciled to a particular employee. In order to tie the amount out to directly booked captime, the Company listed the employee as "unknown".

LABRADOR (DOCKET NO. 080249-WS)

Staff's October 10, 2008 deficiency letter (items 1 and 2) requested that the Utility reconcile the balances in the 2007 annual report to MFR schedule A-1. This reconciliation cannot be done because the result would be to compare 12/31/07 balances in the annual report to simple *average* balances in the MFR. Given that actual balances cannot be reconciled with simple average balances, the Company reconciled the 12/31/07 balances shown on annual report schedules W-6(b) and S-6(b) to the 12/31/07 balances on MFR Schedules A-9 and A-10 column 3 respectively, since the balances on the A-9 and A-10 column 3 are the 12/31/07 balances used for averaging purposes. This was the response that was provided in response to the first deficiency letter, items 1 and 2.

Staff's second deficiency letter, dated December 2, 2008, requests something different. The second deficiency letter requests reconciliations for the adjustments in column 5 of the A-9 and the A-10. These adjustments are not reconciliations between the MFR and the annual report. They are adjustments to the average TY balances and are shown, described, and labeled on the A-3 as pro forma adjustments. The following is from Schedule A-3:

<u>(C) Accumulated Depreciation</u>	<u>Water</u>	<u>Wastewater</u>
(1) Allocations from Related Companies - Adjustments to correct General Plant Allocations to reflect Commission Ordered Adjustments (COA) associated with UI's last affiliate audit, and to change the basis of allocation to year-end ERCs.		
304.5/354.7 - Structures & Improvements	1,481	1,449
340.5/390.7 - Office Furniture & Equipment	261	255

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343.5/393.7 - Tools, Shop & Garage Equipment	1,110	1,086
346.5/396.7 - Communication Equipment	183	179
	3,035	2,969
(2) Adjustment to Accumulated Depreciation on Transportation Equipment to reflect correct allocation to Labrador	(5,134)	(5,024)
(c) 340.5/390.7 - Allocation to Labrador - 12 months accumulated depreciation associated with Project Phoenix, a new Financial & Customer Care and Billing Systems	9,613	9,407
Total adjustments to Accumulated Depreciation	\$ 7,514	\$ 7,352

Item 6 of Staff's first deficiency letter requests a reconciliation of the balance in the 2007 annual report to the balance on Schedule B-1 (or rather, B-2) of the MFR. The Utility responded to this request on November 10, 2008, by reconciling the 12/31/07 balances shown on annual report schedules S-3 to the 12/31/07 balances on MFR schedule B-2 column 2.

Staff's second deficiency letter, item 3, requests something different. The second deficiency letter requests reconciliations for the adjustments in column 3 of the B-14. These adjustments are not reconciliations between the MFR and the annual report. They are adjustments to the TY balances and are shown, described, and labeled on the B-3 as pro forma adjustments. The following is from Schedule B-3:

(C) <u>Depreciation Expense Adjustments</u>	<u>Water</u>	<u>Wastewater</u>
<u>Test Year Adjustments</u>		
(1) Adjustments to Allocations based on ERCs at 12/31/07		
Depreciation Expense associated with accounts:		
304.5/354.7 - Structures & Improvements		
.....	67	66
340.5/390.7 - Office Furniture & Equipment		
.....	1,490	1,459
343.5/393.7 - Tools, Shop & Garage Equipment.....	62	60
346.5/393.7 - Communication Equipment.....	60	59

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Adjustments to Depreciation Expense	\$ 1,679	\$ 1,644
(2) Adjustment to Depreciation Expense of Transportation Equipment to reflect correct allocation to Labrador	\$ 2,046	\$ 2,003
<u>Pro Forma Adjustments</u>		
(3) Adjust Depreciation Expense for plant additions / retirements		
<u>Utility Plant in Service - additions</u>		
Project Phoenix Financial / Customer Care Billing System	9,613	9,407
		196
Total Adjustments to Depreciation Expense	\$ 13,338	\$ 13,054

As a final note, the Utility would like to point out that the deficiency responses in Eagle Ridge and Labrador are similar in format to the deficiency responses in Mid-County Services (Docket No. 080250-SU) and Utilities, Inc. of Tierra Verde (Docket No. 080248-SU) with respect to the issue of non-field employees. As such, you may wish to advise the analysts working on those dockets of the issue.

If you have any questions or concerns, please do not hesitate to give me a call.

Regards,



Christian Marcelli
Of Counsel

cc: John Hoy (via email)
Kirsten Weeks (via email)
Patrick Flynn (via email)
Deborah Swain (via email)