

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-

DATE: August 16, 2013
TO: Ann Cole, Commission Clerk, Office of Commission Clerk
FROM: Bart Fletcher, Public Utilities Supervisor, Division of Accounting and Finance *BS*
RE: Docket No. 130010-WS - Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.

The attached documents were received via e-mail by staff on August 14, 2013. Please incorporate the attached correspondence into the docket file. Due to their volume, the files attached to the e-mail were saved on the CD included with this memorandum.

RECEIVED : FPSC
13 AUG 26 PM 2: 26
COMMISSION
CLERK

Bart Fletcher

From: Benny Wilkinson <BWilkinson@niamerica.com>
Sent: Wednesday, August 14, 2013 5:09 PM
To: Bart Fletcher
Subject: RE: Allowance Schedules and Analyses
Attachments: Detail of Allowance and Bad Debt Writeoffs - 12.31.11 (2).xlsx; Detail of Allowance and Bad Debt Writeoffs - 9.30.12 (Test Year) (2).xlsx; Detail of Allowance and Bad Debt Writeoffs - 12.31.12 (2).xlsx; Tamiami Allowance 9.xlsx; Tamiami AR Allowance Memo (4).docx; Tamiami March 2012 Allowance.xlsx; June 30 12 tamiamiagingsummary.xlsx; Tamiami AR Allowance Memo (3).docx; Tamiami AR Allowance Memo (2).docx; TAMAGINGSEPT2011.xlsx; Tamiami AR Allowance Memo.docx; Tamiami Dec 2011 Allowance .xlsx; Hudson Allowance 9.30.12 - Sorted Review.xlsx; Hudson AR Allowance Memo (4).docx; Hudson March 2012 Allowance.xlsx; Hudson AR Allowance Memo (3).docx; Hudson Sept and Dec Agings (2).xlsx; Hudson AR Allowance Memo (2).docx; Hudson Sept and Dec Agings.xlsx; Hudson AR Allowance Memo.docx; Hudson December 2011 Allowance.xls

OK. The zip file did not get transferred. I have attached the 21 individual files that make up the rate case.zip file. Please let me know if these all come through. If not, I will break them into 3 or 4 emails.

Thanks.

Benny Wilkinson
VP Financial Due Diligence
Ni America Operating, LLC
713.574.7772

From: Bart Fletcher [mailto:BFletche@PSC.STATE.FL.US]
Sent: Wednesday, August 14, 2013 3:28 PM
To: Benny Wilkinson
Cc: Eric Griffin; Andrew Maurey; CBulecza@PSC.STATE.FL.US; SHudson@PSC.STATE.FL.US; Stan Rieger
Subject: RE: Allowance Schedules and Analyses

The only files that I had were two Excel files, named Bad Debt Expense vs. Total Revenue Analysis.xlsx, and Elder Valves 35.xlsx). I do not see the Rate Case.zip. Due to the size of zip files, it might be blocked from me being able to open it. Please place the information of the Rate Case file on a readable disk and mail it to me. As I understand your e-mail, the Rate Case file will address Mr. Griffin's workpapers/analysis and the "previous memo" requests. You answered that Ni Florida is not proposing an adjustment to bad debt expense at this time. With regard the request relating to the "19 accounts that are up-to-date", it seems like this will be provided as part of Mr. Griffin's task on providing the test year bad debt expense for each of the 35 accounts on the elder valve list by noon on Friday, August 16. Thanks.

From: Benny Wilkinson [mailto:BWilkinson@niamerica.com]
Sent: Wednesday, August 14, 2013 4:05 PM
To: Bart Fletcher
Cc: Eric Griffin
Subject: RE: Allowance Schedules and Analyses

I'm confused by your email. The email I sent included three files: Rate Case.zip, Bad Debt Expense vs. Total Revenue Analysis.xlsx, and Elder Valves 35.xlsx. If these files did not make the trip, then I can understand your concerns. Otherwise, the Rate Case.zip file contains all of the bad debt expense analysis and the previous memo that

you reference below. The Elder Valve.xlsx file shows each of the 35 accounts that were disconnected for non-payment and where they stand at July 31, 2013. The Bad Debt Expense vs. Total Revenue Analysis.xlsx file shows percentages over the past three years for both Hudson and Tamiami. We are not proposing an adjustment to bad debt expense at this time. I have asked Eric Griffin to work on providing the test year bad debt expense for each of the 35 accounts on the elder valve list by noon on Friday, August 16.

Please let me know if you did not receive these files.

Thanks.

Benny Wilkinson
VP Financial Due Diligence
Ni America Operating, LLC
713.574.7772

From: Bart Fletcher [mailto:BFletche@PSC.STATE.FL.US]
Sent: Wednesday, August 14, 2013 2:11 PM
To: Benny Wilkinson
Cc: Andrew Maurey; CBulecza@PSC.STATE.FL.US; SHudson@PSC.STATE.FL.US; Stan Rieger
Subject: RE: Allowance Schedules and Analyses

Thank you for the response below. To follow up on our conference call last week with Mr. DaDay and Mr. Griffin, please see the outstanding and additional requests below:

Pursuant to our conference call last week, Ni Florida was going to provide me Mr. Griffin's detailed workpapers/analysis by customer account that explains the additional procedures taken by the Utility beyond its broad bad debt expense policy paragraph which Ni Florida provided to the Commission audit staff. The response in your e-mail below does not contain this information. Please provide this information.

Please provide me the "previous memo" (i.e. "I can prepare one if you like but its really repetitive from the previous memo." *Underline emphasis added*) mentioned in Mr. Griffin's e-mail below.

In our conference call last week, Mr. DaDay and I discussed a possible adjustment to the Utility's requested bad debt expense related to the 35 elder valves that have been installed subsequent to the test year. Questions: (1) Does Ni Florida have a proposed adjustment to its requested bad debt expense in its MFRs? (2) With regard to the "19 accounts that are up-to-date" which you mention below, please provide for each of these accounts the associated amount of unadjusted test year bad debt expense recorded in Account No. 770 for the Utility's Hudson wastewater system?

Please provide the information requested above by noon, Friday, August 16, 2013. Further, I spoke with Ms. Shannon Hudson today from the Commission's Division of Economics; I believe she will have some additional questions for you as well regarding bad debt expense.

Thanks,

Bart Fletcher
Public Utilities Supervisor
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
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(850) 413-7018 (Fax)
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Please note: Florida has a very broad public records law. Most written communications to or from state officials regarding state business are public records available to the public and media upon request. Your e-mail communications may therefore be subject to public disclosure.

From: Benny Wilkinson [mailto:BWilkinson@niamerica.com]

Sent: Wednesday, August 14, 2013 10:10 AM

To: Bart Fletcher

Subject: Allowance Schedules and Analyses

The Elder Valves 35 detail shows we spent \$20,137.43 to install 35 Elder Valves. Of these 35 Elder Valve installations, 14 of the related accounts are still delinquent, 19 of the related accounts are up-to-date, and 2 of the related accounts are no longer customers. Unfortunately, the larger account balances remain unpaid. Assuming the installation of the Elder Valve and the disconnection of sewer service was the impetus the customer needed to get their accounts receivable balance up-to-date, then the program would be considered somewhat of a success. Please see the attached analyses in determining the appropriate level of bad debt expense for Hudson and Tamiami. In the rate filing, Ni Florida adjusted bad debt expense to 1.75% of revenue, but the actual amount could be higher. We ask the FPSC to make a fair assessment for the amount to be included in the final rate order for both the Hudson and Tamiami systems.

Also, a description of the Auto Sampler was requested and the reason it is necessary. The Auto Sampler is used for composite, flow-proportional, chloride testing at the DelMar and Flounder lift stations. It is used to draw a sample in proportion to the flow periodically during every seven (7) day period. The sample is then sent to a lab to be tested for the chloride level. The flow proportional method is used because Ni Florida believes taking a sample solely based on the flow at high tide or low tide (or any other single time) is not a valid way to determine the level of chlorides being sent to the Pasco County WWTP. The most-recent chlorides level test at the Del Mar Lift Station was 310. All the other lift stations flowing to the Pasco County WWTP have chloride levels below the 250 target.

Please let me know if you need anything else in performing your analysis.

Thanks.

Benny Wilkinson

VP of Financial Due Diligence

Ni America Operating, LLC

Office: 713-574-7772

From: Eric Griffin

Sent: Tuesday, August 06, 2013 5:49 PM

To: Mark Daday; Benny Wilkinson

Subject: Allowance Schedules and Analyses

Here are Hudson and Tamiami rollforwards and bad debt expense summaries as well as the related quarterly analyses. I did not prepare a memo for the 9/30/12 as there were no material differences from expectations. I can prepare one if you like but its really repetitive from the previous memo. Please review the memo and analyses carefully so we can discuss any potential issues.

At the end of the day, we are currently over-accrued as we have increased our monthly % to an adequate level. However, the issue still remains regarding billing active but past due customers. The tariff allows us to bill the customers the base fees however several of these customer accounts are still active but there is no usage. We previously discussed reversing the revenue and related receivable but that will involve additional analysis, changing the tariff, possibly changing how its accounted for in RVS and/or manually tracked on our end. Lets just say if we still want to include the charges in RVS but not the GL, then we will have a reconciling item between RVS and GL every month that

will constantly keep growing. Also, we will somehow need to understand which customers in RVS we need to track monthly and what the total adjustment would be every month. There may be an easier solution.

Lets discuss further. Thanks.

Eric Griffin
Corporate Controller
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Houston, Texas 77043
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