

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water rates in
Lee County and wastewater rates in Pasco
County by Ni Florida, LLC.

DOCKET NO. 160030-WS
ORDER NO. PSC-16-0249-PCO-WS
ISSUED: June 29, 2016

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
LISA POLAK EDGAR
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS

ORDER APPROVING INTERIM RATES AND SUSPENDING PROPOSED FINAL RATES

BY THE COMMISSION:

Background

Ni Florida, LLC (Ni Florida or utility) is a Class A utility serving approximately 743 water connections in Lee County and 2,749 wastewater connections in Pasco County. Water and wastewater rates were last established for the utility in 2013.¹ On April 4, 2016, Ni Florida filed its application for the rate increase at issue in the instant docket.

On May 3, 2016, Commission staff sent the utility a letter indicating deficiencies in the filing of its minimum filing requirements (MFRs). On May 13, 2016, the utility provided corrections to the MFRs and curing the deficiencies. Therefore, the official filing date is May 13, 2016. The utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and requested interim rates. The test year established for interim and final rates is based on a 13 month average for the period ended December 31, 2015. Ni Florida requested interim revenue increases of \$75,950 (32.3 percent) for water and \$432,000 (22.4 percent) for wastewater. The utility requested final revenue increases of \$87,150 (37.1 percent) for water and \$475,000 (24.6 percent) for wastewater.

The 60-day statutory deadline for this Commission to suspend the utility's requested final rates and approve interim rates was June 4, 2016. However, by letter dated April 11, 2016, the utility agreed to extend the time by which this Commission is required to suspend the proposed rates and authorize interim rates through the June 9, 2016 Commission Conference. This order addresses the suspension of Ni Florida's requested final rates and its requested interim rates.

We have jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

¹Order No. PSC-13-0611-PAA-WS, issued November 19, 2013, in Docket No. 130010-WS, In re: Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.

Decision

Suspension of Rates

Section 367.081(6), F.S., provides that we may, for good cause, withhold consent to the implementation of requested rates within 60 days after the date the rate request is filed. Further, Section 367.081(8), F.S., permits the proposed rates to go into effect (secured and subject to refund) at the expiration of five months from the official date of filing if: (1) this Commission has not acted upon the requested rate increase; or (2) if this Commission's PAA action is protested by a party other than the utility.

We reviewed the filing and considered the information filed in support of the rate application and the proposed final rates, and find that further investigation of this information, including on-site inspections, is needed. Commission staff initiated an audit of Ni Florida's books and records, as well as an audit of the utility's proposed allocation of parent company investment and operating expenses. Both of these audits are tentatively due on July 29, 2016. In addition, Commission staff sent its first data request to the utility on May 26, 2016. The utility's response to the data request was due on June 14, 2016. Based on the foregoing, we find that Ni Florida's proposed final water and wastewater rates shall be suspended.

Interim Rates

Ni Florida shall be authorized to collect annual water and wastewater revenues as indicated below:

| | <u>Adjusted Test Year Revenues</u> | <u>\$ Increase</u> | <u>Revenue Requirement</u> | <u>% Increase</u> |
|------------|--|--------------------|--------------------------------|-------------------|
| Water | \$223,689 | \$87,202 | \$310,891 | 38.98% |
| Wastewater | \$1,932,151 | \$332,619 | \$2,264,770 | 17.21% |

On April 4, 2016, Ni Florida filed its rate base, cost of capital, and operating statements to support its requested interim increase in water and wastewater rates. Pursuant to Section 367.082(1), F.S., in order to establish a prima facie entitlement for interim relief, the utility shall demonstrate that it is earning outside the range of reasonableness on its rate of return. Pursuant to Section 367.081(2)(a), F.S., in a proceeding for an interim increase in rates, the Commission shall authorize, within 60 days of the filing for such relief, the collection of rates sufficient to earn the minimum of the range of rate of return. Based on the utility's filing and the adjustments below, we find that the utility has demonstrated a prima facie entitlement in accordance with Section 367.082(1), F.S.

Pursuant to Section 367.082(5)(b)1., F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the utility's most recent rate proceeding and annualizing any rate changes. We reviewed Ni Florida's interim

request, as well as Order No. PSC-13-0611-PAA-WS, in which this Commission last established rate base.² Our approved adjustments are discussed below. Attached are accounting schedules to illustrate our approved rate base, capital structure, and test year operating income amounts. Rate base schedules are labeled as Schedule Nos. 1-A and 1-B, with the adjustments shown on Schedule No. 1-C. Capital structure is labeled as Schedule No. 2. Operating income schedules for water and wastewater, respectively, are labeled as Schedule Nos. 3-A and 3-B, with the adjustments shown on Schedule No. 3-C.

Rate Base

Pursuant to Section 367.082(5)(b)1., F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the utility's most recent rate proceeding. Based on our review, there are several adjustments necessary for interim purposes.

Adjustments are necessary to remove amounts from the wastewater plant in service balance associated with the utility's pro forma plant projects of \$812,142 (\$82,880 + \$729,262) and plant retirements of \$545,254. Those adjustments net to a \$266,889 (\$812,142 – \$545,254) reduction for wastewater only. No pro forma plant projects were included for water. A corresponding adjustment is necessary to increase accumulated depreciation for wastewater by \$545,254.

Ni Florida also included pro forma deferred income taxes of \$2,173 and \$100,742 for water and wastewater respectively. We removed the utility's pro forma deferred income tax adjustments in totality.

In its filing, the utility used the balance sheet approach to calculate interim working capital, which is appropriate for a Class A utility. The calculated total company working capital was \$282,538, and it was allocated to each of Ni Florida's systems based on Equivalent Residential Connections (ERCs) as of December 31, 2015.

The utility included \$60,448 in its working capital calculation for deferred rate case expense. In Ni Florida's last rate case, this Commission approved total rate case expense of \$149,321.³ Consistent with the Utility's last rate case and Commission practice, one-half of the total rate case expense shall be included in working capital. One-half of our prior approved rate case expense, or \$74,661, is the appropriate amount of deferred rate case expense to be included in working capital for interim purposes. As such, deferred rate case expense shall be increased by \$14,213 (\$74,661 - \$60,448). We increased working capital by \$2,738 for water and \$11,475 for wastewater. The increase results in working capital allowance is \$296,751.

Pursuant to Section 367.082, F.S., the method used to calculate Used and Useful (U&U) in Ni Florida's last rate case must be used for interim purposes. In Order No. PSC-13-0611-

²Id.

³Order No. PSC-13-0611-PAA-WS, p.20.

PAA-WS we found that Ni Florida's water and wastewater systems were 100 percent U&U, therefore, no U&U adjustments are necessary for interim purposes.

Based on the above, Ni Florida's interim water rate base shall be \$332,657 and wastewater rate base shall be \$3,178,663.

Cost of Capital

Based on an analysis of the MFRs and Order No. PSC-13-0611-PAA-WS, the utility's last rate proceeding, we find that adjustments are necessary to the utility's capital structure. In its interim request, the utility used a return on equity (ROE) of 9.27 percent. However, the minimum of the range of its last authorized ROE was 8.42 percent. The utility also included \$102,915 of deferred income taxes in its capital structure. This amount is consistent with the amount of pro forma deferred income taxes the utility included in its requested interim rate base. Consistent with the removal of pro forma deferred income taxes discussed previously, deferred income taxes shall be removed from the utility's interim cost of capital. With these adjustments, the interim weighted average cost of capital for Ni Florida shall be 7.52 percent.

Net Operating Income

In order to attain the appropriate amount of interim test year operating revenues, we removed the utility's requested interim revenue increase of \$75,950 for water and \$432,000 for wastewater. Based on our annualized revenue calculations, water revenues shall be reduced by \$11,252 and wastewater revenues increased by \$2,413.

Several adjustments to operation and maintenance (O&M) expenses are necessary for interim purposes. Pursuant to Section 367.082(5)(b)l., F.S., the only adjustments that should be made to the interim test year are those consistent with the most recent individual rate proceeding or adjustments to annualize rate changes occurring during the interim test year. As such, the utility's adjustments to bad debt expense based on a percentage of the proposed revenue increase are pro forma in nature and shall be removed. As a result, bad debt expense has been reduced by \$367 for water and \$5,978 for wastewater.

We also made an adjustment to correct an error made in calculating the allocable portion of miscellaneous expense in MFR Schedule B-12. The utility calculated that Ni Florida's portion of allocable miscellaneous expenses was \$367,338. We calculated Ni Florida's portion of allocable miscellaneous expenses to be \$367,138. We reduced allocable miscellaneous expense by \$200, which resulted in a \$45 reduction to water and a \$155 reduction to wastewater.

In the last rate case, we also made adjustments to the utility's director and officer liability (DOL) insurance, due diligence costs, and equity sponsor fee. According to the utility, due diligence costs and the equity sponsor fee were excluded from allocable expenses during the preparation of the rate filing. As such, no adjustments are necessary for due diligence or the equity sponsor fee. However, the utility's parent company recorded DOL insurance expense of

\$47,862 for the test year. Consistent with the methodology used in the last rate case,⁴ DOL insurance costs prior to any allocation shall be reduced by \$23,931 (\$47,862 divided by 2). Based on the above, Ni Florida's allocated expenses shall be \$2,058 (\$23,931 multiplied by Ni Florida's 8.60 percent allocation factor), or \$425 for water and \$1,633 for wastewater. The utility included \$851 for water and \$3,267 for wastewater in the current test year. Based on our calculations, DOL insurance shall be reduced by \$426 (\$425 - \$851) and \$1,634 (\$1,633 - \$3,267) for water and wastewater, respectively.

We also removed the utility's depreciation expense adjustments related to year-end plant in service and changes in depreciation due to wastewater plant replacements. The resulting adjustments totaled \$817 and \$18,132 for water and wastewater, respectively.

Finally, we made adjustments to taxes other than income to reflect the revenue and O&M expense adjustments cited above. We reduced regulatory assessment fees by \$3,924 for water and \$19,331 for wastewater to reflect the removal of the utility's requested revenue increase, and removed the utility's wastewater property tax adjustment of \$4,564 for pro forma plant projects.

Based on the above, we find that the appropriate test year operating income, before any revenue increase, is a \$27,366 loss for water and income of \$40,818 for wastewater.

Revenue Requirement

Based on the above adjustments, allowing the utility to earn a 7.52 percent return on its water rate base would result in a revenue requirement of \$311,615. The utility has requested an interim revenue requirement of \$310,891. In such circumstances, it has been our practice to limit the revenue requirement to the level requested by the utility. Consistent with Commission practice,⁵ we hereby approve a revenue requirement of \$310,891 for water. This represents an interim increase in annual revenues of \$87,202 (or 38.98 percent). This will allow the utility the opportunity to recover its water operating expenses and earn a 7.39 percent return on its water rate base.

We hereby approve a wastewater revenue requirement of \$2,264,770. This represents an increase in annual revenues of \$332,619 (or 17.21 percent) for wastewater. The increase will allow the utility the opportunity to recover its wastewater operating expenses and earn a 7.52 percent return on its wastewater rate base.

⁴Order No. PSC-13-0611-PAA-WS, p.17.

⁵Order Nos. PSC-13-0673-FOF-WS, issued December 19, 2013, in Docket No. 130212-WS, In re: Application for increase in water/wastewater rates in Polk County by Cypress Lakes Utilities, Inc.; PSC-10-0018-PCO-WS, issued January 6, 2010, in Docket No. 090402-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.; PSC-06-0675-PCO-SU, issued August 7, 2006, in Docket No. 060255-SU, In re: Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.; PSC-05-0287-PAA-SU, issued March 17, 2005, in Docket No. 040972-SU, In re: Application for rate increase in Pinellas County by Ranch Mobile WWTP, Inc.; and PSC-95-0191-FOF-WS, issued February 9, 1995, in Docket No. 940917-WS, In re: Application for rate increase for increased water and wastewater rates in Seminole, Orange, and Pasco Counties by Utilities, Inc. of Florida.

Appropriate Interim Water and Wastewater Rates

The interim service rates for Ni Florida shall be designed to allow the utility the opportunity to generate annual operating revenues of \$310,891 and \$2,264,770 for water and wastewater, respectively. Before removal of miscellaneous revenues, this would result in an increase of \$87,202 (38.98 percent) for water and \$332,619 (17.21 percent) for wastewater. To determine the appropriate increase to apply to the service rates, miscellaneous revenues shall be removed from the test year revenues. The calculation is as follows:

Table 1
Percentage Service Rate Increase

| | <u>Water</u> | <u>Wastewater</u> |
|--|-----------------|-------------------|
| 1 Total Test Year Revenues | \$223,689 | \$1,932,151 |
| 2 Less: Miscellaneous Revenues | <u>\$6,357</u> | <u>\$53,756</u> |
| 3 Test Year Revenues from Service Rates | \$217,332 | \$1,878,395 |
| 4 Revenue Increase | <u>\$87,202</u> | <u>\$332,619</u> |
| 5 Percentage Service Rate Increase (Line 4/Line 3) | 40.12% | 17.71% |

Source: Approved Revenue Requirement and MFRs

Interim rate increases of 40.12 percent for water and 17.71 percent for wastewater shall be applied as an across-the-board increase to the existing service rates. The rates, as shown on Schedule Nos. 4-A and 4-B, shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. In addition, the approved rates shall not be implemented until the required security has been filed, Commission staff has approved the proposed customer notice, and the notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days of the date of the notice.

Appropriate Security To Guarantee The Interim Increase

Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by this Commission. As stated above, the total interim increase is \$419,821. In accordance with Rule 25-30.360, F.A.C., we calculated the potential refund of revenues and interest collected under interim conditions to be \$245,203. This amount is based on an estimated seven months of revenue being collected from our approved interim rates over the utility's current authorized rates shown on Schedule Nos. 4-A and 4-B.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. The utility has indicated to us that it intends to utilize a letter of credit as security for any potential refund of interim rates granted. As such, we did not perform an analysis regarding the utility's financial capability to support a corporate undertaking. Ni Florida shall be required to secure a letter of credit, or alternately an escrow account or surety bond, to guarantee any potential refund of water and wastewater revenues. The requirements associated with each are discussed below.

If the security provided is a surety bond or a letter of credit, said instrument shall be in the amount of \$245,203. If the utility chooses a surety bond as security, the surety bond shall state that it will be released or terminated only upon subsequent order of this Commission. If the utility chooses to provide a letter of credit as security, the letter of credit shall state that it is irrevocable for the period it is in effect and that it will be in effect until a final Commission order is rendered releasing the funds to the utility or requiring a refund.

If the security provided is an escrow account, said account shall be established between the utility and an independent financial institution or the Division of Treasury for the Florida Department of Financial Services pursuant to a written escrow agreement. This Commission shall be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement shall state the following: the account is established at the direction of this Commission for the purpose set forth above; no withdrawals of funds shall occur without the prior approval of this Commission through the Commission Clerk, Office of Commission Clerk; the account shall be interest bearing; information concerning that escrow account shall be available from the institution to this Commission or its representative at all times; the amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt; and, pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla 3d DCA 1972), escrow accounts are not subject to garnishments.

If the security provided is an escrow account, the utility shall deposit \$34,985 into the escrow account each month. The escrow agreement shall also state that "if a refund to the customers is required, all interest earned on the escrow account shall be distributed to the customers, and if a refund to the customers is not required, the interest earned on the escrow account shall revert to the utility."

Regardless of the type of security provided, the utility shall keep an accurate and detailed account of all monies it receives. Pursuant to Rule 25-30.360(6), F.A.C., the utility shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, F.A.C.

In no instance shall maintenance and administrative costs associated with any refund be borne by the customers. Such costs are the responsibility of, and shall be borne by, the utility.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Ni Florida, LLC's proposed final water and wastewater rates are hereby suspended. It is further

ORDERED that Ni Florida's requested interim revenue requirement and rate increase for water and wastewater are hereby approved as set forth in the body of this order. It is further

ORDERED that Ni Florida shall secure a letter of credit, or alternately an escrow account or surety bond, to guarantee any potential refund of revenues collected under interim conditions as set forth herein. It is further

ORDERED that pursuant to Rule 25-30.360(6), F.A.C., Ni Florida shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. It is further

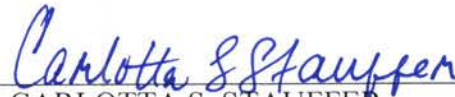
ORDERED that the rates, as shown on Schedule Nos. 4-A and 4-B, shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that the utility shall file revised tariff sheets and a proposed customer notice to reflect this Commission's approved rates. It is further

ORDERED that the approved rates shall not be implemented until the required security has been filed, Commission staff has approved the proposed customer notice, and the notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that this docket shall remain open pending this Commission's final action on Ni Florida, LLC's requested final rates.

By ORDER of the Florida Public Service Commission this 29th day of June, 2016.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
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Tallahassee, Florida 32399
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

KRM

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is non-final in nature, may request (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code, or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

Any party adversely affected by the portion of this order suspending proposed final rates, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or

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intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

| Ni Florida, LLC Schedule of Water Rate Base Test Year Ended 12/31/15 | | Schedule No. 1-A Docket No. 160030-WS | | | | |
|--|-----------------------------|--|--------------------------------------|--------------------------------|-------------------------------------|--|
| Description | Test Year Per Utility | Utility Adjust- Ments | Adjusted Test Year Per Utility | Commission Adjust- ments | Commission Adjusted Test Year | |
| 1 Plant in Service | \$568,878 | \$0 | \$568,878 | \$0 | \$568,878 | |
| 2 Accumulated Depreciation | (303,287) | 0 | (303,287) | 0 | (303,287) | |
| 3 CIAC | (110,779) | 0 | (110,779) | 0 | (110,779) | |
| 4 Amortization of CIAC | 110,779 | 0 | 110,779 | 0 | 110,779 | |
| 5 Acquisition Adjustments | 1,047,160 | (1,047,160) | 0 | 0 | 0 | |
| 6 Accumulated Deferred Income Taxes | 0 | (2,173) | (2,173) | 2,173 | 0 | |
| 7 Working Capital Allowance | <u>64,328</u> | <u>0</u> | <u>64,328</u> | <u>2,738</u> | <u>67,066</u> | |
| 8 Rate Base | <u>\$1,377,079</u> | <u>(\$1,049,333)</u> | <u>\$327,746</u> | <u>\$4,911</u> | <u>\$332,657</u> | |

| Ni Florida, LLC Schedule of Wastewater Rate Base Test Year Ended 12/31/15 | | | | Schedule No. 1-B Docket No. 160030-WS | |
|---|-----------------------------|-----------------------------|--------------------------------------|--|-------------------------------------|
| Description | Test Year Per Utility | Utility Adjust- ments | Adjusted Test Year Per Utility | Commission Adjust- ments | Commission Adjusted Test Year |
| 1 Plant in Service | \$9,155,410 | \$266,889 | \$9,422,299 | (\$266,889) | \$9,155,410 |
| 2 Land and Land Rights | 9,513 | 0 | 9,513 | 0 | 9,513 |
| 3 Accumulated Depreciation | (4,520,375) | 545,254 | (3,975,121) | (545,254) | (4,520,375) |
| 4 CIAC | (3,638,516) | 0 | (3,638,516) | 0 | (3,638,516) |
| 5 Amortization of CIAC | 1,946,580 | 0 | 1,946,580 | 0 | 1,946,580 |
| 6 Construction Work in Progress | 479,348 | (479,348) | 0 | 0 | 0 |
| 7 Acquisition Adjustments | 5,726,865 | (5,726,865) | 0 | 0 | 0 |
| 8 Accumulated Deferred Income Taxes | (3,634) | (100,742) | (104,376) | 100,742 | (3,634) |
| 9 Working Capital Allowance | <u>218,210</u> | <u>0</u> | <u>218,210</u> | <u>11,475</u> | <u>229,685</u> |
| 10 Rate Base | <u>\$9,373,401</u> | <u>(\$5,494,812)</u> | <u>\$3,878,589</u> | <u>(\$699,926)</u> | <u>\$3,178,663</u> |

| Ni Florida, LLC | | Schedule No. 1-C | |
|--|----------------|-----------------------------|--|
| Adjustments to Rate Base | | Docket No. 160030-WS | |
| Test Year Ended 12/31/15 | | | |
| Explanation | Water | Wastewater | |
| <u>Plant In Service</u> | | | |
| Remove pro forma plant and retirement adjustments. (Issue 2) | <u>\$0</u> | <u>(\$266,889)</u> | |
| <u>Accumulated Depreciation</u> | | | |
| Remove pro forma plant and retirement adjustments. (Issue 2) | <u>\$0</u> | <u>(\$545,254)</u> | |
| <u>Accumulated Deferred Income Taxes</u> | | | |
| Remove adjustment for pro forma deferred income taxes. (Issue 2) | <u>\$2,173</u> | <u>\$100,742</u> | |
| <u>Working Capital</u> | | | |
| Reflect appropriate Deferred rate case expense. (Issue 2) | <u>\$2,738</u> | <u>\$11,475</u> | |

| Ni Florida, LLC Capital Structure-Simple Average Test Year Ended 12/31/15 | | | | | | | Schedule No. 2 Docket No. 160030-WS | | |
|---|--------------------|----------------------|---------------------------|---------------------|---------------------------------|----------------|--|---------------|--|
| Description | Total Capital | Specific Adjustments | Subtotal Adjusted Capital | Prorata Adjustments | Capital Reconciled to Rate Base | Ratio | Cost Rate | Weighted Cost | |
| Per Utility | | | | | | | | | |
| 1 Long-term Debt - Fixed Rate | 47,595 | 0 | 47,595 | 0 | 47,595 | 1.13% | 8.50% | 0.10% | |
| 2 Long-term Debt - Variable Rate | 878,720 | 0 | 878,720 | 0 | 878,720 | 20.90% | 4.50% | 0.94% | |
| 3 Short-term Debt | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% | |
| 4 Preferred Stock | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% | |
| 5 Common Equity | 3,086,892 | 0 | 3,086,892 | 0 | 3,086,892 | 73.41% | 9.27% | 6.81% | |
| 6 Customer Deposits | 85,202 | 0 | 85,202 | 0 | 85,202 | 2.03% | 6.00% | 0.12% | |
| 7 Deferred Income Taxes | <u>3,634</u> | <u>102,915</u> | <u>106,549</u> | <u>0</u> | <u>106,549</u> | <u>2.53%</u> | 0.00% | <u>0.00%</u> | |
| 8 Total Capital | <u>\$4,102,043</u> | <u>\$102,915</u> | <u>\$4,204,958</u> | <u>\$0</u> | <u>\$4,204,958</u> | <u>100.00%</u> | | <u>7.97%</u> | |
| Per Commission | | | | | | | | | |
| 9 Long-term Debt- Fixed Rate | 47,595 | 0 | 47,595 | (7,006) | 40,589 | 1.16% | 8.50% | 0.10% | |
| 10 Long-term Debt - Variable Rate | 878,720 | 0 | 878,720 | (129,343) | 749,377 | 21.34% | 4.50% | 0.96% | |
| 11 Short-term Debt | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% | |
| 12 Preferred Stock | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% | |
| 13 Common Equity | 3,086,892 | 0 | 3,086,892 | (454,374) | 2,632,518 | 74.97% | 8.42% | 6.31% | |
| 14 Customer Deposits | 85,202 | 0 | 85,202 | 0 | 85,202 | 2.43% | 6.00% | 0.15% | |
| 15 Deferred Income Taxes | <u>3,634</u> | <u>0</u> | <u>3,634</u> | <u>0</u> | <u>3,634</u> | <u>0.10%</u> | 0.00% | <u>0.00%</u> | |
| 16 Total Capital | <u>\$4,102,043</u> | <u>\$0</u> | <u>\$4,102,043</u> | <u>(\$590,723)</u> | <u>\$3,511,320</u> | <u>100.00%</u> | | <u>7.52%</u> | |
| | | | | | | LOW | HIGH | | |
| RETURN ON EQUITY | | | | | | <u>8.42%</u> | <u>10.42%</u> | | |
| OVERALL RATE OF RETURN | | | | | | <u>7.52%</u> | <u>9.02%</u> | | |

| Ni Florida, LLC Statement of Water Operations Test Year Ended 12/31/15 | | | | | | | Schedule No. 3-A Docket No. 160030-WS | |
|--|-----------------------------|-----------------------------|--------------------------------------|--------------------------------|-------------------------------------|---------------------------|--|--|
| Description | Test Year Per Utility | Utility Adjust- ments | Adjusted Test Year Per Utility | Commission Adjust- ments | Commission Adjusted Test Year | Revenue Increase | Revenue Requirement | |
| 1 Operating Revenues: | <u>\$243,169</u> | <u>\$67,722</u> | <u>\$310,891</u> | <u>(\$87,202)</u> | <u>\$223,689</u> | <u>\$87,202</u> 38.98% | <u>\$310,891</u> | |
| Operating Expenses | | | | | | | | |
| 2 Operation & Maintenance | \$238,510 | \$433 | \$238,943 | (\$837) | \$238,106 | \$0 | \$238,106 | |
| 3 Depreciation | 19,513 | 817 | 20,330 | (817) | 19,513 | 0 | 19,513 | |
| 4 Amortization | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 5 Taxes Other Than Income | 10,943 | 3,418 | 14,361 | (3,924) | 10,437 | 3,924 | 14,361 | |
| 6 Income Taxes | <u>0</u> | <u>12,220</u> | <u>12,220</u> | <u>(29,220)</u> | <u>(17,000)</u> | <u>31,337</u> | <u>14,337</u> | |
| 7 Total Operating Expense | <u>\$268,966</u> | <u>\$16,888</u> | <u>\$285,854</u> | <u>(\$34,799)</u> | <u>\$251,055</u> | <u>\$35,262</u> | <u>\$286,317</u> | |
| 8 Operating Income | <u>(\$25,797)</u> | <u>\$50,834</u> | <u>\$25,037</u> | <u>(\$52,403)</u> | <u>(\$27,366)</u> | <u>\$51,940</u> | <u>\$24,574</u> | |
| 9 Rate Base | <u>\$1,377,079</u> | | <u>\$327,746</u> | | <u>\$332,657</u> | | <u>\$332,657</u> | |
| 10 Rate of Return | <u>-1.87%</u> | | <u>7.64%</u> | | <u>-8.23%</u> | | <u>7.39%</u> | |

| Ni Florida, LLC Statement of Wastewater Operations Test Year Ended 12/31/15 | | | | | | Schedule No. 3-B Docket No. 160030-WS | |
|---|-----------------------------|-----------------------------|--------------------------------------|--------------------------------|-------------------------------------|--|------------------------|
| Description | Test Year Per Utility | Utility Adjust- ments | Adjusted Test Year Per Utility | Commission Adjust- ments | Commission Adjusted Test Year | Revenue Increase | Revenue Requirement |
| 1 Operating Revenues: | <u>\$1,929,738</u> | <u>\$432,000</u> | <u>\$2,361,738</u> | <u>(\$429,587)</u> | <u>\$1,932,151</u> | <u>\$332,619</u> 17.21% | <u>\$2,264,770</u> |
| Operating Expenses | | | | | | | |
| 2 Operation & Maintenance | 1,515,833 | 32,683 | 1,548,516 | (7,768) | 1,540,748 | 0 | 1,540,748 |
| 3 Depreciation | 166,265 | 18,132 | 184,397 | (18,132) | 166,265 | 0 | 166,265 |
| 4 Amortization | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 Taxes Other Than Income | 164,261 | 24,004 | 188,265 | (23,895) | 164,370 | 14,968 | 179,337 |
| 6 Income Taxes | <u>47,244</u> | <u>97,048</u> | <u>144,292</u> | <u>(124,342)</u> | <u>19,950</u> | <u>119,532</u> | <u>139,482</u> |
| 7 Total Operating Expense | <u>\$1,893,603</u> | <u>\$171,867</u> | <u>\$2,065,470</u> | <u>(\$174,137)</u> | <u>\$1,891,333</u> | <u>\$134,500</u> | <u>\$2,025,833</u> |
| 8 Operating Income | <u>\$36,135</u> | <u>\$260,133</u> | <u>\$296,268</u> | <u>(\$255,450)</u> | <u>\$40,818</u> | <u>\$198,119</u> | <u>\$238,937</u> |
| 9 Rate Base | <u>\$9,373,401</u> | | <u>\$3,878,589</u> | | <u>\$3,178,663</u> | | <u>\$3,178,663</u> |
| 10 Rate of Return | <u>0.39%</u> | | <u>7.64%</u> | | <u>1.28%</u> | | <u>7.52%</u> |

| Ni Florida, LLC | | Schedule 3-C | |
|--|-------------------|-----------------------------|--|
| Adjustment to Operating Income | | Docket No. 160030-WS | |
| Test Year Ended 12/31/15 | | | |
| Explanation | Water | Wastewater | |
| <u>Operating Revenues</u> | | | |
| 1 Remove requested interim revenue increase. (Issue 2) | (\$75,950) | (\$432,000) | |
| 2 Reflect the appropriate amount of test year revenues. (Issue 2) | <u>(11,252)</u> | <u>2,413</u> | |
| Total | <u>(\$87,202)</u> | <u>(\$429,587)</u> | |
| <u>Operation and Maintenance Expense</u> | | | |
| 1 Remove utility's pro forma bad debt expense adjustments. (Issue 2) | (\$367) | (\$5,978) | |
| 2 Correction to allocable portion of miscellaneous expenses. (Issue 2) | (45) | (155) | |
| 3 Reflect appropriate amount of miscellaneous expense. (Issue 2) | <u>(426)</u> | <u>(1,634)</u> | |
| Total | <u>(\$837)</u> | <u>(\$7,768)</u> | |
| <u>Depreciation Expense – Net</u> | | | |
| Remove adjustments for change in depreciation. (Issue 2) | <u>(\$817)</u> | <u>(\$18,132)</u> | |
| <u>Taxes Other Than Income</u> | | | |
| 1 RAFs on revenue adjustments above. (Issue 2) | (\$3,924) | (\$19,331) | |
| 2 Remove property tax adjustment for pro forma plant projects. (Issue 2) | <u>0</u> | <u>(4,564)</u> | |
| Total | <u>(\$3,924)</u> | <u>(\$23,895)</u> | |

| Ni Florida, LLC. | | Schedule No. 4-A | | |
|---|----------------------|----------------------------------|--------------------------------|------------------------------------|
| Test Year Ended 12/31/2015 | | Docket No. 160030-WS | | |
| Monthly Water Rates | | | | |
| | Current Rates | Utility Requested Interim | Utility Requested Final | Commission Approved Interim |
| <u>Residential and General Service</u> | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8 x 3/4" | \$12.64 | \$17.70 | \$18.34 | \$17.71 |
| 3/4" | \$18.96 | \$26.54 | \$27.52 | \$26.57 |
| 1" | \$31.60 | \$44.24 | \$45.86 | \$44.28 |
| 1-1/2" | \$63.21 | \$88.49 | \$91.73 | \$88.55 |
| 2" | \$101.13 | \$141.57 | \$146.76 | \$141.68 |
| 3" | \$202.27 | \$312.69 | \$324.15 | \$283.36 |
| 4" | \$316.04 | \$442.43 | \$458.65 | \$442.75 |
| 6" | \$632.08 | \$884.86 | \$917.29 | \$885.50 |
| 8" | \$1,011.20 | \$1,415.60 | \$1,467.48 | \$1,416.80 |
| RV Park | \$1,324.36 | \$1,854.00 | \$1,921.95 | \$1,855.69 |
| Charge per 1,000 Gallons - Residential Service | | | | |
| 0-3,000 gallons | \$4.47 | \$6.26 | \$6.49 | \$6.26 |
| 3,001-6,000 gallons | \$5.66 | \$7.92 | \$8.21 | \$7.93 |
| Over 6,000 gallons | \$7.88 | \$11.03 | \$11.44 | \$11.04 |
| Charge per 1,000 Gallons - General Service | \$4.81 | \$6.73 | \$6.98 | \$6.74 |
| <u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u> | | | | |
| 3,000 Gallons | \$26.05 | \$36.48 | \$37.81 | \$36.49 |
| 6,000 Gallons | \$43.03 | \$60.24 | \$62.44 | \$60.28 |
| 8,000 Gallons | \$58.79 | \$82.30 | \$85.32 | \$82.36 |

| Ni Florida, LLC. | | Schedule No. 4-B | | |
|---|----------------------|----------------------------------|--------------------------------|------------------------------------|
| Test Year Ended 12/31/2015 | | Docket No. 160030-WS | | |
| Monthly Wastewater Rates | | | | |
| | Current Rates | Utility Requested Interim | Utility Requested Final | Commission Approved Interim |
| <u>Residential Service</u> | | | | |
| Base Facility Charge - All Meter Sizes | \$20.95 | \$25.63 | \$26.11 | \$24.66 |
| Charge per 1,000 Gallons- Residential 8,000 gallon cap | \$6.87 | \$8.40 | \$8.56 | \$8.09 |
| <u>General Service</u> | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8 x 3/4" | \$20.95 | \$25.63 | \$26.11 | \$24.66 |
| 3/4" | \$31.43 | \$38.45 | \$39.17 | \$36.99 |
| 1" | \$52.38 | \$64.08 | \$65.28 | \$61.65 |
| 1-1/2" | \$105.46 | \$129.01 | \$131.43 | \$123.30 |
| 2" | \$167.64 | \$205.08 | \$208.92 | \$197.28 |
| 3" | \$335.27 | \$410.14 | \$417.82 | \$394.56 |
| 4" | \$523.86 | \$640.85 | \$652.84 | \$616.50 |
| 6" | \$1,047.73 | \$1,281.71 | \$1,305.70 | \$1,233.00 |
| 8" | \$1,676.37 | \$2,050.74 | \$2,089.12 | \$1,972.80 |
| 10" | \$2,409.78 | \$2,947.94 | \$3,003.10 | \$2,835.90 |
| Bulk Service | \$523.86 | \$640.85 | \$652.84 | \$616.50 |
| Charge per 1,000 Gallons - General Service | \$8.24 | \$10.08 | \$10.27 | \$9.70 |
| <u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u> | | | | |
| 3,000 Gallons | \$41.56 | \$50.83 | \$51.79 | \$48.93 |
| 6,000 Gallons | \$62.17 | \$76.03 | \$77.47 | \$73.20 |
| 8,000 Gallons | \$75.91 | \$92.83 | \$94.59 | \$89.38 |