

Dorothy Menasco

090526-WS

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**From:** Trina Collins [TCollins@RSBattorneys.com]  
**Sent:** Wednesday, May 05, 2010 10:24 AM  
**To:** Filings@psc.state.fl.us  
**Cc:** Cheryl Bulecza-Banks; Bart Fletcher; Martin Friedman; Christian W. Marcelli; Trina Collins  
**Subject:** Docket No. 090526-WS - Application for increase in water and wastewater rates in Lee County by North Fort Myers Utility, Inc.  
**Importance:** High  
**Attachments:** Chairman Nancy Argenziano 01.ltr.05-05-2010.pdf

Dear Ms. Cole,

As a result of the substantial change in the capital structure required by North Fort Myers Utility, Inc.'s primary lender, I am attaching a letter to Chairman Nancy Argenziano requesting an extension of time through August 31, 2010 within which to file the Utility's MFRs in the above referenced docket.

Thank you,

Martin S. Friedman, Esquire  
Rose, Sundstrom & Bentley, LLP  
Sanlando Center  
2180 W. State Road 434, Suite 2118  
Longwood, FL 32779  
Phone: (407) 830-6331  
Fax: (407) 830-8522  
Email: [mfriedman@rsbattorneys.com](mailto:mfriedman@rsbattorneys.com)

DOCUMENT NUMBER-DATE

03726 MAY-5 2010

FPSC-COMMISSION CLERK

5/5/2010

ROSE, SUNDBSTROM & BENTLEY, LLP

www.rsbatorneys.com

Please Respond to the Longwood Office

FREDERICK L. ASCHAUER, JR.  
CHRIS H. BENTLEY, P.A.  
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F. MARSHALL DETERDING  
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JOHN J. FUMERO, P.A.  
BRIDGET M. GRIMSLEY  
JOHN R. JENKINS, P.A.  
KYLE L. KEMPER

CHRISTIAN W. MARCELLI  
STEVEN T. MINDLIN, P.A.  
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May 5, 2010

ROBERT M.C. ROSE, (1924-2006)

HAND DELIVERY

Chairman Nancy Argenziano  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

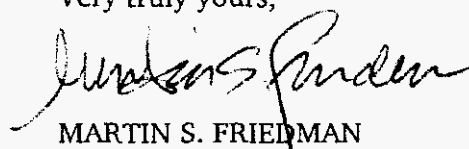
RE: Docket No. 090526-WS – Application for increase in water and wastewater rates in lee  
County by North Fort Myers Utility, Inc.  
Our File No. 16319.29

Dear Chairman Argenziano:

On December 24, 2009, your predecessor granted North Fort Myers Utility, Inc.'s request for a historic test year ending December 31, 2009 with a June 1, 2010 date for filing the MFRs. As a result of the substantial change in the capital structure required by the Utility's primary lender (see attached Report) the Utility requests an extension of time through August 31, 2010 within which to file its MFRs.

Thank you for your consideration of this request.

Very truly yours,



MARTIN S. FRIEDMAN  
For the Firm

MSF/tlc  
Enclosure

cc: Ann Cole, Commission Clerk (w/enclosure) (via e-mail)  
Mr. Tony Reeves (w/enclosure) (via e-mail)  
Ms. Cheryl Bulecza-Banks, Division of Economic Regulation (w/enclosure) (via e-mail)  
Mr. Bart Fletcher, Division of Economic Regulation (w/enclosure) (via e-mail)  
Dr. Joel H. Schenkman (w/o enclosure)  
Dr. Michael H. Schenkman (w/o enclosure)

DOCUMENT NUMBER DATE

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**North Ft. Myers Utility, Inc.  
Special Report  
Estimated Rate Increase  
Assuming a Rate Case Filing before the PSC  
Test Year Ended December 31, 2009  
May 5, 2010**

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North Ft. Myers Utility, Inc.  
Special Report  
Estimated Rate Increase Assuming a Rate Case  
Filing Before the PSC  
Test Year Ended December 31, 2009

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5	9	Schedule of Capital Structure and Cost of Capital

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**Carlstedt, Jackson, Nixon & Wilson**  
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

*James L. Carlstedt, C.P.A.*  
*Katherine U. Jackson, C.P.A.*  
*Robert H. Jackson, C.P.A.*  
*Cheryl T. Losee, C.P.A.*  
*Robert C. Nixon, C.P.A.*  
*Jeanette Sung, C.P.A.*  
*Holly M. Towner, C.P.A.*  
*James L. Wilson, C.P.A.*

May 4, 2010

To the Stockholder  
North Ft. Myers Utility, Inc.

In accordance with your request, we have prepared the accompanying Special Report of North Ft. Myers Utility, Inc. consisting of the schedules listed in the preceding Index.

This report is intended solely for use by Management to estimate the revenue requirements and amounts of the rate increases the Company may request in a filing with the Florida Public Service Commission, assuming the Company remains subject to the Commission's regulatory authority, and should not be used for any other purpose.

Because this Special Report was not audited by us, we do not express an opinion or any other form of assurance on it.

CARLSTEDT, JACKSON, NIXON & WILSON

North Ft. Myers Utility, Inc  
 Schedule of Present Rates and Rates After Revenue Increase  
 Year Ended December 31, 2009

Line No.		Present Rates	Rate Case Increase	Rates After Increase
<u>Wastewater - North Ft. Myers System</u>				
1	Residential ( 47.49% ) Increase			
2	Base facility Charge - all meter sizes	\$ 11.98	\$ 5.69	\$ 17.67
3	Gallorage charge per 1,000 gallons, 10,000			
4	gallon monthly maximum	4.35	2.07	6.42
5	Multi-family ( 47.49% ) Increase			
6	Base facility charge per unit	10.80	5.13	15.93
7	Gallorage charge per 1,000 gallons	4.35	2.07	6.42
8	<u>Commercial ( 47.49% ) Increase</u>			
9	Base facility charges:			
10	5/8 x 3/4"	11.80	5.60	17.40
11	1"	29.45	13.99	43.44
12	1-1/2"	58.90	27.97	86.87
13	2"	94.23	44.75	138.98
14	3"	188.46	89.50	277.96
15	4"	294.45	139.83	434.28
16	6"	589.01	279.72	868.73
17	4" Buccaneer Estates	2,339.35	1,110.96	3,450.31
18	Gallorage charge per 1,000 gallons	4.35	2.07	6.42
19	<u>Wastewater - Pine Lakes System</u>			
20	Residential ( 47.23% ) Increase			
21	Base facility charge - all meter sizes	10.34	4.88	15.22
22	Gallorage charge per 1,000 gallons - 6,000			
23	gallon monthly maximum	4.79	2.26	7.05
24	<u>Commercial ( 47.23% ) Increase</u>			
25	Base facility charges:			
26	5/8 x 3/4"	10.34	4.88	15.22
27	3/4"	15.51	7.33	22.84
28	1"	25.83	12.20	38.03
29	1-1/2"	51.68	24.41	76.09
30	2"	82.71	39.06	121.77
31	3"	165.38	78.11	243.49
32	4"	258.43	122.06	380.49
33	6"	516.86	244.11	760.97
34	Gallorage charge per 1,000 gallons	5.74	2.71	8.45
35	<u>Reuse (47.23%) increase</u>			
36	Gallorage charge per 1,000 gallons	0.26	0.12	0.38

North Ft. Myers Utility, Inc  
 Schedule of Present Rates and Rates After Revenue Increase  
 Year Ended December 31, 2009

Line No.	Present Rates	Rate Case Increase	Rates After Increase
1	<u>Water - Pine Lakes System</u>		
2	<u>Residential &amp; General Service ( 51.92% )</u>		
3	<u>Increase</u>		
4	Base Facility Charges:		
5	\$ 7.09	\$ 3.68	\$ 10.77
6	10.67	5.54	16.21
7	17.78	9.23	27.01
8	35.55	18.46	54.01
9	56.91	29.55	86.46
10	113.78	59.07	172.85
11	175.93	91.34	267.27
12	351.83	182.67	534.50
13	4.17	2.17	6.34
	Gallage charge per 1,000 gallons		

North Ft. Myers Utility, Inc  
Schedule of Proforma Rate Base, Rate of Return and Revenue Increase  
Year Ended December 31, 2009

Line No.		<u>Balance</u> <u>12/31/09</u>	<u>Proforma</u> <u>Adjustments</u>	<u>Proforma</u> <u>Balance</u>
	<u>Wastewater - North Ft. Myers</u>			
1	<u>Rate Base</u>			
2	Utility Plant in Service	\$ 47,899,996	\$ 3,795,852 (A)	\$ 51,695,848
4	Accumulated Depreciation	(14,922,230)		(14,922,230)
5	Contributions in Aid of Construction (CIAC)	(20,688,915)		(20,688,915)
6	Accumulated Amortization of CIAC	<u>5,038,258</u>	<u>-</u>	<u>5,038,258</u>
7		17,327,109	3,795,852	21,122,961
8	Working Capital Allowance	<u>332,611</u>	<u>37,225 (B)</u>	<u>369,836</u>
9	Rate Base	<u>\$ 17,659,720</u>	<u>\$ 3,833,077</u>	<u>\$ 21,492,797</u>
10	<u>Operating Income</u>	<u>\$ (38,619)</u>		<u>\$ 1,525,989</u>
11	<u>Rate of Return</u>	<u>-0.22%</u>		<u>7.10%</u>
12	<u>Operating Revenue</u>			
13	2008 actual			\$ 4,107,335
14	Proforma Increase			<u>1,950,596</u>
15	Proforma Revenue			<u>\$ 6,057,931</u>
16	Proforma Percentage Increase in Revenue			<u>47.49%</u>
	<u>Wastewater - Pine Lakes</u>			
18	<u>Rate Base</u>			
19	Utility Plant in Service	\$ 3,545,895		\$ 3,545,895
20	Non-used & Useful Plant	-		-
21	Accumulated Depreciation	(2,320,479)		(2,320,479)
22	Contributions in Aid of Construction (CIAC)	(1,025,142)		(1,025,142)
23	Accumulated Amortization of CIAC	<u>647,563</u>	<u>-</u>	<u>647,563</u>
24		847,837		847,837
25	Working Capital Allowance	<u>59,438</u>	<u>\$ 6,178 (B)</u>	<u>65,616</u>
26	Rate Base	<u>\$ 907,275</u>	<u>\$ 6,178</u>	<u>\$ 913,453</u>
27	<u>Operating Income</u>	<u>\$ (84,437)</u>		<u>\$ 64,855</u>
28	<u>Rate of Return</u>	<u>-9.31%</u>		<u>7.10%</u>
29	<u>Operating Revenue</u>			
30	2008 actual			\$ 460,536
31	Proforma Increase			<u>217,482</u>
32	Proforma Revenue			<u>\$ 678,028</u>
33	Proforma Percentage Increase in Revenue			<u>47.23%</u>



North Ft. Myers Utility, Inc  
Schedule of Proforma Rate Base, Rate of Return and Revenue Increase  
Year Ended December 31, 2009

Line No.	<u>Water - Pine Lakes</u>	<u>Balance 12/31/08</u>	<u>Proforma Adjustments</u>	<u>Proforma Balance</u>
1	<u>Rate Base</u>			
2	Utility Plant in Service	\$ 2,054,402		\$ 2,054,402
3	Non-used & Useful Plant			-
4	Accumulated Depreciation	(1,305,445)		(1,305,445)
5	Contributions in Aid of Construction (CIAC)	(578,621)		(578,621)
6	Accumulated Amortization of CIAC	358,703	-	358,703
7		529,039		529,039
8	Working Capital Allowance	55,503	\$ 6,318 (B)	61,821
9	Rate Base	<u>\$ 584,542</u>	<u>\$ 6,318</u>	<u>\$ 590,860</u>
10	<u>Operating Income</u>	<u>\$ (105,474)</u>		<u>\$ 41,951</u>
11	<u>Rate of Return</u>	<u>-18.04%</u>		<u>7.10%</u>
12	<u>Operating Revenue</u>			
13	2008 actual			\$ 401,281
14	Proforma Increase			<u>208,341</u>
15	Proforma Revenue			<u>\$ 609,622</u>
16	Proforma Percentage Increase in Revenue			<u>51.92%</u>

North Ft. Myers Utility, Inc  
 Schedule of Adjustments to Proforma Rate Base and Rate of Return  
 Year Ended December 31, 2009

Line No.		North Ft. Myers <u>Wastewater</u>	Pine Lakes <u>Wastewater</u>	Pine Lakes <u>Water</u>
1	(A) <u>Utility Plant in Service</u>			
2	Close construction work in progress to be completed in 2010	<u>\$ 3,795,852</u>		
3	(B) <u>Working Capital</u>			
4	Increase in O&M expense	\$ 297,803	\$ 49,421	\$ 50,546
5	Factor for working capital allowance	<u>0.125</u>	<u>0.125</u>	<u>0.125</u>
6	Increase in working capital	<u>\$ 37,225</u>	<u>\$ 6,178</u>	<u>\$ 6,318</u>

North Ft. Myers Utility, Inc  
 Proforma Statement of Operations  
 Year Ended December 31, 2009

Line No.	<u>Wastewater - North Ft. Myers</u>	Balance 12/31/09	Proforma Adjustments		Proforma Balance
1	Operating Revenue	\$ 4,107,335	\$ 1,950,596	(C)	\$ 6,057,931
2	Operating Expenses:				
3	Operation & Maintenance (O&M)	2,660,888	297,803	(A)	2,958,691
4	Depreciation	1,650,313			1,650,313
5	Amortization of CIAC	(524,412)			(524,412)
6	Amortization - Loss on Plant Abandonment	19,524			19,524
7	Taxes Other Than Income	339,641	88,185	(B)	427,826
8		<u>4,145,954</u>	<u>385,988</u>		<u>4,531,942</u>
9	Operating income	\$ (38,619)	\$ 1,564,608		\$ 1,525,989
10	Rate Base	\$ 17,659,720			\$ 21,492,797
11	Rate of Return	<u>-0.22%</u>			<u>7.10%</u>
12	<u>Adjustments</u>				
13	(A) <u>O&amp;M Expense</u>				
14	(1) Rate case expense:				
15	Estimated cost of PSC rate case		\$ 1,500,000		
16	Annual amortization over 4 years		\$ 375,000		
17	Percentage based on system ERC's		74.86%		
18	Increase		<u>\$ 280,725</u>		\$ 280,725
19	(2) Plant Contract Operator:				
20	2% increase in 2009 third party plant operating contract (\$853,884 x 2%)				<u>17,078</u>
21	Total proforma increase in O&M expenses				<u>\$ 297,803</u>
22	(B) <u>Regulatory Assessment Fees (RAF's):</u>				
23	Total revenue requested				\$ 6,057,931
24	RAF rate				<u>4.50%</u>
25	Total RAF's				272,607
26	2009 RAF's				<u>(184,422)</u>
27	Increase in RAF's				<u>\$ 88,185</u>
28	<u>Additional Revenue</u>				
29	Revenue increase required to realize a rate of return of 3.61%				<u>\$ 1,950,596</u>

North Ft. Myers Utility, Inc  
 Proforma Statement of Operations  
 Year Ended December 31, 2009

Line No.	Wastewater - Pine Lakes	Balance 12/31/09	Proforma Adjustments		Proforma Balance
1	Operating Revenue	\$ 460,536	\$ 217,492	(C)	\$ 678,028
2	Operating Expenses:				
3	Operation & Maintenance (O&M)	475,505	49,421	(A)	524,926
4	Depreciation	80,022	-		80,022
5	Amortization of CIAC	(25,629)			(25,629)
6	Taxes Other Than Income	15,075	18,779	(B)	33,854
7		<u>544,973</u>	<u>68,200</u>		<u>613,173</u>
8	Operating income	\$ (84,437)	\$ 149,292		\$ 64,855
9	Rate Base	<u>\$ 907,275</u>			<u>\$ 913,453</u>
10	Rate of Return	<u>-9.31%</u>			<u>7.10%</u>
11	<u>Adjustments</u>				
12	(A) <u>O&amp;M Expense</u>				
13	(1) Rate case expense:				
14	Estimated cost of PSC rate case		\$ 1,500,000		
15	Annual amortization over 4 years		375,000		
16	Percentage based on system ERC's		12.42%		
17	Increase		<u>\$ 46,575</u>		\$ 46,575
18	(2) Plant Contract Operator:				
19	2% increase in 2008 third party plant operating contract (\$142,314 x 2%)				<u>2,846</u>
20	Total proforma increase in O&M expenses				<u>\$ 49,421</u>
21	(B) <u>Regulatory Assessment Fees (RAF's):</u>				
22	Total revenue requested				\$ 678,028
23	RAF rate				4.50%
24	Total RAF's				30,511
25	2009 RAF's				<u>(11,732)</u>
26	Increase in RAF's				<u>18,779</u>
27	Total taxes other than income increase				<u>\$ 18,779</u>
28	(C) <u>Additional Revenue</u>				
29	Revenue increase required to realize a rate of return of 7.10%				<u>\$ 217,492</u>

North Ft. Myers Utility, Inc  
 Proforma Statement of Operations  
 Year Ended December 31, 2009

Line No.	Water - Pine Lakes	Balance 12/31/09	Proforma Adjustments		Proforma Balance
1	Operating Revenue	\$ 401,281	\$ 208,341	(D)	\$ 609,622
2	Operating Expenses:				
3	Operation & Maintenance (O&M)	444,020	50,546	(A)	494,566
4	Depreciation	45,342			45,342
5	Amortization of CIAC	(14,458)			(14,458)
6	Taxes Other Than Income	31,851	10,370	(C)	42,221
7		<u>506,755</u>	<u>60,916</u>		<u>567,671</u>
8	Operating income	\$ (105,474)	\$ 147,425		\$ 41,951
9	Rate Base	<u>\$ 584,542</u>			<u>\$ 590,860</u>
10	Rate of Return	<u>-18.04%</u>			<u>7.10%</u>
11	<u>Adjustments</u>				
12	(A) <u>O&amp;M Expense</u>				
13	(1) Rate case expense:				
14	Estimated cost of rate case		\$ 1,500,000		
15	Annual amortization over 4 years		375,000		
16	Annual amortization from last rate case		12.72%		
17	Increase		<u>\$ 47,700</u>		\$ 47,700
18	(2) Plant Contract Operator:				
19	2% increase in 2009 third party plant operating contract (\$142,314 x 2%)				<u>2,846</u>
20	Total proforma increase in O&M expenses				<u>\$ 50,546</u>
21	(B) <u>Taxes Other Than Income</u>				
22	Regulatory Assessment Fees (RAF's):				
23	Total revenue requested				\$ 609,622
24	RAF rate				4.50%
25	Total RAF's				27,433
26	2009 RAF's				<u>(17,063)</u>
27	Total taxes other than income increase				<u>\$ 10,370</u>
28	(C) <u>Additional Revenue</u>				
29	Revenue increase required to realize a rate of return of 7.10%				<u>\$ 208,341</u>

North Ft. Myers Utility, Inc  
 Proforma Capital Structure and Cost of Capital  
 Year Ended December 31, 2009

Line No.	Capital Structure	Balance 12/31/09	Proforma Adjustments	Proforma Balance	Percent Ratio	Cost of Each Percent	Weighted Cost
1	Equity (deficit)	\$ (4,553,322)	\$ 9,608,049 (A)	\$ 5,054,727	20.76%	11.30%	2.35%
2	Long term debt:						
3	IDRB Serial Bonds	27,185,000	(7,940,049) (B)	19,244,951	79.03%	6.00%	4.74%
4	Suntrust Bank Line of Credit	1,688,000	(1,668,000) (B)	-	-	-	-
5	Customer Deposits	52,521	-	52,521	0.21%	6.00%	0.01%
6		28,905,521	(9,608,049)	19,297,472	79.24%		4.75%
7	Total	\$ 24,352,199	-	\$ 24,352,199	100.00%		7.10%

8 Proforma Adjustments

- 9 (A) SunTrust Bank has advised the Company that it will require an equity contribution equal to approximately one-third of all outstanding debt. The adjustment shown above amounts to 33% of the outstanding balances of bonds and the line of credit with SunTrust Bank.
- 10
- 11
- 12 (B) The equity contribution will be used to pay off the SunTrust line of credit, with the balance used for a partial redemption of the outstanding IDRB bonds. Further, the effective cost rate of debt is expected to increase to 6%.
- 13
- 14 The rate of return on equity is based on the current PSC approved leverage formula for determining returns on equity