

Eric Fryson

From: Vandiver, Denise <VANDIVER.DENISE@leg.state.fl.us>
Sent: Wednesday, April 24, 2013 4:10 PM
To: Filings@psc.state.fl.us
Cc: Monica Brown; Andrew Maurey; Bart Fletcher; Lynn Deamer; Jennifer Crawford; Suzanne Brownless; Saylor, Erik; Reilly, Steve; Martin P. McDonnell (marty@reuphlaw.com); ewallace@niamerica.com
Subject: Docket 130010 -- Application for increase in water rates in Lee County and wastewater rates in Pasco by Ni Florida, LLC.
Attachments: Issues for Staff on Ni Florida.docx

- a. Denise N. Vandiver
Office of Public Counsel
111 West Madison Street
Pepper Building, Room 812
Tallahassee, Florida 32399-1400
Phone: 850-487-8239
Email: vandiver.denise@leg.state.fl.us
- b. Docket No. 130010-WS
Application for increase in water rates in Lee County and wastewater rates in Pasco by Ni Florida, LLC.
- c. Office of Public Counsel
- d. 3 pages
- e. OPC Preliminary Concerns regarding MFRs

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DON GAETZ
PRESIDENT OF THE SENATE

J.R. Kelly
Public Counsel

STATE OF FLORIDA
OFFICE OF PUBLIC COUNSEL

c/o THE FLORIDA LEGISLATURE
111 WEST MADISON ST.
ROOM 812
TALLAHASSEE, FLORIDA 32399-1400
1-800-540-7039

EMAIL: OPC_WEBSITE@LEG.STATE.FL.US
WWW.FLORIDAOPC.GOV



WILL WEATHERFORD
SPEAKER OF THE HOUSE OF REPRESENTATIVES

April 24, 2013

Ann Cole, Director
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 130010-WS; Application for increase in water rates in Lee County and wastewater rates in Pasco by Ni Florida, LLC.

Dear Ms. Cole:

Attached are two preliminary concerns that the Office of Public Counsel has concerning the Minimum Filing Requirements (MFRs) filed by Ni Florida, LLC on February 27, 2013. We are filing this letter to provide notice of two issues that our preliminary review indicates may be material to the case and may need additional review. If you should have any questions, please feel free to call or e-mail me.

Respectfully submitted,

s/ Denise N. Vandiver
Denise N. Vandiver
Legislative Analyst

c: Division of Accounting & Finance (M. Brown)	Rutledge Ecenia
Division of Economic Regulation (Maurey, Fletcher)	Mr. Martin P. McDonnell
Office of Auditing and Performance Analysis (Deamer)	Ni Florida, LLC
Office of the General Counsel (Crawford, Brownless)	Mr. E. Wallace

Office of Public Counsel (Reilly, Saylor)

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OPC Issues and Concerns
Ni Florida, LLC.
Docket No. 130010-WS

Ni Florida, LLC filed its Minimum Filing Requirements (MFRs) on February 27, 2013. We have completed a preliminary review of the information and would like to raise two preliminary issues. While it is still early in the process, we believe that these issues may be material and may need additional analysis. As the company responds to staff data requests and the staff audit is filed, we may have additional issues that we will bring to your attention.

- Our first concern is that the comparative Balance Sheet included as Schedule A-18 and A-19 shows a significant balance in an account titled "Investments in Associated Companies". Our schedule below shows the ending balances for the test year for the three balance sheet accounts that relate to funds between Ni Florida and Associated Companies. The net of these three accounts is almost \$1.4 million which translates to an equivalent of 42% of the utility adjusted rate base. OPC does not have enough information, at this time, to determine if these transfers of utility funds have caused any harm to the utility systems.

	<u>9/30/2012</u>
Accts Rec Assoc Companies	1,239,747
Investments in Assoc Companies	2,519,917
Accts Pay Assoc Companies	<u>2,371,780</u>
Net Recble / (Payable)	<u><u>1,387,884</u></u>
Water Rate Base	310,758
Sewer Rate Base	<u>2,944,473</u>
Total Rate Base	<u><u>3,255,231</u></u>
Net Investment as % of RB	<u><u>42.6%</u></u>

- Our second concern is the amount of the allocations from the parent company. Schedule B-12 indicates that the Parent Company Overhead is recorded in Accounts 675 and 775, Miscellaneous Expense. Because the MFR Schedules B-7 and B-8 do not include the Commission Ordered Balances, the Utility did not provide any explanation for the dramatic increase in these accounts. Our analysis shows that this account increased by \$23,000 (51%) since the 2009 test year for the last water rate case and \$232,000 (800%) since the 2008 test year for the last wastewater rate case. Schedule B-12 does not detail the expenses that are allocated. The prior docket includes schedules with more detail that could be used to compare to the current case if similar detail were received in this case.

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- a. Due Diligence Expenses and Ni America Cap Management expenses are included on Schedule B-12 but these were specifically excluded in the last order.
- b. There is also a large category titled "Allocated OH" that does not show any detail.
- c. These two systems do not include any treatment facilities but are only distribution and collection systems. Ni Florida pays \$208,000 to Florida Utility Group to operate the system (\$38,000 + \$170,000 Schedule B-9) and then charges \$310,000 for allocated overhead (\$246,000 + 64,000 Schedule B-12). The utility has not provided justification showing benefits or services provided to the water and wastewater systems, nor has the utility provided sufficient justification for why these costs should have increased by 346% over the prior rate cases.