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Ann Cole  
Division of Commission Clerk and  
Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

Re: Ni Florida, LLC's Response to Office of Public Counsel's letter to the  
Commission dated April 24, 2013

Dear Ms. Cole:

Ni Florida, LLC ("Ni Florida") hereby responds to the Office of Public Counsel's (OPC) letter to the Commission dated April 24, 2013.

OPC expressed concerns with two aspects of Ni Florida's rate filing. Ni Florida responds as follows: Those concerns and Ni Florida's responses to each are stated below.

1. 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.

**Response:** OPC admits that it has no evidence to suggest that Ni Florida's utility systems have been harmed by the accounting practices of Ni Florida, and does not identify any information that indicates any harm. Ni Florida has proven that it has the financial wherewithal to provide for operations, maintenance, and capital expenditures and that it is actively improving the systems through capital improvements. The systems are in significantly better shape operationally now than before they were acquired by Ni Florida. Ni Florida has provided for all needed operations, maintenance, and capital expenditures, all to the benefit of the customers, and there has been no harm to the utility systems.

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2. 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.

2a. Due Diligence Expenses and Ni America Cap Management expenses are included on Schedule B-12 but these were specifically excluded in the last order.

**Response:** Ni Florida recognizes that the Commission excluded all due diligence costs in its last order, and recognizes the Commission may rule the same way in the instant case. However, Ni Florida believes it is entitled to recover these costs. Most of the due diligence costs are for the acquisition of the customers from the city of Columbia, SC, which are included in the basis for allocating overhead costs to each utility. Ni Florida's customers benefit from that acquisition with lower overall rates and those due diligence costs should therefore be recovered.

2b. There is also a large category titled "Allocated OH" that does not show any detail.

**Response:** The detailed information relating to "Allocated OH" was provided by Ni Florida to the PSC audit staff and staff is familiar with the detail. The utility provided audit staff with detailed general ledgers for Ni America Operating, LLC and Ni America Capital Management, LLC (the two Ni America overhead companies) which include 100% of the charges included in the allocation. Ni Florida has also provided audit staff with the calculation of the overhead allocation, including ERCs by utility, expenses by category and by month, and the amount allocated to each utility, including Ni Florida water and wastewater in Schedule B-12. Ni Florida personnel have also spoken to audit staff on the phone to assist in understanding the allocation. Finally, in responding to audit staff's data requests, Ni Florida invites staff to contact the company if they have any questions or need further information. If the auditor does not understand it or does not have enough detail, he or she may ask for more information or an explanation from the utility.

2c. 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.

**Response:** Ni Florida has provided the MFR Schedules and continues to provide information, including source documents (invoices, contracts and calculations) relating to its contract with Florida Utility Group. If the PSC auditors request any more information or explanation, Ni Florida will provide whatever information is required. In the prior wastewater rate case for Ni Florida (PSC Dkt. No. 090182-SU), the PSC allowed \$201,382 of allocated overhead. In the current rate filing, Ni Florida has requested \$239,367 for allocated overhead, an increase of only

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\$37,985. In the prior water rate case for Ni Florida (PSC Dkt. No. 100149-WU), the Commission allowed \$43,589 of allocated overhead. In the current rate filing, Ni Florida has requested \$62,558 for allocated overhead, an increase of only \$18,969. In the previous rate cases, the Commission recognized the benefits of the services provided to the utilities and allowed an appropriate level of costs at the time.

If you have further questions, comments or comments, please do not hesitate to contact me. Thank you.

Sincerely,

A handwritten signature in blue ink that reads "Martin P. McDonnell". The signature is written in a cursive style with some capital letters.

Martin P. McDonnell

MPM/vp

cc: Melissa L`Amoreaux  
Stan Rieger  
Suzanne Brownless