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September 6, 2013

Hand Delivery

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

Re: Ni Florida Pasco County Customer Meeting August 14, 2013
Docket No. 130010

Dear Ms. Cole:

Pursuant to a request from PSC staff, Ni Florida herein responds to the issues raised at the wastewater customer meeting held in Pasco County on August 14, 2013.

As PSC staff is aware, Ni Florida currently serves approximately 2379 wastewater customers in Pasco County (the "Hudson" system). At the August 14, 2013 meeting, three wastewater customers addressed staff and a county commissioner also spoke.

A customer concern expressed at the meeting was that many Ni Florida customers are on fixed or limited income and the increase in their wastewater bill may present difficulty. Ni Florida recognizes the hardship that rate increases can have on its customers but it is also a prudent business practice for Ni Florida to recover its increase in costs and earn a fair return on its investment. We are confident that PSC staff and the Commission recognize that reality. Ni Florida is required to meet state and federal utility regulations and a utility provider is allowed to recover reasonable and necessary capital investments as well as reasonable increase in operations and maintenance to maintain and/or improve its quality of service. The Florida Commission is tasked with being fair and impartial in setting fair rates for utilities and ensuring that only legitimate expenses are allowed to be recovered by the utilities. Ni Florida has cooperated and will continue to cooperate with PSC staff to address any concerns regarding Ni Florida's costs and/or Ni Florida's return on its investment.

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COMMISSION
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In addition to the overall concerns expressed at the meeting regarding a rate increase, the concerns expressed at the meeting are specifically addressed below:

Customer Concern: Inflow and infiltration. Inflow and infiltration (“I & I”) of stormwater, groundwater, or saltwater can overload a sanitary sewer line, increasing treatment costs and possibly causing backups. Ni Florida has taken the following steps to identify and correct the sources of I & I into its system:

- Video Inspection of 13,500 feet of the collection system
- Major repairs of seven areas of concern, identified by engineers
- Inspection of manholes at high tide to identify peak I & I
- Installation of manhole inflow protectors to minimize I & I
- Installation of composite samplers at Delmar and Flounder lift stations
- Completion of installation of mission units at 48 locations to monitor flow for saltwater intrusion
- Replacement of 12” force main due to extreme pipe decay

Ni Florida has achieved significant chloride reductions as a result of its efforts (shown in parts per million):

	Sunnydale Lift Station	Show Palace Lift Station	Flounder Lift Station	Delmar Lift Station
2009	165	358	226	720
2010	124	197	181	505
2011	113	113	169	466
2012	109	104	172	668
2013 (as of 8/1)	103	93	83	310

Ni Florida’s continued efforts toward upgrading and improving the Hudson territory are addressed in Exhibit 1. Ni Florida is hopeful that it will be able to discuss its upgrades and improvements with the Commission at the Agenda Conference.

Customer Concern: Initiation of service. A customer stated that Ni Florida began billing her for service at 6629 Tower Drive eight months before she wanted service. The billings were appropriate. Unless a location has been disconnected via an Elder Valve, Ni Florida bills for wastewater service pursuant to its tariff whenever a location has water usage. Ni Florida billed for wastewater service at this address from January 2012 through August 2012 because the water service had been connected and was in use. A copy of her billing history is available.

Customer Concern: Expense of Elder Valve. Non-paying customers cause Ni Florida’s cost of providing service to increase, which ultimately causes rates to increase. Unlike companies that provide both water and wastewater service, Ni Florida cannot turn off wastewater service to a non-paying customer by simply turning off the water. Instead, Ni Florida must physically disconnect the non-paying customer through the use of an Elder Valve. The cost of disconnection, including the cost to install an Elder Valve, is appropriately charged to the

customer who caused the cost. Neither Ni Florida nor its customers should have to bear the costs caused by customers who do not pay their bills. Customers can easily avoid the cost of Elder Valve installation by paying their bills on time.

Customer Concern: No service followed by high bill. A customer stated that she had no service for two months on two accounts, after which she received a \$4,000 bill. Ni Florida could not verify her concern. An audit of her accounts shows that the highest monthly bill on one account was \$42.50 on 7/28/2011, while the highest monthly bill on the other account was \$ 25.13 on 8/28/2013. The customer was billed the base rate in months where she had no usage. A copy of the audit history is available.

County Commissioner Concern: Amount paid by Ni Florida for the Hudson wastewater system. The Commissioner stated that Ni Florida paid \$8 million for the Hudson system, and that this amount was \$4 million over rate base. First, this amount is greatly overstated. The actual amount paid for the Hudson system was \$5.6 million cash, with a \$400,000 payment deferred for up to seven years. More importantly, however, the amount Ni Florida for the system has no effect on the rates charged to customers. Under Florida law, the cost of purchasing a utility is not passed through to customers, and Ni Florida never asked the Public Service Commission to award an acquisition adjustment.

County Commissioner Concern: Ni Florida payments to out of state management firm. Ni Florida, LLC is owned by Ni America Capital Management, LLC whose headquarters is in Houston, Texas. The expenses of the corporate offices and employees based there are allocated to Ni Florida based on the number of equivalent residential customers in Ni Florida to the total of all equivalent residential customers for all utilities owned by Ni America Capital Management, LLC. The functions performed by the corporate employees are many and include accounting, finance, cash management, human resources, reporting, contract management, legal, purchasing, planning, and controls over all aspects of the business, to name a few. All of these expenses are reviewed by the FPSC auditors and only legitimate expenses are allowed to be included in the cost of serving the Ni Florida customers.

County Commissioner Concern: System video inspection. The Commissioner noted that the Florida Rural Water Association (“FRWA”) conducted a video inspection of the system. In fact, as shown in the attached letter from FRWA (Exhibit 2), the inspection was conducted by both FRWA and Ni Florida’s contracted operator, Florida Utility Group. FRWA was originally scheduled to inspect a portion of the system for possible causes of I & I, but Utility Group of Florida used its camera and truck to complete the inspection.

RUTLEDGE ECENIA

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

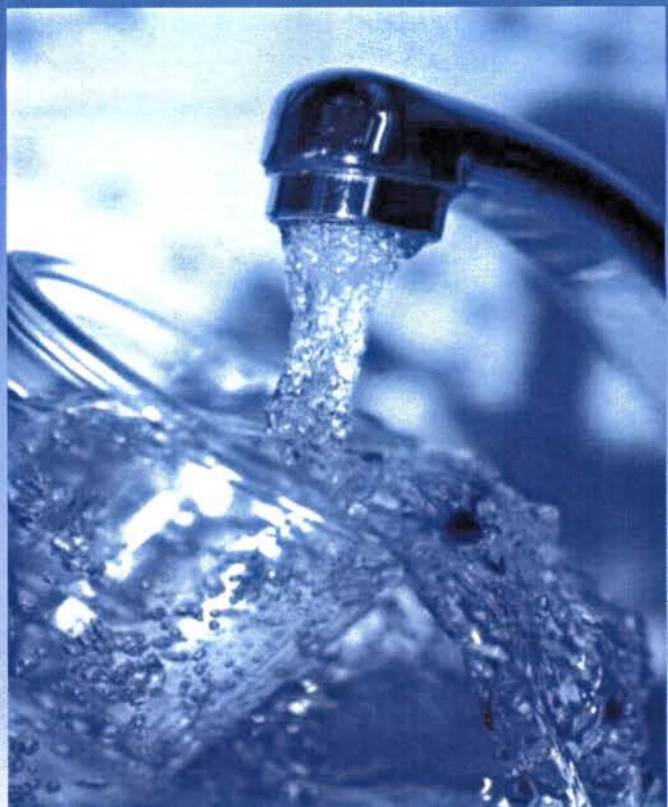
Sincerely,

A handwritten signature in black ink, appearing to read "Martin P. McDonnell". The signature is written in a cursive, slightly slanted style.

Martin P. McDonnell

MPM/vp
Attachments

cc: Melissa L'Amoreaux
Stan Rieger
Suzanne Brownless



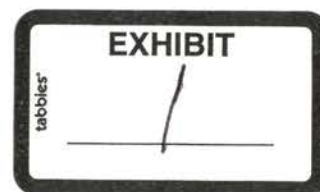
Ni America

**Regulated water and
wastewater utilities.**

TEXAS - FLORIDA - S CAROLINA

**Experienced management, operations, acquisition
and development.**

**Emphasis on regulatory compliance and customer
service and utility rehab.**



Rate Increases

- **Occasionally required to recover cost of repairs improvements, or increased operating costs.**
- **Expenditures must be reasonable and useful.**
- **Any increase requires regulatory approval.**
- **Allows continued investment and maintenance of utilities by private ownership.**



Hudson Wastewater System

- 25.4 miles of 8" sewer main lines
- 12.9 miles of 4-6" service lines
- 12.5 miles of force mains
- 42 pumping stations
- 3 flow meter stations
- 502 manholes

Florida Utility Group

Operations

- **Contract Operations and Maintenance**
- **Sewer leak detection and repair**
- **Sewer main replacement and installation**



Reasons for Hudson Rate Request:

- **Increased costs in operations, maintenance and overhead.**
- **Costs to repair and maintain aging pipes, manholes and lift stations.**
- **Cost of additional required pumps, and mission units.**

Recent Improvements

- Video Inspection of 13,500 feet of the collection system
- Major repairs of seven areas of concern, identified by engineers
- Inspection of manholes at high tide to identify peak I&I
- Installation of manhole inflow protectors to minimize I&I
- Installation of composite samplers at Delmar and Flounder lift stations
- Completion of installation of mission units at 42 locations to monitor flow for saltwater intrusion
- Replacement of 12” force main due to extreme pipe decay

42 Mission Units

MISSION



Tampa, FL
Thunderstorm: 89.6°F
Barometer: 29.84 hg
Wind: W at 10 MPH
RH: 89% DR: 70°F
Rain Last 48 Hrs: None
Last 24 hrs: 0.02 in

Wednesday, August 14, 2013 3:41 PM

Utility Group of Florida, LLC-Hudson

Tech Support: (877) 992-1811 FAX: (770) 681-7912

Home

- Reports
- Current Status
 - Details
 - Map
 - Data
 - FastTime Viewer
 - Web Alarm
- Data
- Quick Message
- Setup
- Download
 - System Revision Log
 - Login

KEY

△ M100	Alarm	■
◇ M110	Offline	■
□ M800	Service	■
○ M80	Disabled	■



Hudson Chlorides

	2013	2012	2011	2010	2009
	(As of 8/1)				
Sunnydale	103	109	113	124	165
Show Palace	93	104	113	197	358
Flounder	83	172	169	181	226
Delmar	310	668	466	505	720

Pressure Washing and Cleaning of Lift Station



Costly removal of built up grease



New By Pass Connections



Old Pumps



New Lateral Installation



Repair of Broken Lateral



Broken Cleanout

Before



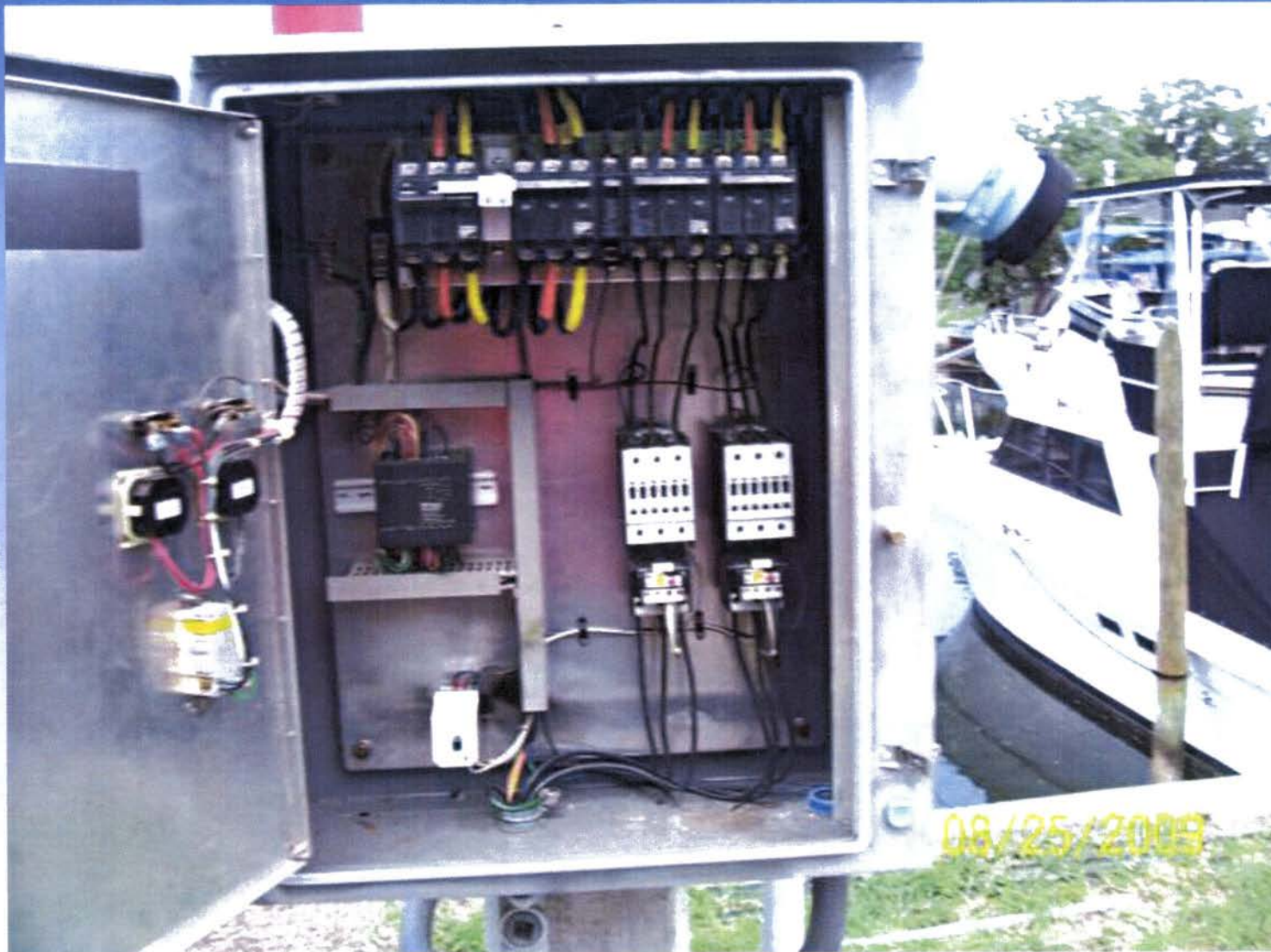
After



Line Break



New Electrical Panel



Salt Water Infiltration

Ken's Bush Hog Services Inc.
10110 Scenic Dr
Port Richey, FL 34668
Phone: 727-585-1918
Fax: 727-585-1918
E-Mail: info@kenandphillip.com
Web Site:

Image Report

Arise 10-4000

Date Printed: 8/5/2009 2:13:47 PM

Page Number: 16

Database Name: C:\Program Files\Arise\4000\Data\inspections for 2008.mdb

UpStream Structure



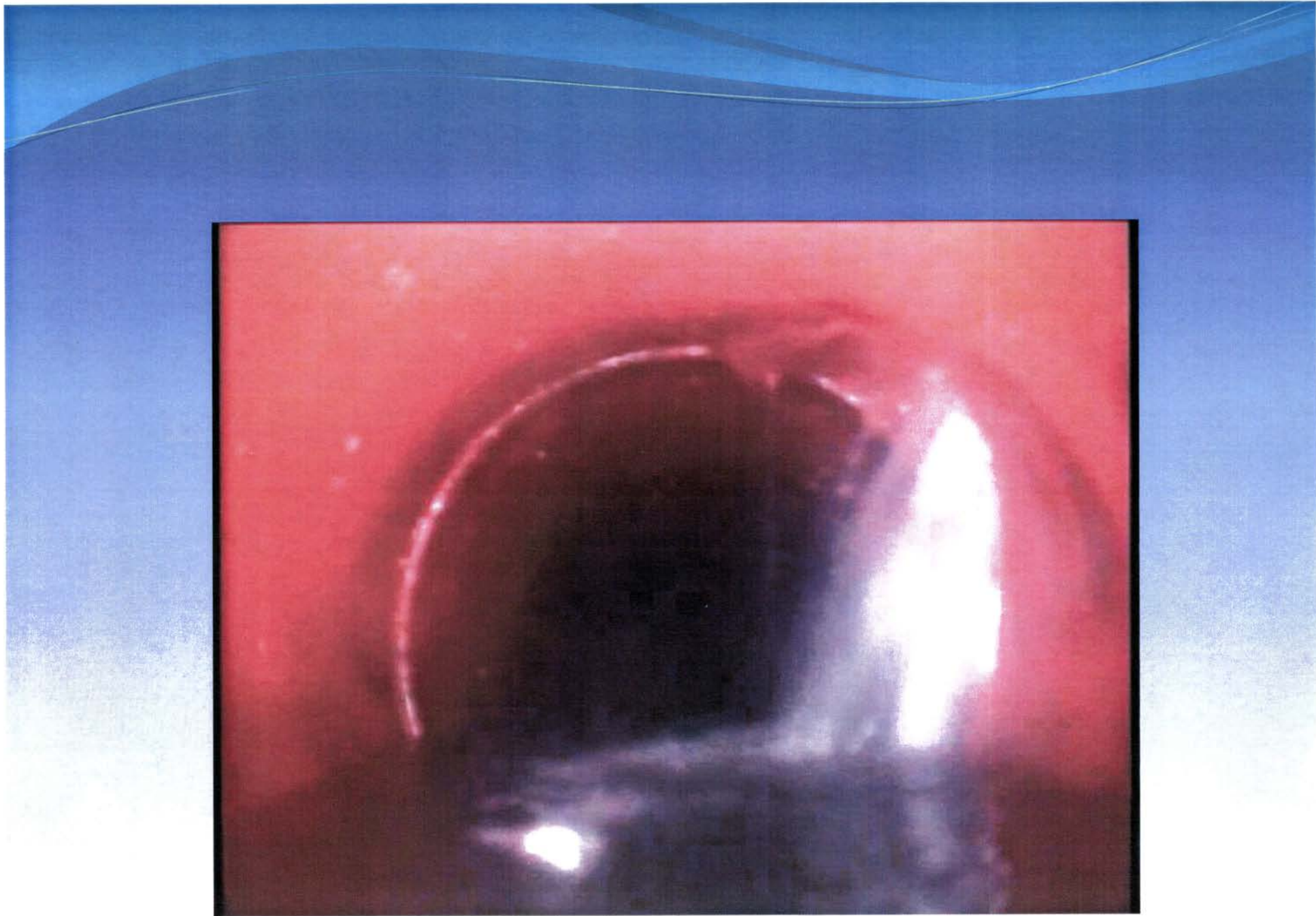
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Priority: 1
Parameters:
Comments: INFILTRATION



Distance: 157.6
Code: IN3
Location: 8
Priority: 3
Parameters:
Comments: INFILTRATION



Distance: 197.6
Code: BP
Location: 12
Priority: 1
Parameters:
Comments: BROKEN PIPE

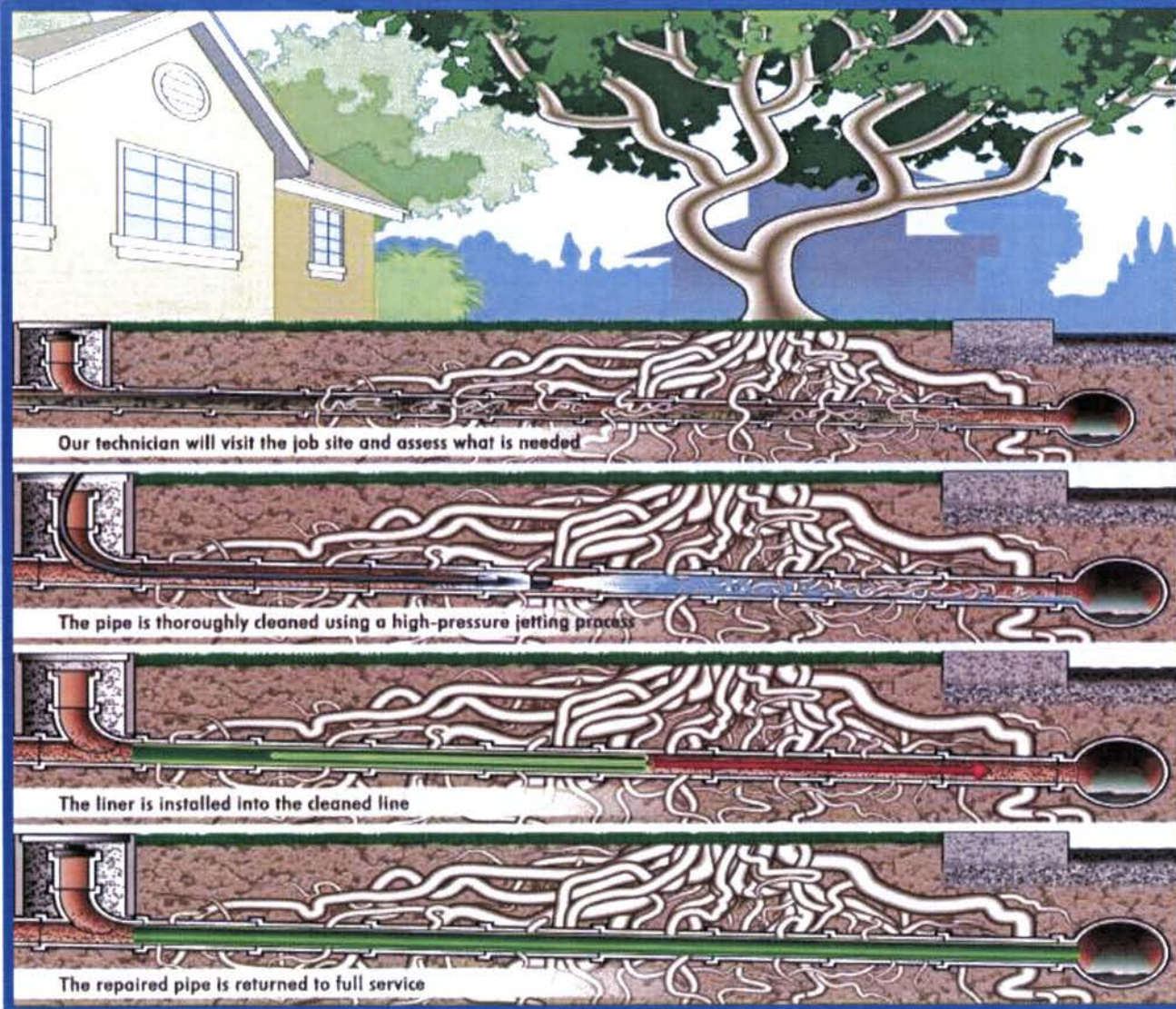




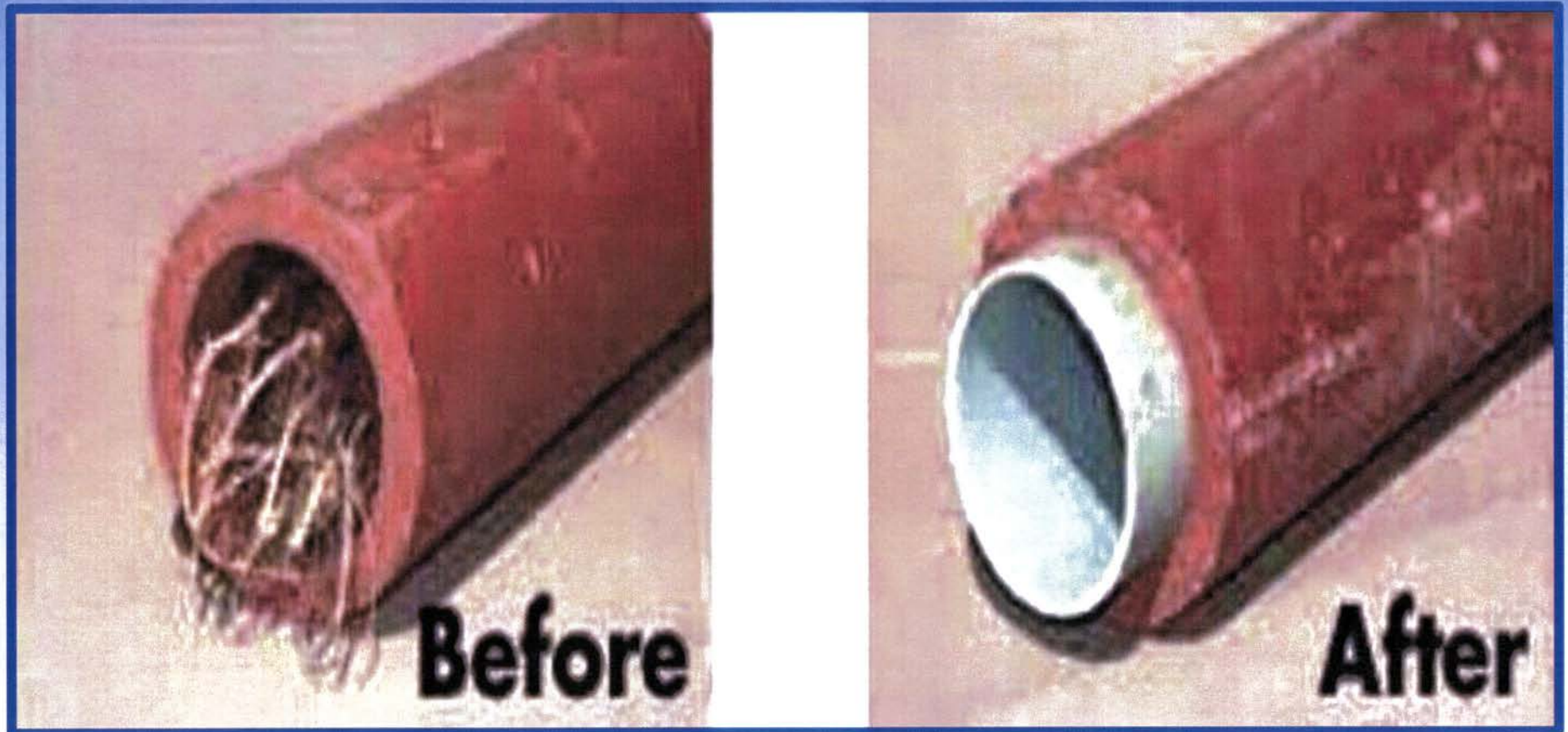
39 -> 33

581 mbar
2013-05-22
317.11 ft

Pipe Repair with Liners



Liner Repair of Pipe





Pipe After Repair



Delmar LS – Pipe Failure





Delmar Pipe Replacement

Requested Revenue Increase \$ 337,300 (20%)

	CURRENT RATE	PROPOSED RATE
Base	\$18.91	\$22.69
0-10,000 gallons	6.22	7.46
Average Bill	\$36.02	\$43.21 (\$.24 per day)

Rate Comparison*

Monthly Bill @ 3000 gallons

FGUA - LINDRICK SYSTEM
FGUA - LeHIGH SYSTEM

\$ 55.37
\$ 49.25

NI FLORIDA - HUDSON

Current	Proposed
\$ 37.47	\$ 45.07

*The Rate Approval Process

In Conclusion:

“The rate case process is designed to protect the interests of customers while at the same time allowing water utilities the opportunity to recover reasonable operating expenses...”

<http://www.amwater.com/files/RateApprovalProcess012609.pdf>

*Rate Reference

FGUA - Wastewater Rates - Lindrick System

Existing and Proposed Water and Wastewater Rates

Wastewater System:

Monthly Residential Base Facility[1]

[1] Inactive Utility Accounts will continue to be charged the Base Facility Charge

	Before Acquisition	After Acquisition	October 2010	October 2011
Monthly Residential Base Facility[1]				
All meter sizes	\$17.79	\$22.24	\$23.36	\$24.53
 Consumption Charge				
Residential Class				
Per 1,000 Gallons	\$7.45	\$9.32	\$9.79	\$10.28
(Maximum 10,000 gallons)				

Bill @ 3000 gallons \$55.37

Hudson Bill @ 3000 gallons \$37.57
Proposed Bill \$45.07

FGUA - Lehigh System

Wastewater Rates October 1, 2012

Base Facility All Meter Sizes \$24.23

Gallonge charge per 1000 \$8.34

Bill @ 3000 gallons \$49.25

FLORIDA RURAL WATER ASSOCIATION

2970 WELLINGTON CIRCLE • TALLAHASSEE, FL 32309-7813
(850) 668-2746

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Andy Thomas
10913 Metronome Drive
Houston, TX.
77043

February 23, 2013

Mr. Thomas,

Recently Ni Florida and Pasco County utilities meet to discuss the wastewater collection system in the Hudson Beach area. Following the meeting, Florida Rural Water was requested to perform a CCTV on the wastewater collection system. The goal was to identify areas of collections system to see if repairs or improvements were needed.

On February 19 and 20, 2013, the TV inspection was conducted on the majority of the collection system identified in the Hudson Beach area. Video equipment from both FRWA and Florida Utility group was used to perform the inspection. The inspection began at manhole number 318 on Clark Street.

The following is a list of findings including the problem, and location.

1. A Verizon bore identified on Sommers Avenue near Manhole 311 where there was damaged to the top of the 8" PVC gravity main.
2. A crack on the top of the 8" PVC gravity main pipe on Berkowitz Avenue between manhole 308 and 307 appeared to be from damage during the construction of the collection system.
3. On Ethel Avenue, a lateral pipe coming from a home at is what is called a "Hammer Tap" had a 4" pipe partially blocking the 8" PVC gravity main.
4. Armand Way, Aureau and Lonnie Lee Way had some debris (mostly sand) in the gravity line and could benefit from a manhole insert. This would keep water, grit and other debris from entering the collection system through manholes located in low lying areas.

I saw no evidence where wastewater could leave the collection system and enter the environment. Colbey, Codey and several others from the utility group were very helpful during the inspection.

If you have any questions please feel free to call me at 352-318-3321.
It has been a pleasure working with you.

Respectfully,

Jamie Hope
FRWA Wastewater Section

