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**WILL WEATHERFORD**  
*SPEAKER OF THE HOUSE OF REPRESENTATIVES*

October 9, 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. – OPC Concerns Re Installation of Elder Valves.

Dear Ms. Cole:

The Office of Public Counsel has concerns we would like to bring to staff's attention regarding Ni Florida's ("Ni") installation of elder valves in the Pasco wastewater system. We are submitting this letter in an effort to be up front with our concerns and allow the staff and utility to review our concerns prior to staff filing its recommendation. If you should have any questions, please feel free to call or e-mail me or Tricia Merchant with our office.

In Pasco County, Ni owns a wastewater-only system whose customers have water provided by either Hudson Waterworks ("Hudson") or Pasco County. In our review of the staff audit workpapers and responses to discovery received from Ni, OPC became aware of a policy of Ni implemented to offset the financial impact of non-paying customers. The policy involved installation of elder valves to shut-off wastewater flows at customers' wastewater lateral lines from individual connections to the collection system. According to the audit workpapers, the cost of disconnecting wastewater service by installing an elder valve ranges between \$308 and \$2,700, with an average cost of \$563 during the test year. As part of its proforma plant request, Ni has requested \$50,000 for elder valve installations; \$25,000 for what it refers to as "Normal shut-offs" and \$25,000 for "Owner/Resident List". While OPC is uncertain about the distinction between the two types of installations, OPC began to investigate this issue further. Based upon the information included in the staff audit workpapers, Ni capitalized \$39,400 for 70 valves up to the end of the test year, September 30, 2012. Ni also stated that it had spent another \$36,800 in elder valves up to September, 2013. Ni has also requested a miscellaneous service charge to collect a \$400 fee from a delinquent customer prior to reconnecting wastewater service.

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While OPC understands the need to implement prudent actions to receive timely payment for the services the utility provides, we have many concerns with the utility's apparent new policy to install these very expensive valves without first investigating other more cost-effective means of collecting its monthly revenues. We are also concerned with the method that the company is requesting recovery through rates. We have outlined many of our concerns below.

OPC asked PSC staff if Ni had presented any documentation to show that it had attempted to work out any arrangements with the water providers to disconnect the water supply for non-payment of Ni's wastewater bill. PSC staff said Ni stated that the water providers would not work with Ni, but no documentation was submitted by Ni to support its claim.

OPC called several companies and representatives that have a wastewater-only utility where water is provided by another company or government. In most instances, the wastewater company contacts the water provider to see if an agreement can be reached to coordinate meter readings as well as disconnects for non-payment of bills. OPC asked PSC staff if Ni had inquired of the water providers. Staff informed OPC that Ni said that neither Hudson nor Pasco County would provide this service for Ni. OPC called Hudson on October 8, 2013, and spoke with the Utility Director, Mr. Horak. Mr. Horak stated that Hudson does provide meter readings for Ni and would also work with Ni enter into a contract for Hudson to shut-off water meters for customers that fail to pay their wastewater bill. Hudson works with Pasco County in the same manner for the Pasco County wastewater customers where Hudson is the water provider. Hudson receives a fee from the County, which is spelled out in the contract between the two providers. Mr. Horak also stated that Ni had never requested any such service. Further, Mr. Horak expressed his opinion that after speaking with Ni's contract operator, the contractor has an incentive to install the valves instead of working with the water providers as the contractor gets paid for more work performed on the Ni system.

OPC also contacted several people at the Pasco County Utility Department to determine whether Ni had approached the county to coordinate water meter shut-offs for non-payment. Pasco County utility stated that Ni had not approached the county but that the county would certainly be willing to work with Ni as the county is in the same situation with other water companies. Pasco County stated that in areas where an agreement is reached with the water provider to cut-off water service, it has resulted in significantly lower bad debt expense incurred by the County by sending a timely and cost effective incentive to customers to pay their bill.

Coordinating with the water providers to cut-off water service to customers who fail to pay their wastewater bill would be less disruptive to the wastewater collection system, more environmentally safe, and far less expensive to the Company and its customers. This reduced cost to customers to reconnect would enable more customers to pay past due bills and encourage reconnects to the system. Cooperating with the water companies would likely result in substantial reductions to the Ni's bad debt problem.

OPC believes that Ni has not been prudent in investigating the most cost effective means of obtaining a shut-off for non-paying customers. Further, placing the cost of installing expensive valves in rate base and requesting a charge that may or may not be collectible from the cost-causer is unfair. All customers currently pay for bad debt expense as part of the revenue

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requirement. If you allow the valve cost in rate base without an offset to CIAC means that all customers will pay far more than the cost of the bad debt expense.

OPC's Other Concerns with Ni's Elder Valve Policy

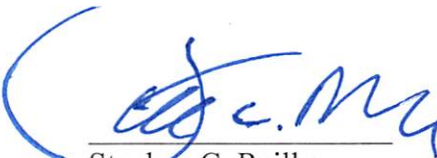
1. What is the Company's specific policy for installing elder valves? What steps does the company take prior to installing elder valves in order to collect the past due amounts owed by customers. What is the bad debt cost threshold, if any, that must be incurred prior to incurring the \$400 to \$1,200 cost to install the valve? Does the Company install valves on all vacant homes or rental property, or just the homes that have past due amounts? What type of notice is given to an owner or occupant of a home prior to installing an elder valve?
2. In installing the valve, is the company working in the easement or the property of the homeowner? If it is working beyond the easement on private property, this could present serious legal as well as financial complications.
3. If a home is a rental home and the renter vacates the property, and an elder valve is installed, what actions does an owner or new tenant have to take to have the elder valve opened so that service can be provided? What steps would the company take to pursue payment of the cost of the elder valve from a customer that has abandoned the home along with the past-due bills?
4. OPC is interested in knowing for each elder valve installed on a delinquent customer's residence, how many original delinquent customers have paid the balance due (receivable due plus all reconnection fees)? Has the installation resulted in more past due amounts being paid up or has it just made it easier to shut-off a future delinquent customer? In other words, since the installation of elder valves began in 2011, what dollar amount of accumulated bad debt has been collected for homes with an elder valve as opposed to those without an elder valve?
5. The impact of having a wastewater connection turned off when the water system is not could create serious environmental concerns.
6. The average cost of installing an elder valve is significantly higher than the \$400 requested by the Company. Also cutting into a service lateral or main that is not otherwise damaged could cause more costly repairs to be made to the system.
7. OPC is also concerned that Ni has not reached out to Pasco County to have the county provide the water meter readings on a monthly basis. Having an outside contractor duplicate the service adds costs to the Ni customers that appear unnecessary.

In conclusion, OPC recognizes that Ni has higher levels of bad debts but we believe that Ni has not taken the most cost-effective means to address the problem. Capitalizing the installation of the valves and recording them in rate base while still collecting bad debt expense is fundamentally unfair to the general body of ratepayers. Also, Ni's elder valve installation policy with possible customer reimbursement is a very expensive (and possibly ineffective) incentive mechanism for late or non-paying customers to pay in lieu of working out a

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coordinating policy with the water providers. An elder valve installation should be the last resort due to the high cost and the potential for the non-paying customer to abandon the home and not pay to reconnect. Ni has not demonstrated that it has acted in the best interests of its customers and OPC believes that no cost should be allowed in rate base or as a reconnect fee for elder valve installation. Further, no additional valves should be installed until the Company has demonstrated that it has adequately attempted to coordinate with the water providers. It is certainly Ni's obligation to show that its requested costs are reasonable and we believe that it has failed to do so.

Respectfully submitted,



Stephen C. Reilly  
Associate Public Counsel

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| c: Division of Accounting & Finance (Maurey, Fletcher) | Rutledge Ecenia, Martin P. McDonnell                           |
| Division of Economics (Hudson, Bruce)                  | Pasco County Board of County Commissioners, Joseph D. Richards |
| Division of Engineering (L'Amoreaux, Rieger)           | Ni Florida, LLC, Edward R. Wallace                             |
| Office of the General Counsel (Crawford, Brownless)    | Office of Public Counsel (Merchant)                            |