

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

October 24, 2013

FILED OCT 24, 2013  
DOCUMENT NO. 06456-13  
FPSC - COMMISSION CLERK 8

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

**Issue 1:** Is the quality of service provided by Ni Florida satisfactory?

**Recommendation:** The overall quality of water and wastewater services provided by Ni Florida should be considered satisfactory.

**MODIFIED**

*The overall quality of water service was found to be marginal.*

**Issue 2:** Should the audit adjustments to rate base and operating expenses agreed to by the Utility be made?

**Recommendation:** Yes. Based on audit adjustments agreed to by the Utility, staff recommends that: (1) plant be increased by \$88 for water and decreased by \$442 for wastewater; (2) accumulated depreciation be reduced by \$185 for water and \$9,467 for wastewater; (3) depreciation expense be increased by \$3,872 for water and decreased by \$1,224 for wastewater; (4) wastewater contribution in aid of construction (CIAC) be decreased by \$575; (5) wastewater accumulated amortization of CIAC be increased by \$11,479; (6) working capital be decreased by \$42,277 for water and increased by \$41,229 for wastewater; (7) wastewater revenues be increased by \$1,681; and (8) operation and maintenance (O&M) expenses be reduced by \$5,462 for water and \$14,905 for wastewater.

**APPROVED**

**COMMISSIONERS ASSIGNED:** All Commissioners

**COMMISSIONERS' SIGNATURES**

**MAJORITY**

**DISSENTING**

*Julie M*  
*[Signature]*  
*[Signature]*  
*[Signature]*

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**REMARKS/DISSENTING COMMENTS:**

*Oral modification, DN 06401-13, attached. - ac*

(Continued from previous page)

**Issue 3:** Should adjustments be made to the Utility's pro forma wastewater plant additions?

**Recommendation:** Yes. The Utility's pro forma wastewater plant additions should be decreased by \$189,584. Accordingly, wastewater accumulated depreciation and depreciation expense should be decreased by \$195,356 and \$12,174, respectively. In addition, property taxes should be increased by \$9,143. Further, consistent with Rule 25-30.433(9), F.A.C., the Utility should be allowed to recover an annual amortized loss of \$7,799 on the forced abandonment of lines on US Highway 19.

## APPROVED

**Issue 4:** What are the used and useful (U&U) percentages for the Utility's water distribution system and wastewater collection system?

**Recommendation:** The Utility's water distribution system and wastewater collection system should both be considered 100 percent used and useful.

## APPROVED

**Issue 5:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate amount of working capital is zero for water and \$572,449 for wastewater.

## APPROVED

**Issue 6:** What is the appropriate rate base for the test year ending September 30, 2012?

**Recommendation:** The appropriate 13-month average rate base for the test year ending September 30, 2012, is \$276,050 for water and \$3,366,898 for wastewater.

## APPROVED

*administrative staff was given authority to make appropriate fallout adjustments.*

**Issue 7:** What is the appropriate return on equity?

**Recommendation:** Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 9.42 percent with an allowed range of plus or minus 100 basis points.

## MODIFIED

*Based on the finding of marginal water service on Issue 1 and based on the leverage formula, the Commission has approved an ROE of 9.3 (reductions of water only) with an allowed range of plus or minus 100 basis points. The Company, having met with the Customers, will meet with ORCA staff in six months to discuss the concerns addressed in the Commission Conference this date. Staff will bring any outstanding issues before the Commission.*



Vote Sheet

October 24, 2013

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

(Continued from previous page)

**Issue 8:** What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

**Recommendation:** The appropriate weighted average cost of capital for the test year ending September 30, 2012, is 7.84 percent.

**APPROVED**

**Issue 9:** Should any further adjustments be made to test year revenues?

**Recommendation:** Yes. Test year service revenues should be increased by \$1,757 for water and \$180 for wastewater.

**APPROVED**

**Issue 10:** Should any further test year expense adjustments be made?

**Recommendation:** Yes. O&M expenses should be reduced by \$2,101, and plant should be increased by \$2,101. Corresponding adjustments should be made to increase both accumulated depreciation and depreciation expense by \$55. Further, property taxes should be increased by \$33.

**APPROVED**

**Issue 11:** Should any further adjustments be made to the Utility's allocated parent overhead?

**Recommendation:** Yes. The Utility should be entitled to allocated parent overhead of \$43,049 for water and \$181,745 for wastewater. As a result, Ni Florida's allocated overhead for water and wastewater should be further reduced by \$19,464 and \$74,280, respectively.

**APPROVED**

**Issue 12:** What is the appropriate amount of current rate case expense?

**Recommendation:** The appropriate amount of rate case expense for the instant case is \$149,321. This expense should be recovered over four years for an annual expense of \$7,839 for water and \$29,491 for wastewater. Thus, Ni Florida's requested annual rate case expense should be reduced by \$3,735 for water and increased by \$2,485 for wastewater. ~~This recommendation reflects a reduction of \$14,234 for water and \$12,478 for wastewater to remove duplicative costs from prior cases that are already included in test year expenses.~~

**APPROVED**

*(oral modification striking this sentence is attached)*

(Continued from previous page)

**Issue 13:** Should any adjustment be made to bad debt expense?

**Recommendation:** Yes. The Utility should be entitled to bad debt expense of \$1,166 for water and \$73,591 for wastewater. Based on a three-year average, Ni Florida’s requested level of bad debt expense of \$5,222 for water should be reduced by \$4,056. Using an adjusted test year methodology, Ni Florida’s requested level of bad debt expense of \$36,412 for wastewater should be increased by \$37,180. Further, based on staff’s recommended bad debt expense, wastewater operating revenues should be increased by \$27,249.

## APPROVED

**Issue 14:** Should the Commission approve any pro forma expense items for the Utility?

**Recommendation:** Yes. Pro forma expenses of \$5,615 for water and \$17,011 for wastewater should be approved. This represents reductions to O&M expense of \$4,893 for water and \$120,181 for wastewater.

## APPROVED

**Issue 15:** What is the appropriate revenue requirement?

**Recommendation:** The following revenue requirement should be approved.

Table 15-1

Revenue Requirement

	Test Year Revenue	\$ Increase	Revenue Requirement	% Increase
Water	\$248,095	(\$2,593)	\$245,502	(1.05%)
Wastewater	\$1,772,461	\$148,311	\$1,920,772	8.37%

## APPROVED

*staff was given administrative authority & make appropriate fallout adjustments*



October 24, 2013

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

(Continued from previous page)

**Issue 16:** What are the appropriate rate structures and rates for the Utility’s water and wastewater systems?

**Recommendation:** The appropriate rate structure for the water system’s residential customers is a continuation of the base facility charge (BFC) and three tier inclining block rate structure. The usage blocks should be: (1) 0-3,000 gallons; (2) 3,000-6,000 gallons; and (3) usage in excess of 6,000 gallons with usage block rate factors of 1.00, ~~1.20~~ 1.25, and ~~1.50~~ 1.75, respectively. The appropriate rate structure for the water system’s general service customers is a continuation of the BFC and uniform gallonage charge. The appropriate rate structure for the RV park is a continuation of a BFC based on the settlement number of ERCs in the RV park and the general service gallonage charge. The appropriate rate structure for the wastewater system’s residential, general service, and bulk customer is a traditional BFC and gallonage charge. The residential wastewater gallonage cap should be reduced to 8,000 gallons per month. The general and bulk service gallonage charge should be 1.2 times greater than the residential gallonage charge.

The appropriate monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B, respectively, of staff’s memorandum dated October 14, 2013. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

**APPROVED**, *as modified. staff was given administrative authority to make appropriate fallout changes.*

**Issue 17:** Should the Commission approve Ni Florida’s requested elder valve charge for its wastewater system?

**Recommendation:** No. Ni Florida’s requested elder valve miscellaneous service charge for its wastewater system should not be approved.

**APPROVED**

**Issue 18:** What is the appropriate initial customer deposit for Ni Florida’s wastewater?

**Recommendation:** Staff recommends that the appropriate initial customer deposit for residential wastewater be set at \$72 for 5/8” x 3/4” meters. General services should be set at two times the average estimated monthly bill. The approved initial customer deposits should be effective for services rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. Ni Florida should be required to collect the approved initial customer deposit until authorized to change them by the Commission in a subsequent proceeding.

**APPROVED**

Vote Sheet

October 24, 2013

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

(Continued from previous page)

**Issue 19:** What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816 F.S.?

**Recommendation:** The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B, of staff's memorandum dated October 14, 2013, to remove rate case expense grossed up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Ni Florida should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

**APPROVED**

**Issue 20:** Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts associated with the Commission-approved adjustments?

**Recommendation:** Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Ni Florida should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

**APPROVED**

**Issue 21:** Should this docket be closed?

**Recommendation:** No. If no timely protest is received from a substantially affected person upon expiration of the protest period, the PAA Order should become final upon issuance of a Consummating Order. However, this docket should remain open for staff's verification that the tariff sheets and customer notice have been filed by the Utility and approved by staff, verification that the Utility has provided proof that the adjustments for all the NARUC USOA primary accounts have been made and approved by Commission staff. Once these actions are complete, this docket should be closed administratively.

**APPROVED**

*(The order to be worded as discussed at the commission conference this date.)*



**Ann Cole**

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**From:** Mil Jubinsky on behalf of Braulio Baez  
**Sent:** Tuesday, October 22, 2013 2:56 PM  
**To:** Commissioners Advisors; Ann Cole; Rachel Arnold; Braulio Baez; Lisa Harvey; Kate Hamrick; Apryl Lynn; Jacqueline Moore; Tom Ballinger; Patti Zellner; Mary Anne Helton; Curt Kiser; Terri Fleming; Jim Dean; Marshall Willis; Suzanne Brownless; Cheryl Bulecza-Banks; Veronica Washington; Delores Reecy; Pamela Paultre; Kay Posey; Betty Leland; Terry Holdnak; Cristina Slaton; Carlotta Stauffer  
**Subject:** Request for oral modification to Item # 8, Docket No. 130010-WS - October 24, 2013 Agenda

Good afternoon – see below request that was approved.

**From:** Braulio Baez  
**Sent:** Tuesday, October 22, 2013 1:41 PM  
**To:** Tom Ballinger  
**Cc:** Lisa Harvey; Curt Kiser; Apryl Lynn; Ann Cole; Suzanne Brownless; Marshall Willis; Jim Dean  
**Subject:** RE: Request for oral modification to Item # 8, Docket No. 130010-WS

Approved

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**From:** Tom Ballinger  
**Sent:** 10/22/2013 1:33 PM  
**To:** Braulio Baez  
**Cc:** Lisa Harvey; Curt Kiser; Apryl Lynn; Ann Cole; Suzanne Brownless; Marshall Willis; Jim Dean  
**Subject:** FW: Request for oral modification to Item # 8, Docket No. 130010-WS

Based on information received by Ni Florida on Friday, October 18, 2013, staff's recommended removal of duplicative costs was in error. To correct this error, staff requests approval to make oral modifications to the recommendation discussed in Issue 12. In addition, the company's requested wastewater reconnection fee was omitted from staff's recommendation in Issue 17. The modifications are necessary in order to accurately reflect staff's recommended overall changes to revenue requirements and rates. The statutory time frame to process this case is November 4, 2013, Agenda Conference and therefore the item should not be deferred. The specific modifications are in type and strike format as follows:

1) Page 27, Issue 12, Recommendation Paragraph

**Recommendation:** The appropriate amount of rate case expense for the instant case is \$149,321. This expense should be recovered over four years for an annual expense of \$7,839 for water and \$29,491 for wastewater. Thus, Ni Florida's requested annual rate case expense should be reduced by \$3,735 for water and increased by \$2,485 for wastewater. ~~This recommendation reflects a reduction of \$14,234 for water and \$12,478 for wastewater to remove duplicative costs from prior cases that are already included in test year expenses.~~

2) Page 29, Delete Last Paragraph in Staff Analysis

~~The Utility requested that \$106,845 of unamortized rate case expense from two prior rate cases be amortized over four year with the current rate case. Specifically, the Utility requested annual amortization of \$31,603 for water and \$52,227 for wastewater. In its filing, the Utility's test year O&M expenses already include annual rate case expense of \$20,704 for water and \$24,546 for wastewater which are consistent with the previously Commission-approved amounts in Ni Florida's prior rate cases. Ni Florida's request to include the unamortized rate case expense from its two prior rate cases and amortize it over four years with the rate case expense from the instant case would result in double recovery. As such, staff recommends disallowance of that request as the Utility is recovering the prior rate case expense~~



through the amounts included in test year expenses. This results in a reduction of \$14,234 for water and \$12,478 for wastewater. After removing the portion associated with the prior cases, the requested annual amortization for the instant case is \$38,580 which represents \$11,574 for water and \$27,006 for wastewater.

**3) Page 31, Scrivener's Error**

However, staff believes an adjusted test year methodology should be used for Ni Florida's wastewater system for the following reasons: (1) the Utility's wastewater system has an exceptionally high test year ratio of bad debt expense to total revenues;<sup>(1)</sup> (2) the Utility's current bad debt policy commenced approximately two years ago; (3) there should be a normalization adjustment to test year bad debt expense resulting from the recommended increase in wastewater customer deposits discussed below; and (3) (4) there should be a normalization adjustment to test year bad debt expense resulting from the recommended pro forma plant related to the installation of elder valves going forward.

**4) Page 35, Revise Table 15-1 and subsequent text**

Table 15-1  
Revenue Requirement

	Test Year Revenue	\$ Increase	Revenue Requirement	% Increase
Water	\$248,095	\$12,312 (\$2,593)	\$260,407 \$245,502	4.96% (-1.05%)
Wastewater	\$1,772,461	\$161,376 \$148,314	\$1,933,837 \$1,920,772	9.10% 8.37%

**Staff Analysis:** In its filing, Ni Florida requested revenue requirements to generate annual revenue of \$298,368 and \$2,080,651 for water and wastewater, respectively. Staff believes the appropriate revenue requirement is \$260,407 \$245,502 for water and \$1,933,837 \$1,920,772 for wastewater. This represents an increase a decrease in revenues of \$12,312 \$2,593 (or 4.96 -1.05 percent) for water and an increase in revenues of \$161,376 \$148,314 (or 9.10 8.37 percent) for wastewater. These revenue levels should allow the Utility the opportunity to recover its operating expenses and earn a 7.84 percent return on its combined investment in water and wastewater rate base.

**5) Page 36, Issue 16, Recommendation Paragraph 1**

**Recommendation:** The appropriate rate structure for the water system's residential customers is a continuation of the base facility charge (BFC) and three tier inclining block rate structure. The usage blocks should be: (1) 0-3,000 gallons; (2) 3,000-6,000 gallons; and (3) usage in excess of 6,000 gallons with usage block rate factors of 1.00, 1.20 1.25, and 1.50 1.75, respectively. The appropriate rate structure for the water system's general service customers is a continuation of the BFC and uniform gallonage charge. The appropriate rate structure for the RV park is a continuation of a BFC based on the settlement number of ERCs in the RV park and the general service gallonage charge. The appropriate rate structure for the wastewater system's residential, general service, and bulk customer is a traditional BFC and gallonage charge. The residential wastewater gallonage cap should be reduced to 8,000 gallons per month. The general and bulk service gallonage charge should be 1.2 times greater than the residential gallonage charge.

**6) Page 37, Staff Analysis**

As discussed in Issue 15, staff has recommended that the revenue requirement be reduced by 1.05 percent for water. Typically, when there is a revenue decrease, staff would recommend an across-the-board decrease to the Utility's existing rates. In this case, staff found that the general service rates for the larger meter sizes were calculated incorrectly in the prior rate case. Therefore, the existing rate structure needed to be addressed.



Staff performed an analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages, usage blocks, and usage block rate factors for the residential rate class. The goal of the evaluation was to select the rate design parameters that: (1) produce revenue of ~~\$239,477~~ \$254,382 which is the recommended revenue requirement of ~~\$245,502~~ \$260,407 less miscellaneous revenues of \$6,025; (2) equitably distribute cost recovery among the Utility's customers; and (3) implement, where appropriate, water conserving rate structures consistent with the Commission's goals and practices. In addition, staff found that the general service rates for the larger meter sizes were calculated incorrectly in the prior rate case. Therefore, the existing rate structure needed to be addressed.

Due to the customers' low average consumption, staff attempted to design a less aggressive inclining block rate structure for residential customers using two tiers instead of three. Transitioning from three tiers to two tiers resulted in percentage price increases for consumption of 3,000 to 6,000 gallons. Since an overall rate decrease is being recommended, staff recommends that the BFC remain unchanged to ensure that the Utility will have sufficient cash flow to cover fixed costs due to a high number of seasonal residents. This results in 59.45 percent of the revenue requirement being generated from the BFC. Staff recommends that the BFC allocation be set at 57.50 percent. In addition, staff recommends that the three-tier rate structure be continued with usage block rate factors of 1.0, ~~1.20~~ 1.25, and ~~1.50~~ 1.75, respectively. This rate structure minimizes the rate increase at the non-discretionary usage levels while customers using in excess of 6,000 gallons per month, approximately 2.5 percent of the bills, would experience a higher increase results in a reduction to bills at all consumption levels.

7) Page 38, Revise Table 16-1

Table 16-1  
Water Rate Structures and Rates

TABLE 16-1			
NI FLORIDA, LLC.			
STAFF'S RECOMMENDED AND ALTERNATIVE WATER RATE STRUCTURES AND RATES			
Test Year Rate Structure and Rates		Recommended Rate Structure and Rates	
3-Tier Inclining Block Rate Structure 1.00, 1.09, and 1.50 BFC = 57.74%		3-Tier Inclining Block Rate Structure Rate Factors 1.00, <del>1.20</del> 1.25 and <del>1.50</del> 1.75 BFC = <del>59.45%</del> 57.50%	
BFC	\$13.61	BFC	<del>\$13.61</del> \$13.98
0-3 kgals	\$4.78	0-3 kgals	<del>\$4.52</del> \$4.94
3-6 kgals	\$5.23	3-6 kgals	<del>\$5.42</del> \$6.17
6+ kgals	\$7.84	6+ kgals	<del>\$6.77</del> \$8.64
Typical Monthly Bills		Typical Monthly Bills	
Consumption (kgals)		Consumption (kgals)	
0	\$13.61	0	<del>\$13.61</del> \$13.98
1	\$18.39	1	<del>\$18.13</del> \$18.92
3	\$27.95	3	<del>\$27.17</del> \$28.80
6	\$43.64	6	<del>\$43.43</del> \$47.31
10	\$75.00	10	<del>\$70.51</del> \$81.87
20	\$153.40	20	<del>\$138.21</del> \$168.27
Alternative 1 Rate Structure and Rates		Alternative 2 Rate Structure and Rates	
3-Tier Inclining Block Rate Structure Rate Factors 1.00, 1.25 and <del>1.50</del> 1.75		3-Tier Inclining Block Rate Structure Rate Factors 1.00, <del>1.20</del> 1.25 and <del>1.50</del> 1.75	

BFC = 59.45% 57.25%		BFC = 59.00% 57.00%	
BFC	\$13.61 \$13.92	BFC	\$13.51 \$13.86
0-3 kgals	\$4.49 \$4.97	0-3 kgals	\$4.57 \$5.00
3-6 kgals	\$5.61 \$6.21	3-6 kgals	\$5.48 \$6.25
6+ kgals	\$6.73 \$8.70	6+ kgals	\$6.85 \$8.75
Typical Monthly Bills		Typical Monthly Bills	
Consumption (kgals)		Consumption (kgals)	
0	\$13.61 \$13.92	0	\$13.51 \$13.86
1	\$18.10 \$18.89	1	\$18.08 \$18.86
3	\$27.08 \$28.83	3	\$27.22 \$28.86
6	\$43.91 \$47.46	6	\$43.66 \$47.61
10	\$70.83 \$82.26	10	\$71.06 \$82.61
20	\$138.13 \$169.26	20	\$139.56 \$170.11

8) **Page 39, Staff Analysis Paragraph 3**

Staff performed an analysis of the Utility's billing data to evaluate various BFC cost recovery percentages and gallowage caps for the residential customers. The goal of the evaluation was to select the rate design parameters that: (1) that produce revenue of \$1,867,119 \$1,880,184 which is the recommended revenue requirement of \$1,920,772 \$1,933,837 less miscellaneous revenues of \$53,653; (2) equitably distribute cost recovery among the Utility's customers; and (3) implement a gallowage cap that considers approximately the amount of water that may return to the wastewater system.

9) **Page 40, Revise Table 16-2**

Table 16-2

Wastewater Rate Structures and Rates

TABLE 16-2			
NI FLORIDA, LLC.			
STAFF'S RECOMMENDED AND ALTERNATIVE WASTEWATER RATE STRUCTURES AND RATES			
Test Year Rate Structure and Rates		Recommended Rate Structure and Rates	
Monthly BFC/ uniform kgals charge BFC = 37.62%		Monthly BFC/ uniform kgals charge BFC = 40%	
BFC	\$18.91	BFC	\$21.12 \$21.23
Per 1,000 gallons (capped at 10 kgals)	\$6.22	Per 1,000 gallons (capped at 8 kgals)	\$6.90 \$6.96
Typical Monthly Bills		Typical Monthly Bills	
Consumption (kgals)		Consumption (kgals)	
0	\$18.91	0	\$21.12 \$21.23
1	\$25.13		
	[The entire		



	original message is not included.]
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CLK note: complete pages 4-10, provided by Tom Ballinger,  
Director of Engineering, have been appended to this  
DN to correct the record.

- RC  
10/28/13

BFC	\$13.61	BFC	<del>\$13.61</del> \$13.98
0-3 kgals	\$4.78	0-3 kgals	<del>\$4.52</del> \$4.94
3-6 kgals	\$5.23	3-6 kgals	<del>\$5.42</del> \$6.17
6+ kgals	\$7.84	6+ kgals	<del>\$6.77</del> \$8.64
<b>Typical Monthly Bills</b>		<b>Typical Monthly Bills</b>	
Consumption (kgals)		Consumption (kgals)	
0	\$13.61	0	<del>\$13.61</del> \$13.98
1	\$18.39	1	<del>\$18.13</del> \$18.92
3	\$27.95	3	<del>\$27.17</del> \$28.80
6	\$43.64	6	<del>\$43.43</del> \$47.31
10	\$75.00	10	<del>\$70.51</del> \$81.87
20	\$153.40	20	<del>\$138.21</del> \$168.27
<b>Alternative 1 Rate Structure and Rates</b>		<b>Alternative 2 Rate Structure and Rates</b>	
3-Tier Inclining Block Rate Structure Rate Factors 1.00, 1.25 and <del>1.50</del> 1.75 BFC = <del>59.45%</del> 57.25%		3-Tier Inclining Block Rate Structure Rate Factors 1.00, <del>1.20</del> 1.25 and <del>1.50</del> 1.75 BFC = <del>59.00%</del> 57.00%	
BFC	<del>\$13.61</del> \$13.92	BFC	<del>\$13.51</del> \$13.86
0-3 kgals	<del>\$4.49</del> \$4.97	0-3 kgals	<del>\$4.57</del> \$5.00
3-6 kgals	<del>\$5.61</del> \$6.21	3-6 kgals	<del>\$5.48</del> \$6.25
6+ kgals	<del>\$6.73</del> \$8.70	6+ kgals	<del>\$6.85</del> \$8.75
<b>Typical Monthly Bills</b>		<b>Typical Monthly Bills</b>	
Consumption (kgals)		Consumption (kgals)	
0	<del>\$13.61</del> \$13.92	0	<del>\$13.51</del> \$13.86
1	<del>\$18.10</del> \$18.89	1	<del>\$18.08</del> \$18.86
3	<del>\$27.08</del> \$28.83	3	<del>\$27.22</del> \$28.86
6	<del>\$43.91</del> \$47.46	6	<del>\$43.66</del> \$47.61
10	<del>\$70.83</del> \$82.26	10	<del>\$71.06</del> \$82.61
20	<del>\$138.13</del> \$169.26	20	<del>\$139.56</del> \$170.11

**8) Page 39, Staff Analysis Paragraph 3**

Staff performed an analysis of the Utility's billing data to evaluate various BFC cost recovery percentages and gallonage caps for the residential customers. The goal of the evaluation was to select the rate design parameters that: (1) that produce revenue of ~~\$1,867,119~~ \$1,880,184 which is the recommended revenue requirement of ~~\$1,920,772~~ \$1,933,837 less miscellaneous revenues of \$53,653; (2) equitably distribute cost recovery among the Utility's customers; and (3) implement a gallonage cap that considers approximately the amount of water that may return to the wastewater system.

**9) Page 40, Revise Table 16-2**

Table 16-2

Wastewater Rate Structures and Rates

<b>TABLE 16-2</b>
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**NI FLORIDA, LLC.  
STAFF'S RECOMMENDED AND ALTERNATIVE  
WASTEWATER RATE STRUCTURES AND RATES**

Test Year Rate Structure and Rates		Recommended Rate Structure and Rates	
Monthly BFC/ uniform kgals charge BFC =37.62%		Monthly BFC/ uniform kgals charge BFC =40%	
BFC	\$18.91	BFC	<del>\$21.12</del> \$21.23
Per 1,000 gallons (capped at 10 kgals)	\$6.22	Per 1,000 gallons (capped at 8 kgals)	<del>\$6.90</del> \$6.96
Typical Monthly Bills		Typical Monthly Bills	
Consumption (kgals)		Consumption (kgals)	
0	\$18.91	0	<del>\$21.12</del> \$21.23
1	\$25.13	1	<del>\$28.02</del> \$28.19
3	\$37.57	3	<del>\$41.82</del> \$42.11
6	\$56.23	6	<del>\$62.52</del> \$62.99
8	\$68.67	8	<del>\$76.32</del> \$76.91
10	\$81.11	10	<del>\$76.32</del> \$76.91
Alternative 1 Rate Structure and Rates		Alternative 2 Rate Structure and Rates	
Monthly BFC/ uniform kgals charge BFC = 50%		Monthly BFC/ uniform kgals charge BFC =60%	
BFC	<del>\$26.39</del> \$26.53	BFC	<del>\$31.67</del> \$31.84
Per 1,000 gallons (capped at 8 kgals)	<del>\$5.75</del> \$5.80	Per 1,000 gallons (capped at 8 kgals)	<del>\$4.60</del> \$4.65
Typical Monthly Bills		Typical Monthly Bills	
Consumption (kgals)		Consumption (kgals)	
0	<del>\$26.39</del> \$26.53	0	<del>\$31.67</del> \$31.84
1	<del>\$32.14</del> \$32.33	1	<del>\$36.27</del> \$36.49
3	<del>\$43.64</del> \$43.93	3	<del>\$45.47</del> \$45.79
6	<del>\$60.89</del> \$61.33	6	<del>\$59.27</del> \$59.74
8	<del>\$72.39</del> \$72.93	8	<del>\$68.47</del> \$69.04
10	<del>\$72.39</del> \$72.93	10	<del>\$68.47</del> \$69.04

**10) Page 41, Staff Analysis Paragraph 1**

As shown on Table 16-1 and 16-2, staff recommends that the appropriate rate structure for the water system's residential customers is a continuation of the base facility charge (BFC) and three tier inclining block rate structure. The usage blocks should be (1) 0-3,000 gallons, (2) 3,000-6,000 gallons; and (3) usage in excess of 6,000 gallons with usage block rate factors of 1.00, ~~1.20~~ 1.25, and ~~1.50~~ 1.75, respectively. The appropriate rate structure for the water system's general service customers is a continuation of the BFC and uniform gallonage charge. The appropriate rate structure for the RV park is a continuation of a BFC based on the settlement number of ERCs in the RV park and the general service gallonage charge. The appropriate rate structure for the wastewater system's residential, general service, and bulk customer is a traditional BFC and gallonage charge. The residential wastewater gallonage cap should be reduced to 8,000 gallons per month. The general and bulk service gallonage charge should be 1.2 times greater than the residential gallonage charge.

**11) Page 42, Issue 17, Recommendation Paragraph**

No. Ni Florida's requested elder valve miscellaneous service charge for its wastewater system should not be approved. The Utility's wastewater violation reconnection fee should be \$27. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved fee. The approved fee should be effective for violation reconnections rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved fee should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date of notice was given within 10 days of the date of the notice.

**12) Page 43, Issue 17, Staff Analysis**

Based on the above, staff recommends Ni Florida's requested elder valve miscellaneous service charge for its wastewater system should not be approved. The Utility's wastewater violation reconnection fee should be \$27. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved fee. The approved fee should be effective for violation reconnections rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved fee should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date of notice was given within 10 days of the date of the notice.

**13) Page 52, Revised Schedule 3-A**

Ni Florida, LLC Statement of Water Operations Test Year Ended 09/30/12						Schedule No. 3-A Docket No.130010-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	\$246,338	\$52,030	\$298,368	(\$50,273)	\$248,095	\$12,312 4.96%	\$260,407
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$218,743	\$25,293	\$244,036	(\$37,610)	\$206,426		\$206,426
3 Depreciation	16,736	0	16,736	3,872	20,608		20,608
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	11,085	2,341	13,426	(2,262)	11,164	554	11,718
6 Income Taxes	0	0	0	0	0	0	0
7 <b>Total Operating Expense</b>	<u>246,564</u>	<u>27,634</u>	<u>274,198</u>	<u>(36,000)</u>	<u>238,198</u>	<u>554</u>	<u>238,752</u>
8 <b>Operating Income</b>	<u>(\$226)</u>	<u>\$24,396</u>	<u>\$24,170</u>	<u>(\$14,273)</u>	<u>\$9,897</u>	<u>\$11,758</u>	<u>\$21,655</u>
9 <b>Rate Base</b>	<u>\$1,014,443</u>		<u>\$301,815</u>		<u>\$276,050</u>		<u>\$276,050</u>
10 <b>Rate of Return</b>	<u>-0.02%</u>		<u>8.01%</u>		<u>3.59%</u>		<u>7.84%</u>



14) Page 53, Revised Schedule 3-B

Ni Florida, LLC Statement of Wastewater Operations Test Year Ended 09/30/12		Schedule No. 3-B Docket No.130010-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$1,743,351	\$337,300	\$2,080,651	(\$308,190)	\$1,772,461	\$161,376 9.10%	\$1,933,837
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$1,373,276	\$153,938	\$1,527,214	(\$171,802)	\$1,355,412		\$1,355,412
3 Depreciation	120,477	0	120,477	11,006	131,483		131,483
4 Amortization	10,553	0	10,553	7,799	18,352		18,352
5 Taxes Other Than Income	146,728	15,179	161,907	(4,693)	157,214	7,262	164,476
6 Income Taxes	0	0	0	0	0	0	0
7 <b>Total Operating Expense</b>	<u>1,651,034</u>	<u>169,117</u>	<u>1,820,151</u>	<u>(157,690)</u>	<u>1,662,461</u>	<u>7,262</u>	<u>1,669,723</u>
8 <b>Operating Income</b>	<u>\$92,317</u>	<u>\$168,183</u>	<u>\$260,500</u>	<u>(\$150,500)</u>	<u>\$110,000</u>	<u>\$154,114</u>	<u>\$264,114</u>
9 <b>Rate Base</b>	<u>\$6,253,026</u>		<u>\$3,250,202</u>		<u>\$3,366,898</u>		<u>\$3,366,898</u>
10 <b>Rate of Return</b>	<u>1.48%</u>		<u>8.01%</u>		<u>3.27%</u>		<u>7.84%</u>

15) Page 54, Revised Schedule 3-C

Ni Florida, LLC Adjustment to Operating Income Test Year Ended 09/30/12		Schedule No. 3-C Docket No.130010-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$52,030)	(\$337,300)	
2 Agreed Upon Audit Adjustments – Issue 2.	0	1,681	
3 Appropriate amount of annualized revenues – Issue 9.	1,757	180	
4 Corresponding Revenue Adjustment – Issue 13.	0	<u>27,249</u>	

Total	(\$50,273)	(\$308,190)
<u>Operation and Maintenance Expense</u>		
1 Agreed Upon Audit Adjustments – Issue 2.	(\$5,462)	(\$14,905)
2 Appropriate Test Year Adjustments – Issue 10.	0	(2,101)
3 Appropriate Corporate Overhead – Issue 11.	(19,464)	(74,280)
4 <del>Adjustment for Prior Rate Case Expense – Issue 12.</del>	<del>(14,234)</del>	<del>37,180</del>
5 Appropriate Rate Case Exp. for Instant Case – Issue 12.	(3,735)	2,485
6 Appropriate Bad Debt Expense – Issue 13.	(4,056)	\$37,180
7 Appropriate Pro Forma Expenses – Issue 14.	(4,893)	(120,181)
Total	<u>(\$37,610)</u>	<u>(\$171,802)</u>
	<u>(\$51,844)</u>	<u>(\$184,280)</u>
<u>Depreciation Expense - Net</u>		
1 Agreed Upon Audit Adjustments – Issue 2.	\$3,872	(\$1,224)
2 Appropriate Pro Forma Depr. Expense – Issue 3.	0	55
3 Appropriate Test Year Adjustments – Issue 10.	0	12,174
Total	<u>\$3,872</u>	<u>\$11,006</u>
<u>Amortization-Other Expense</u>		
Loss on Forced Abandonment of Lines – Issue 3.	\$0	\$7,799
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above.	(\$2,262)	(\$13,869)
2 Appropriate Pro Forma Property Taxes – Issue 3.	0	9,143
3 Appropriate Test Year Adjustments – Issue 10.	0	33
Total	<u>(\$2,262)</u>	<u>(\$4,693)</u>

16) Page 55, Revised Schedule 4-A

NI FLORIDA		SCHEDULE NO. 4-A			
TEST YEAR ENDING SEPTEMBER 30, 2012		DOCKET NO. 130010-WS			
MONTHLY WATER RATES					
	UTILITY'S CURRENT RATES	UTILITY'S REQUESTED RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION	
<u>Residential Service</u>					
Base Facility Charge by Meter Size:					
5/8"X3/4"	\$13.61	\$16.44	\$13.98 <del>\$13.61</del>	\$0.52	<del>\$0.54</del>
3/4"	N/A	N/A	\$20.97 <del>\$20.42</del>	\$0.78	<del>\$0.81</del>
1"	N/A	N/A	\$34.95 <del>\$34.03</del>	\$1.30	<del>\$1.35</del>
1-1/2"	N/A	N/A	\$69.90 <del>\$68.05</del>	\$2.61	<del>\$2.70</del>
2"	N/A	N/A	\$111.84 <del>\$108.88</del>	\$4.17	<del>\$4.32</del>
3"	N/A	N/A	\$223.68 <del>\$217.76</del>	\$8.35	<del>\$8.63</del>
4"	N/A	N/A	\$349.50 <del>\$340.25</del>	\$13.05	<del>\$13.49</del>



6"	N/A	N/A	\$699.00	<del>\$680.50</del>	\$26.09	<del>\$26.98</del>
8"	N/A	N/A	\$1118.40	<del>\$1,088.80</del>	\$41.75	<del>\$43.17</del>
Charge per 1,000 Gallons - Residential						
0 - 3,000 gallons	\$4.78	\$5.77	\$4.94	<del>\$4.52</del>	\$0.18	
3,001 - 6,000 gallons	\$5.23	\$6.32	\$6.17	<del>\$5.42</del>	\$0.23	<del>\$0.24</del>
6,000 and over	\$7.84	\$9.47	\$8.64	<del>\$6.77</del>	\$0.32	<del>\$0.27</del>
<b>General Service</b>						
Base Facility Charge by Meter Size:						
5/8"X3/4"	\$13.61	\$16.44	\$13.98	<del>\$13.61</del>	\$0.52	<del>\$0.54</del>
3/4"	\$0.00	\$0.00	\$20.97	<del>\$20.42</del>	\$0.78	<del>\$0.81</del>
1"	\$20.42	\$24.66	\$34.95	<del>\$34.03</del>	\$1.30	<del>\$1.35</del>
1-1/2"	\$34.03	\$41.10	\$69.90	<del>\$68.05</del>	\$2.61	<del>\$2.70</del>
2"	\$68.05	\$82.18	\$111.84	<del>\$108.88</del>	\$4.17	<del>\$4.32</del>
3"	\$108.88	\$131.49	\$223.68	<del>\$217.76</del>	\$8.35	<del>\$8.63</del>
4"	\$217.76	\$262.99	\$349.50	<del>\$340.25</del>	\$13.05	<del>\$13.49</del>
6"	\$340.25	\$410.92	\$699.00	<del>\$680.50</del>	\$26.09	<del>\$26.98</del>
8"	\$680.50	\$821.84	\$1118.40	<del>\$1,088.00</del>	\$41.75	<del>\$43.14</del>
RV Park	\$1,425.53	\$1,721.62	\$1464.54	<del>\$1,425.78</del>	\$54.67	<del>\$56.53</del>
Charge per 1,000 Gallons - General Service	\$5.01	\$6.05	\$6.31	<del>\$4.76</del>	\$0.24	<del>\$0.19</del>
<b>Typical Residential 5/8" x 3/4" Meter Bill Comparison</b>						
3,000 Gallons	\$27.95	\$33.75	\$28.80	<del>\$27.17</del>		
6,000 Gallons	\$43.64	\$52.71	\$47.31	<del>\$43.43</del>		
10,000 Gallons	\$75.00	\$90.59	\$81.87	<del>\$70.51</del>		

17) Page 56, Revised Schedule 4-B

NI FLORIDA		SCHEDULE NO. 4-B			
TEST YEAR ENDING SEPTEMBER 30, 2012		DOCKET NO. 130010-WS			
MONTHLY WASTEWATER RATES					
	UTILITY'S CURRENT RATES	UTILITY'S REQUESTED RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION	
<b>Residential Service</b>					
Base Facility Charge - All Meter Sizes	\$18.91	\$22.69	\$21.23	<del>\$21.12</del>	\$0.40
Charge per 1,000 Gallons – Residential					
8,000 gallon cap	N/A	N/A	\$6.96	<del>\$6.90</del>	\$0.13
10,000 gallon cap	\$6.22	\$7.46		N/A	
<b>General Service</b>					
Base Facility Charge by Meter Size:					

5/8"X 3/4"	\$18.91	\$22.69	\$21.23	<del>\$21.12</del>	\$0.40
3/4"	\$28.35	\$34.01	\$31.84	<del>\$31.68</del>	\$0.60
1"	\$47.24	\$56.67	\$53.07	<del>\$52.80</del>	\$1.01
1-1/2"	\$94.46	\$113.32	\$106.15	<del>\$105.60</del>	\$2.02
2"	\$151.16	\$181.34	\$169.84	<del>\$168.96</del>	\$3.23
3"	\$302.30	\$362.66	\$339.68	<del>\$337.92</del>	\$6.45
4"	\$472.32	\$566.62	\$530.75	<del>\$528.00</del>	\$10.08
6"	\$944.69	\$1,133.31	\$1,061.50	<del>\$1,056.00</del>	\$20.17
8"	\$1,511.49	\$1,813.28	\$1,698.40	<del>\$1,689.60</del>	\$32.27
10"	\$2,172.79	\$2,602.62	\$2,441.45	<del>\$2,428.80</del>	\$46.39
Bulk Service 4"	\$472.32	\$566.62	\$530.75	<del>\$528.00</del>	\$10.08
Charge per 1,000 Gallons - General Service	\$7.42	\$8.90	\$8.35	<del>\$8.28</del>	\$0.16
Charge per 1,000 Gallons – Bulk Service	\$7.76	\$9.31	\$8.35	<del>\$8.28</del>	\$0.16

**Typical Residential 5/8" x 3/4" Meter Bill Comparison**

3,000 Gallons	\$37.57	\$45.07	\$42.11	<del>\$41.82</del>
6,000 Gallons	\$56.23	\$67.45	\$62.99	<del>\$62.52</del>
10,000 Gallons	\$81.11	\$97.29	\$76.91	<del>\$76.32</del>

<sup>[1]</sup> The test year bad debt expense to total revenues ratio has increased approximately 75 percent since the 2009 calendar year-end.