

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: August 12, 2016
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 160030-WS
Company Name: Ni Florida, LLC
Company Code: WU920/SU915
Audit Purpose: A1f - Rate Case (PAA)
Audit Control No: 16-130-4-1

Attached is the final audit report for the Utility stated above. I am sending the Utility a copy of this memo and the audit report. If the Utility desires to file a response to the audit report, it should send a response to the Office of Commission Clerk. There are no confidential work papers associated with this audit.

LMD/cm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

Auditor's Report

Ni Florida, LLC
Rate Case Audit

December 31, 2015

Docket No. 160030-WS
Audit Control No. 16-130-4-1

August 1, 2016


George Simmons
Audit Manager


Marisa N. Glover
Reviewer

Table of Contents

Purpose..... 1

Objectives and Procedures..... 2

Audit Findings

1: Contributions-in-Aid-of-Construction CIAC..... 7

2: Accumulated Amortization of Wastewater CIAC 8

3: Working Capital..... 9

4: Customer Deposits..... 10

5: Deferred Income Taxes..... 11

6: Operating Revenues 12

7: Operations and Maintenance Expense 14

8: Taxes Other than Income 17

Exhibits

1: Rate Base 18

2: Capital Structure 20

3: Net Operating Income..... 21

Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report set forth by the Division of Accounting and Finance in its audit service request dated May 9, 2016. We have applied these procedures to the attached schedules prepared by Ni Florida, LLC in support of its filing for rate relief in Docket No. 160030-WS.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

The test year is the historical twelve months ended December 31, 2015 unless otherwise specified.

Ni Florida, LLC is a wholly-owned subsidiary of Ni Pacolet Milliken Utilities, LLC. (Parent). Ni Florida, LLC is a Class A utility providing water services in Lee County (Tamiami Utilities) and wastewater services in Pasco County, Florida (Hudson Utilities).

Background

The Utility's last rate proceeding under the Florida Public Service Commission was in Docket No. 130010-WS. Rate base was established by the Commission as of September 30, 2012 by Order No. PSC-13-0611-PAA-WS, issued November 19, 2013. We tested additions and retirements from September 30, 2012 through December 31, 2015.

This audit pertains only to direct costs. All allocated costs were audited in the Audit of Affiliate Transactions, Docket No. 160030-WS, Audit Control Number (ACN) 16-130-4-2.

Rate Base

Utility Plant in Service

Objectives: The objectives were to determine whether utility plant in service (UPIS): 1) Consists of property that exists and is owned by the Utility, 2) Additions are authentic, recorded at original cost, and properly classified as a capital item in compliance with Commission rules and the National Association of Regulatory Utility Commissioners' (NARUC) Uniform System of Accounts (USOA), 3) Retirements are made when a replacement item is put into service, and 4) Adjustments required in the Utility's last rate case proceeding were recorded in its books and records.

Procedures: We reconciled the UPIS accounts presented in the filing to the general ledger. We determined the beginning balance for each account that was established by Order No. PSC-13-0611-PAA-WS. We verified that Commission ordered adjustments in the prior order were posted to the general ledger. We scheduled plant additions and retirements since the last rate proceeding to determine the UPIS balance as of December 31, 2015. We traced a sample of additions and retirements from the general ledgers to source documentation and we verified that additions were recorded at original cost and that retirements were properly posted. We recalculated the 13-month average balance as of December 31, 2015. No exceptions were noted.

Land & Land Rights

Objectives: The objectives were to determine whether utility land is recorded at original cost, is used for utility operation, and is owned or secured under a long-term lease.

Procedures: We reconciled the land accounts presented in the filing to the general ledger. We determined the beginning balance for each account that was established in Order No. PSC-13-0611-PAA-WS. We scheduled utility land additions and retirements since the last rate proceeding to determine the land balance as of December 31, 2015. We searched the property records of the County Clerk's Office in Pasco County, Florida for utility related activity. We recalculated the 13-month average balance as of December 31, 2015. There were no changes to land. No exceptions were noted.

Contributions-in-Aid-of-Construction

Objectives: The objectives were to determine whether utility contributions-in-aid-of-construction (CIAC) balances are properly stated, are reflective of the service availability charges authorized in the Utility's Commission approved tariffs, and the adjustments required in the Utility's last rate proceeding were recorded in its books and records.

Procedures: We reconciled the CIAC accounts presented in the filing to the general ledger. We determined the beginning balance for each account that was established by Order No. PSC-13-0611-PAA-WS. We verified that Commission ordered adjustments in the prior order were posted to the general ledger. We scheduled CIAC additions and retirements since the last rate proceeding to determine the CIAC balance as of December 31, 2015. We traced the additions and retirements to source documents and the service availability charges to the Utility's Commission approved tariffs. We reviewed CIAC agreements, and inquired about new special agreements, developer agreements, and donated property. We recalculated the 13-month average as of December 31, 2015. Finding 1 discusses the CIAC balances.

Accumulated Depreciation

Objectives: The objectives were to determine whether: 1) Accruals to accumulated depreciation are properly recorded in compliance with Commission rules and the NARUC USOA, 2) Depreciation accruals are calculated using the Commission's authorized rates and that retirements are properly recorded, and 3) Adjustments required in the Utility's last rate case proceeding were recorded in its books and records.

Procedures: We reconciled the accumulated depreciation accounts presented in the filing to the general ledger. We determined the beginning balance for each account that was established in Order No. PSC-13-0611-PAA-WS. We verified that Commission ordered adjustments in the prior order were posted to the general ledger. We scheduled utility accruals and retirements since the last rate proceeding to determine the accumulated depreciation balance as of December 31, 2015. We calculated accumulated depreciation accruals using the rates authorized in Rule 25-30.140 – Depreciation, Florida Administrative Code (F.A.C.) and compared our balance to the balances in the general ledger and the filing. We recalculated the 13-month average as of December 31, 2015. No exceptions were noted.

Accumulated Amortization of CIAC

Objectives: The objectives were to determine whether accumulated amortization of CIAC balances were properly stated, that annual accruals were reflective of the depreciation rates and

were in compliance with Commission rules and orders, and that the adjustments required in the Utility's last rate case proceeding were recorded in its books and records.

Procedures: We reconciled the accumulated amortization of CIAC accounts presented in the filing to the general ledger. We determined the beginning balance for each account that was established by Order No. PSC-13-0611-PAA-WS. We verified that Commission ordered adjustments in the prior order were posted to the general ledger. We scheduled utility accruals and retirements since the last rate proceeding to determine the accumulated amortization of CIAC balance as of December 31, 2015. We calculated accumulated amortization of CIAC accruals from the general ledgers using the rates authorized in Rule 25-30.140 – Depreciation, Florida Administrative Code (F.A.C.) and compared our balance to the balances in the general ledger and the filing. We recalculated the 13-month average as of December 31, 2015. Finding 2 discusses the adjustment to Accumulated Amortization of CIAC.

Working Capital

Objectives: The objective was to determine whether the Utility's working capital balance is properly calculated in compliance with Commission rules.

Procedures: We verified the Utility's calculation of working capital as of December 31, 2015 using the 13-month average calculation as required by Commission Rule 25-30.433(2), F.A.C. We reviewed and verified the components of the comparative balance sheet as shown in the Minimum Filing Requirements (MFR) Schedules A-18 and A-19. Finding 3 discusses the adjustment to Working Capital.

Capital Structure

Objectives: The objectives were to determine whether the components of the Utility's capital structure and the respective cost rates used to arrive at the overall weighted cost of capital were properly recorded in compliance with Commission rules and that it accurately represented the ongoing utility operations.

Procedures: We recalculated the cost rates and reconciled the components of the Utility's capital structure presented in the filing to the general ledger. We recalculated the average component balances of the capital structure for the filing. We verified customer deposits by tracing additions and refunds to the general ledger and supporting schedules provided by the Utility. We recalculated a sample of interest expense paid on customer deposits. We verified that interest rates were in accordance with Rule 25-30.311 – Customer Deposits, F.A.C. We reviewed Deferred Income Tax Expense by tracing MFR Schedules D-2 and C-6 to the general ledger. The equity and debt components of the capital structure presented in the filing were audited in the Audit of Affiliate Transactions. Findings 4 and 5 discuss customer deposits and accumulated deferred income taxes.

Net Operating Income

Operating Revenue

Objectives: The objectives were to determine whether: 1) Utility charges were those approved by the Commission in the Utility's current authorized tariff for both water and wastewater, and

2) Revenue earned from utility property during the test year was recorded and properly classified in compliance with Commission rules and the NARUC USOA.

Procedures: We reconciled the water and wastewater revenue accounts presented in the filing to the general ledger. We reviewed a sample of customer accounts from the billing register for proper customer classification, use of approved tariffs, and miscellaneous service charges. We tested the reasonableness of the Utility's revenue by multiplying the average consumption by the tariff rate for each customer class in the billing register. We reconciled gallons sold and customer bill counts presented in the filing to the billing register. Finding 6 discusses our recommended adjustments to operating revenues.

Operation and Maintenance Expense

Objectives: The objectives were to determine whether operation and maintenance (O&M) expenses were properly recorded in compliance with Commission rules, and were reasonable and prudent for ongoing utility operations.

Procedures: We reconciled the O&M expense accounts presented in the filing to the general ledger. We reviewed a sample of the O&M expense invoices from the general ledger for proper amount, period, classification, recurring nature, and whether the expense was utility related. The allocated O&M expense activity was audited in the Audit of Affiliate Transactions. Finding 7 discusses our recommended adjustments to O&M expense.

Depreciation and Amortization

Objectives: The objective was to determine whether depreciation was properly recorded in compliance with Commission rules and that it accurately represented the depreciation of UPIS assets and the amortization of utility CIAC assets for ongoing utility operations.

Procedures: We reconciled the depreciation and amortization expense accounts presented in the filing to the general ledger. We calculated depreciation and amortization expense for the test year using the rates prescribed in Rule 25-30.140, F.A.C. and compared our amounts to the amounts reflected in the general ledger and the filing. Finding 1 and 2 discusses the affect on amortization.

Taxes Other than Income

Objectives: The objective was to determine the appropriate amounts for taxes other than income tax (TOTI) for the test year ended December 31, 2015.

Procedures: We reconciled the components of the TOTI tax expense accounts presented in the filing to the general ledger. We recalculated regulatory assessment fees (RAF) based on audited revenues. We traced real estate and tangible property taxes to source documents, and ensured that these taxes included the maximum discount and are only for utility property. Finding 8 discusses our recommended adjustments to TOTI.

Other

Analytical Review

Objectives: The objectives were to determine whether any account balances contained any information that could be deemed unusual, and to assist in assessing risk.

Procedures: Audit staff performed a cost comparison for rate base components and O&M expenses by account between 2012 to 2015 in order to compare percentage increases between the Utility's last rate case in Docket No. 130010-WS and its current filing. We did not find any significant variances. Further follow-up was not required.

Audit Findings

Finding 1: Contributions-in-Aid-of-Construction CIAC

Audit Analysis: The Utility began construction to provide service for an outreach center in 2015. In March, the Utility calculated the wastewater CIAC for this center. The Utility used a residential service tariff to calculate the CIAC amount because they do not have an authorized general service tariff. Using this, the CIAC calculates out to be \$77,760, which the Utility booked in March 2015 and is reflected on the MFRs. The staff engineering analyst should determine if this CIAC amount is appropriate and a tariff specific to general service should be authorized for the service availability usage.

The project was still in Construction Work in Progress (CWIP) at the end of 2015. The Utility has not included CWIP in rate base. Therefore, audit staff recommends removing this amount from CIAC and the fall out amounts charged to Accumulated Amortization of CIAC and CIAC expense pending completion of the project.

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: The 13-month average for wastewater CIAC should be decreased by \$60,416. The effect on Accumulated Amortization of CIAC and amortization expense of the adjustment to CIAC is contained in the adjustment in Finding 2.

Finding 2: Accumulated Amortization of Wastewater CIAC

Audit Analysis: The Utility amortized CIAC using the composite rate from the previous rate case. Order No. PSC-13-0611-PAA-WS in Docket No. 130010-WS, adjusted amortization to the composite rate applicable at the time. Since CIAC should be amortized based on the plant that is related to, a composite rate should have been used. Composite rates change yearly. Audit staff calculated the current composite rate and applied that rate to the CIAC amortized. The adjustments also include the fall out adjustments of Accumulated Amortization of CIAC and amortization expense in Finding 1.

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: The 13-month average accumulated amortization of CIAC for wastewater should be increased by \$6,568 and amortization expense should be increased by \$2,845.

Finding 3: Working Capital

Audit Analysis: On MFR Schedule A-17, the Utility calculated 13-month averages for working capital to be \$64,328 and \$218,210 for water and wastewater. Audit staff found that the following adjustments should be made to working capital for wastewater:

1. Prepayments should be reduced by \$70,725 to reflect the Utility's adjustments.
2. Accrued Interest should be decreased by \$1,383 for the removal of interest by the previous owner, which results in an increase in working capital.
3. An increase of \$19,223 to total working capital for a mathematical error.

The Utility has included \$12,694 (\$25,388 - \$12,694) and \$47,754 (\$95,507 - \$47,754) in the MFRs for deferred rate case expense related to water and wastewater from the prior Docket No. 130010-WS and the current rate case expense. Audit staff took a judgmental sample and traced the amounts in the new schedules to the supporting documentation. Audit staff asks that the analyst determine the effect.

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: The 13-month average for working capital should be reduced by \$50,119 for wastewater.

Finding 4: Customer Deposits

Audit Analysis: Audit staff found that the Utility has been applying a cost rate of 6% instead of 2% in the MFRs. Rule 25-30.311, F.A.C, effective July 26, 2012, states the cost rate should be 2%. The Utility refunded customer deposits at the 6% cost rate.

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: The analyst should determine the effect on capital structure.

Finding 5: Deferred Income Taxes

Audit Analysis: Deferred income taxes for wastewater has a credit balance in the general ledger. The Utility reflects this amount on the rate base schedule in the MFRs. Rule 25-30.433(3) states: a credit deferred tax balance shall be included only in capital structure. Therefore, the amount of \$3,634 should be removed from rate base and reflected in the capital structure schedule.

Effect on the General Ledger: The Utility should determine the effect on the general ledger

Effect on the Filing: The analyst should determine the effect on the filing.

Finding 6: Operating Revenues

Audit Analysis: Audit staff reviewed MFR Schedule B-2 and the Utility had adjusted balances of \$243,169 and \$1,929,738 for water and wastewater operating revenues. However, audit staff reviewed the number of bills and consumption based on the billing register and noted the following discrepancies:

1. MFR schedule E-2 showed 8,601 and 31,425 bills for Residential-5/8" meter rate class, and we determined 8,643 and 31,341 customer bills for residential customers for water and wastewater.
2. MFR Schedule E-2 showed no customer bills for General Service-5/8 x 3/4" meter rate class and we determined that there were 261 customer bills.
3. Audit staff reviewed the most recent tariffs and found that a four year rate reduction had been issued effective November 20, 2015. In calculating test year revenues, we used the reduced rates to annualize the test year.

We recalculated revenues as shown in Tables 6-1 and 6-2.

Table 6-1

NARUC	<u>Water</u> Description	MFR Test Yr. Balance	Adjusted Test Yr. Balance	MFR Utility Adj Bal	Audit Adjustment	Audit Balance
460	Unmetered Water Revenues	-	-	-	-	-
461.1	Residential Revenues	\$182,397	-	\$182,397	(\$14,882)	\$167,515
461.2	Commercial Revenues	\$28,870	-	\$28,870	(\$1,579)	\$27,291
461.3	Industrial Revenues	-	-	-	-	-
461.4	Revenues from Public Authorities Multiple Family Dwelling	-	-	-	-	-
461.5	Revenues	\$25,545	-	\$25,545	(\$2,261)	\$23,284
		\$236,812	-	\$236,812	(\$18,722)	\$218,090
474	Other Water Revenues	\$6,357	-	\$6,357	\$159	\$6,516
		\$6,357	-	\$6,357	\$159	\$6,516
	TOTAL WATER OPERATING REVENUE	\$243,169	-	\$243,169	(\$18,563)	\$224,606

Finding 6: Operating Revenues (Wastewater)

Table 6-2

NARUC	Wastewater Description	MFR Test Yr. Balance	Adjusted Test Yr. Balance	MFR Utility Adj Bal	Audit Adjustment	Audit Balance
522.1	Residential Revenues	\$1,198,760	-	\$1,198,760	\$2,371	\$1,201,131
522.2	Commercial Revenues	\$364,253	-	\$364,253	\$7,111	\$371,364
522.3	Industrial Revenues	-	-	-	-	-
522.4	Revenues from Public Authorities Multiple Family Dwelling	-	-	-	-	-
522.5	Revenues	\$312,969	-	\$312,969	\$3,183	\$316,152
		\$1,875,982	-	\$1,875,982	\$ 12,665	\$1,888,647
536	Other W/S Revenues	\$53,756	-	\$53,756	\$275	\$54,031
		\$53,756	-	\$53,756	\$275	\$54,031
TOTAL WASTEWATER OPERATING REVENUE		\$1,929,738	-	\$1,929,738	\$ 12,940	\$1,942,678

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Water revenues should be reduced by \$18,563. Wastewater revenues should be increased by \$12,940.

Finding 7: Operations and Maintenance Expense

Audit Analysis: According to the general ledger, the Utility's O&M expense balances for water and wastewater were \$238,510 and \$1,515,833, respectively. Audit staff reviewed a sample of O&M expenses to determine if the transactions were made in the proper amount, period, and classification, as well as ensured they were properly supported and utility related. Audit staff determined that O&M expenses are \$240,935 and \$1,524,366 for water and wastewater, respectively, as shown in Tables 7-1 and 7-2.

Table 7-1

NARUC	Description	Per Utility 12/31/2015	Audit Adjustment	Per Audit 12/31/2015
610	Purchased Water	\$ 82,479	\$ -	\$ 82,479
634	Contractual Services - Mgmt. Fees	\$ 37,368	\$ -	\$ 37,368
635	Contractual Services - Testing	\$ 8,193	\$ -	\$ 8,193
636	Contractual Services - Other	\$ 9,123	\$ -	\$ 9,123
657	Insurance - General Liability	\$ 1,335	\$ 3,111	\$ 4,446
659	Insurance - Other	\$ 686	\$ (686)	\$ -
661	Bank Service Charges	\$ 2,952	\$ (2,952)	
666	Reg. Comm. Exp. - Rate Case Amort.	\$ 7,839	\$ -	\$ 7,839
670	Bad Debt Expense	\$ 1,110	\$ -	\$ 1,110
675	Miscellaneous Expenses	\$ 87,425	\$ 2,952	\$ 90,377
	Total	\$ 238,510	\$ 2,425	\$ 240,935

Based on the review of Ni Florida's supporting documentation, the following adjustments were made to the water test year expenses.

1. For Account 657 - General Liability Insurance, we increased this account by \$3,111 to reflect the current insurance renewal policy for water and wastewater.
2. For Account 659 - Insurance (Other), we removed \$686 because there was no supporting documentation that the Utility had renewed its pollution insurance policy. Ni Pacolet Milliken (NPM) is having Ni Florida LLC added for pollution insurance retroactively back to when the old policy expired on November 17, 2015. The Utility was unable to provide the supporting documentation at the completion of this audit. The Utility explained to audit staff that they will continue to have pollution insurance going forward. However, Ni Florida LLC was left off the policy renewal. We defer this issue to the analyst.
3. For Account 661 - Bank Service Charges, audit staff reclassified \$2,952 to Account 675 – Miscellaneous Expenses.

Finding 7: Operation and Maintenance Expense (Cont.)

Table 7-2

NARUC	Description	Per Utility 12/31/2015	Audit Adjustment	Per Audit 12/31/2015
705	Purchased Water	\$ 741,012	\$ (741,012)	\$ -
710	Purchased Sewer Treatment	\$ 3,619	\$ 741,012	\$ 744,631
715	Purchased Power	\$ 27,411	\$ -	\$ 27,411
720	Materials & Supplies	\$ 674	\$ (126)	\$ 548
731	Contractual Services - Engineering	\$ 2,015	\$ -	\$ 2,015
733	Contractual Services - Legal	\$ 4,420	\$ -	\$ 4,420
734	Contractual Services - Mgmt. Fees	\$ 200,882	\$ (31,616)	\$ 169,266
735	Contractual Services - Testing	\$ 1,950	\$ (150)	\$ 1,800
736	Contractual Services - Other	\$ 174,414	\$ 31,059	\$ 205,473
757	Insurance - General Liability	\$ 5,129	\$ 12,001	\$ 17,130
759	Insurance - Other	\$ 2,634	\$ (2,634)	\$ -
761	Bank Service Charges	\$ 10,321	\$ (10,321)	\$ -
766	Reg. Comm. Exp. - Rate Case Amort.	\$ 29,491	\$ -	\$ 29,491
770	Bad Debt Expense	\$ (1,518)	\$ -	\$ (1,518)
775	Miscellaneous Expenses	\$ 313,379	\$ 10,321	\$ 323,700
	Total	\$ 1,515,833	\$ 8,533	\$ 1,524,366

Based on the review of Ni Florida's supporting documentation, the following adjustments were made to the wastewater test year expenses.

1. For Account 705 – Purchased Water, audit staff reclassified \$741,012 to Account 710 – Purchased Sewer Treatment.
2. For Account 720 – Materials & Supplies, we removed \$126 because the invoices were related to 2014.
3. For Account 734 – Contractual Services Management Fees, we reclassified \$31,616 to Account 736 – Contractual Services Other.
4. For Account 735 – Contractual Services Testing, we removed \$150 because the invoice was in December 2014.
5. For Account 757 - General Liability Insurance, we increased this Account by \$12,001 to reflect the current insurance renewal policy for water and wastewater.
6. For Account 759 - Insurance (Other), we removed \$2,634 because there was no supporting documentation that the Utility had renewed its pollution insurance policy. Ni Pacolet Milliken (NPM) is having Ni Florida LLC added for pollution insurance retroactively back to when the old policy expired on November 17, 2015 . The Utility was unable to provide the supporting documentation at the completion of this audit. The Utility explained to audit staff that they will continue to have pollution insurance going forward. However, Ni Florida LLC was left off the policy renewal. We defer this issue to the analyst.

Finding 7: Operation and Maintenance Expense (Cont.)

7. For Account 761 - Bank Service Charges, audit staff reclassified \$10,321 to Account 675 – Miscellaneous Expenses.

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Audit staff determined that O&M expenses should be \$240,935 and \$1,524,366 for water and wastewater, respectively.

Finding 8: Taxes Other than Income

Audit Analysis: Audit staff reviewed the FPSC Regulatory Assessment Fee (RAF) forms filed by the utility and recalculated the RAF using the FPSC RAF rate. We also verified the real estate and tangible property taxes incurred by the utility for the historical test year. We found that the property tax expense did not reflect the maximum discount available. The maximum discount available was on November 30, 2015 and property taxes should be reduced by \$1,572. Other wastewater taxes include late penalty fees and should be removed. Please see Tables 6-1 and 6-2 for audit staff's adjustments. The balance per audit is the audit balance of operating revenues (Finding 6) multiplied by the RAF rate.

Table 6-1

Description	Balance per MFR Schedule B-15	Audit Adjustments	Balance per Audit 12/31/2015
Regulatory Assessment Fees (RAFs)	\$ 10,943	(835)	\$ 10,107
Payroll Taxes	-	-	-
Real Estate & Personal Property Taxes	-	-	-
Other	-	-	-
	\$ 10,943	\$ (835)	\$ 10,107

Table 6-2

Description	Balance per MFR Schedule B-15	Audit Adjustments	Balance per Audit 12/31/2014
Regulatory Assessment Fees (RAFs)	\$ 86,838	582	\$ 87,421
Payroll Taxes	-	-	-
Real Estate & Personal Property Taxes	77,035	(1,572)	75,463
Other	388	(388)	-
	\$ 164,261	\$ (1,378)	\$ 162,883

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Regulatory Assessment Fees should be reduced by \$835 for water and increased by \$582 for wastewater, respectively. Real estate and property taxes should be reduced by \$1,572 for wastewater. Other wastewater taxes include late penalty fees and should be reduced by \$388.

Exhibits

Exhibit 1: Rate Base

Schedule of Water Rate Base

Florida Public Service Commission

Company: NI Florida, LLC

Schedule: A-1

Docket No.: 160030-WS

Page 1 of 1

Test Year Ended: December 31, 2015

Preparer: Donald J. Clayton, P.E.

Interim Final

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Average Amount Per Books	(3) A-3 Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant In Service	\$ 568,878	\$ -	\$ 568,878	A-5
2					
3	Utility Land & Land Rights	-	-	-	A-5
4					
5	Less: Non-Used & Useful Plant	-	-	-	A-7
6					
7	Construction Work In Progress	-	-	-	NA
8					
9	Less: Accumulated Depreciation	303,287	-	303,287	A-9
10					
11					
12					
13	Less: CIAC	110,779	-	110,779	A-12
14					
15	Accumulated Amortization of CIAC	110,779	-	110,779	A-14
16					
17	Acquisition Adjustments	1,047,160	(1,047,160) (A)	-	A-3
18					
19	Less: Accumulated Deferred Income Taxes	-	2,173 (D)	2,173	A-3
20					
21	Advances For Construction	-	-	-	A-16
22					
23	Working Capital Allowance	64,328	-	64,328	A-17
24					
25	Total Rate Base	\$ 1,377,080	\$ (1,049,333)	\$ 327,746	

Exhibit 1: Rate Base (Cont.)

Schedule of Wastewater Rate Base

Florida Public Service Commission

Company: Ni Florida, LLC

Schedule: A-2

Docket No.: 160030-WS

Page 1 of 1

Test Year Ended: December 31, 2015

Preparer: Donald J. Clayton, P.E.

Interim [] Final [X]

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Average Amount Per Books	(3) A-3 Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant In Service	\$ 9,155,410	\$ 266,689 (B)	\$ 9,422,289	A-3, A-6
2					
3	Utility Land & Land Rights	9,513	-	9,513	A-6
4					
5	Less: Non-Used & Useful Plant	-	-	-	A-7
6					
7	Construction Work In Progress	478,348	(478,348) (C)	-	A-3
8					
9	Less: Accumulated Depreciation	4,520,375	(545,254) (E)	3,975,122	A-3, A-10
10					
11	Less: CIAC	3,638,516	-	3,638,516	A-12
12					
13	Accumulated Amortization of CIAC	1,946,580	-	1,946,580	A-14
14					
15	Acquisition Adjustments	5,726,865	(5,726,865) (A)	-	A-3
16					
17	Less: Accumulated Deferred Income Taxes	3,634	100,742 (D)	104,376	A-3
18					
19	Advances For Construction	-	-	-	A-16
20					
21	Working Capital Allowance	218,210	64,708 (F)	282,918	A-3, A-17
22					
23	Total Rate Base	\$ 9,373,401	\$ (5,430,105)	\$ 3,943,297	
24					
25					

Exhibit 2: Capital Structure

Schedule of Requested Cost of Capital
13-Month Average Balance

Florida Public Service Commission

Company: NI Florida, LLC
Docket No.: 160030-WS
Test Year Ended: December 31, 2015
Schedule Year Ended: December 31, 2015
Historic or Projected
Interim or Final

Schedule: D-1
Page 1 of 2
Preparer: Donald J. Clayton, P.E.
Subsidiary or Consolidated

Explanation: Provide a schedule which calculates the requested Cost of Capital on a 13-month average basis. If a year-end basis is used, submit an additional schedule reflecting year-end calculations.

Line No.	(1) Class of Capital	(2) Reconciled to Requested Rate Base (13-Month Average)	(3) Ratio	(4) Cost Rate	(5) Weighted Cost
1	Long Term Debt - Fixed Rate	\$ 48,567	1.16%	8.50%	0.10%
2	Long Term Debt - Variable Rate	896,661	21.41%	4.50%	0.96%
3	Short Term debt	-	0.00%	0.00%	0.00%
4	Preferred stock	-	0.00%	0.00%	0.00%
5	Common Equity	3,149,915	75.20%	9.27%	6.97%
6	Customer Deposits	85,202	2.03%	6.00%	0.12%
7	Tax Credits - Zero Cost	-	0.00%	0.00%	0.00%
8	Tax Credits - Weighted Cost	-	0.00%	0.00%	0.00%
9	Accumulated Deferred Income Tax	8,186	0.20%	0.00%	0.00%
10	Other	-	0.00%	0.00%	0.00%
11					
12	Total	\$ 4,188,541	100.00%		8.15%

Supporting Schedules: D-2
Recap Schedules: A-1, A-2

Exhibit 3: Net Operating Income

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: NI Florida, LLC
 Docket No.: 18030-WS
 Schedule Year Ended: December 31, 2018
 Initial Final
 Historic or Projected

Schedule: B-1
 Page 1 of 1
 Preparer: Donald J. Clayton, P.E.

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 7) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Test year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenue	(7) Supporting Schedules
1	OPERATING REVENUES	\$ 243,169	\$ (8,228) (A)	\$ 234,941	\$ 87,150 (E)	\$ 322,091	B-4, B-3
2							
3	Operation & Maintenance	238,510	8,694 (B)	247,204	421 (F)	247,625	B-5, B-3
4							
5	Depreciation, net of CIAC Amort.	19,513	817 (C)	20,330	-	20,330	B-13, B-3
6							
7	Amortization	-	-	-	-	-	
8							
9	Taxes Other Than Income Taxes	10,943	-	10,943	3,922 (G)	14,864	B-15, B-3
10							
11	Provision for Income Taxes	-	(18,278) (H)	(18,278)	31,160 (I)	12,882	C-1, B-3
12							
13	OPERATING EXPENSES	268,965	(8,767)	260,199	35,503	295,702	
14							
15	NET OPERATING INCOME	\$ (25,797)	\$ 539	\$ (25,258)	\$ 51,647	\$ 26,389	
16							
17							
18	RATE BASE	\$ 1,377,060	\$ (1,032,077)	\$ 345,002	\$ -	\$ 345,002	A-1
19							
20							
21	RATE OF RETURN	-1.87%		-7.32%		7.65%	

Exhibit 3: Net Operating Income (Cont.)

Schedule of Wastewater Net Operating Income

Florida Public Service Commission

Company: NI Florida, LLC
 Docket No.: 160030-W3
 Schedule Year Ended: December 31, 2015
 Interim Final
 Historic or Projected

Schedule: B-2
 Page 1 of 1
 Preparer: Donald J. Clayton, P.E.

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 7) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Test year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenue	(7) Supporting Schedules
1	OPERATING REVENUES	\$ 1,929,738	\$ -	\$ 1,929,738	\$ 475,000 (E)	\$ 2,404,738	B-4, B-3
2							
3	Operation & Maintenance	1,616,833	59,059 (B)	1,574,882	6,574 (F)	1,581,456	B-6, B-3
4							
5	Depreciation, net of CIAC Amort.	166,265	18,132 (C)	184,397	-	184,397	B-14, B-3
6							
7	Amortization	-	-	-	-	-	-
8							
9	Taxes Other Than Income Taxes	164,261	4,564 (D)	168,826	21,375 (G)	190,201	B-15, B-3
10							
11	Provision for Income Taxes	47,244	(68,479) (H)	(21,235)	168,225 (I)	146,990	C-1, B-3
12							
13	OPERATING EXPENSES	1,693,604	13,276	1,906,680	196,174	2,103,054	
14							
15	NET OPERATING INCOME	\$ 38,135	\$ (13,276)	\$ 22,658	\$ 278,826	\$ 301,684	
16							
17							
18	RATE BASE	\$ 9,373,401	\$ (6,430,105)	\$ 3,943,297	-	\$ 3,943,297	A-2
19							
20							
21	RATE OF RETURN	0.39%		0.58%		7.65%	
22							
23							