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September 22, 2016

VIA ELECTRONIC FILING

Carlotta Stauffer, Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

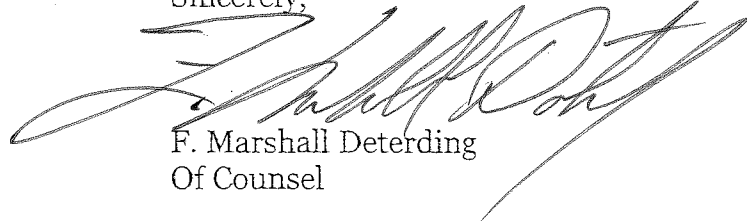
Re: Ni Florida, LLC; Application for a Rate Increase in Pasco & Lee Counties, Florida  
Docket No. 160030-WS  
Comments on Audit Report and Audit of Affiliated Transaction

Dear Ms. Stauffer,

I am hereby filing the Utility response and comments to the Commission Staff's Audit Report and Audit of Affiliated Transactions, both dated 8/12/16. We have each finding and page number in the attached responses.

If you or any members of staff have any questions this regard please do not hesitate to contact me

Sincerely,



F. Marshall Deterding  
Of Counsel

FMD/brf

cc: Sonica Bruce  
Todd Brown  
Kyesha Mapp  
Shannon Hudson  
Benny Wilkinson

## Comments on Audit Report of Ni Florida, LLC Rate Filing In Docket No. 160030-WS

**Contributions in Aid of Construction (CIAC)**-Page 7-The Audit Report recommends removing the CIAC for the Rhodes Road Project which was received in March 2015. Ni Florida began amortizing this CIAC at this time. In the rate filing, Ni Florida pro formed the Rhodes Road Project CWIP as an addition to plant in service. Ni Florida does not agree with the audit finding that the CIAC should be removed, although the CIAC should be amortized at the same time as the plant in service is depreciated. Ni Florida would agree to reverse the 2015 amortization of the CIAC, include the pro forma adjustment to plant in service, and begin to amortize the CIAC and depreciate the plant in service at the same time for this project.

**Customer Deposits**-Page 10-The Audit Report recommends accruing interest on customer deposits at 2%. Ni Florida has always accrued interest on customer deposits at 6%, and it was unaware of the rate change to 2% effective July 26, 2012. Ni Florida agrees to adjust the accrued interest on customer deposits to the 2% back to the effective date.

**Operating Revenues**-Page 12-The Audit Report recommends adjustments to revenue (increase to Hudson revenue of \$12,940 and a decrease to Tamiami revenue of \$18,563). Ni Florida has reviewed the FPSC workpaper which shows the recalculation of revenue. This recalculation of revenue is current rates multiplied by historical number of customers by class, plus miscellaneous revenue. If this is what the revenue is supposed to represent, then Ni Florida agrees with this recalculation.

**Operations and Maintenance Expense (O&M)**-Pages 14-16-The Audit Report recommends elimination of the cost of the pollution insurance because Ni Pacolet Milliken Utilities had not included Ni Florida when it renewed the policy. Ni Florida was inadvertently left off of the policy, but has since been added and the policy and premium were provided in response to Question 5 of the Staff's 4<sup>th</sup> Data Request. The \$6,000 premium associated with adding Ni Florida to this pollution insurance policy should be charged to Hudson and Tamiami and included in O&M.

**Taxes Other Than Income**-Page 17-The Audit Report recommends a reduction in property taxes for Hudson of \$1,572 because Ni Florida did not pay the Pasco County property tax bill 4 months in advance to take advantage of the 4% discount for early payment. The bill was paid 2 months in advance and Ni Florida received a 2% discount. Ni Florida does not agree with this reduction.

Comments on Audit of Affiliated Transactions Report of Ni Florida,  
LLC Rate Filing  
In Docket No. 160030-WS

**Finding 1-Allocated Expenses by Detailed Account**-Pages 6-9-The Audit of Affiliated Transactions recommends reclassification of \$13,195.90 to Direct Expense. This is effectively what was done with these costs in the specific assignment of these costs to Hudson and Tamiami. Although these costs were recorded on the books of Ni America, they were specifically assigned to Hudson and Tamiami. The net effect is the same whether these costs are directly charged to Hudson and Tamiami or whether they are specifically assigned from Ni America.

**Finding 2-Salaries and Benefits**--Page 10-The Audit of Affiliated Transactions recommends a reduction in salaries and benefits of (\$40,348.94) for five employees. The list of employees contains Clady Martinez, Office Manager, and Lauren Burgess, Senior Analyst. Both of these employees perform corporate functions and effectively do tasks for all utilities. These employees' payroll and benefits should remain as an allocable expense. However, in reviewing the total list of employees, Ni Florida discovered one additional employee whose salary and benefits should be part of the reduction. This is Stan Jones, President of South Carolina Utilities. His duties are limited to South Carolina Utilities. The net of these adjustments would result in an additional reduction to Ni Florida of (\$6,332.07).

**Finding 3-Depreciation Expense**-Page 11- The Audit of Affiliated Transactions recommends Depreciation Expense to not be allocated to Ni Florida in the amount of \$1,574.86 because the fixed assets are not allocated to Ni Florida, LLC. This is likely the result of a misunderstanding in the response given by Ni Florida when asked about these assets. To clarify, these assets are not allocated to Ni Florida, because they reside on the books of Ni America. These assets support the corporate employees of Ni America; therefore the depreciation of these assets should be allocated to Ni Florida, the same as is done with the payroll and benefits of these employees. Thus, while the assets are not allocated to Ni Florida, the depreciation expense should be allocated to Ni Florida.