

Ashley Quick

From: Kathy Shoaf
Sent: Friday, October 28, 2016 1:47 PM
To: Commissioners & Staffs; CLK - Agenda Staff; Braulio Baez; Keith Hetrick; Mark Futrell; Apryl Lynn; Mary Anne Helton; Tom Ballinger; Greg Shafer; Andrew Maurey; Jennifer Crawford; Kyesha Mapp; Cheryl Bulecza-Banks; Todd Brown; Patti Daniel; Mark Cicchetti; Sonica Bruce; Shannon Hudson; Cindy Muir
Cc: Kate Hamrick; Jacqueline Moore; Nancy Harrison
Subject: APPROVED - Request for Oral Modification - Item 13 - Docket No. 160030-WS - Ni Florida

Please see APPROVED – Request for Oral Modification – Item 13 – Docket No. 160030-WS.

Kathy Shoaf

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From: Braulio Baez
Sent: Friday, October 28, 2016 1:35 PM
To: Kathy Shoaf
Subject: Fwd: Item 13 - Docket No. 160030-WS - Ni Florida - Oral Modification

Approved.

Sent from my T-Mobile 4G LTE Device

----- Original message -----

From: Greg Shafer <GShafer@PSC.STATE.FL.US>
Date: 10/28/16 12:33 PM (GMT-05:00)
To: Braulio Baez <BBaez@PSC.STATE.FL.US>
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Subject: Item 13 - Docket No. 160030-WS - Ni Florida - Oral Modification

Staff requests approval to make an oral modification to Item 13 scheduled for the November 1, 2016 Commission Conference (Docket No. 160030-WS, Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, Inc.). Modifications are necessary to reverse staff's Infiltration and Inflow adjustment addressed in Issue 5, based on support data received from the utility, and to correct the

return on equity addressed in Issue 8, due to a formula error. These two corrections affect fall out issues: 9, 12, 13, 14, and 19. Modifications are also necessary to Issue 16 to include violation reconnection and meter re-read charges based on a contract agreement with Hudson Water Works, which was provided subsequent to staff's recommendation. This correction affects test year revenues in Issue 10. In addition, a correction to Issue 21 (docket closure) is required to remove reference to Phase I pro forma plant. Staff's proposed modifications are shown below.

Corrections to Issue 5 (pages 18-19) are contained in the Recommendation statement, Infiltration and Inflow discussion, and Summary paragraph.

Issue 5: What are the used and useful (U&U) percentages for Ni Florida's water and wastewater systems?

Recommendation: Ni Florida's water distribution system should be considered 100 percent U&U and its wastewater collection system should be considered 100 percent U&U. ~~Staff recommends that wastewater purchased power and purchased wastewater expenses should be reduced by 1.81 percent for excessive I&I.~~ No adjustment is recommended for infiltration & inflow (I&I) or excessive unaccounted for water (EUW). (Hill)

Infiltration and Inflow (I&I)

Typically, infiltration results from groundwater entering a wastewater collection system through broken or defective pipes and joints; whereas, inflow results from water entering a wastewater collection system through manholes or lift stations. By convention, the allowance for infiltration is 500 gpd per inch diameter pipe per mile, and an additional 10 percent of residential water billed is allowed for inflow. Rule 25-30.432, F.A.C., provides that in determining the amount of U&U plant, the Commission will consider I&I. Additionally, adjustments to operating expenses such as chemical and electrical costs are also considered necessary.

All wastewater collection systems experience I&I. The conventions noted above provide guidance for determining whether the I&I experienced at a wastewater treatment plant (WWTP) is excessive. Staff calculates the allowable infiltration based on system parameters and allowable inflow based on water sold to customers. The sum of these amounts is the allowable I&I. Staff next calculates the estimated amount of wastewater returned to the WWTP from customers. The estimated return is determined by summing 80 percent of the water sold to residential customers with 90 percent of the water sold to non-residential customers. Adding the estimated return to the allowable I&I yields the maximum amount of wastewater that should be treated by a WWTP without incurring adjustments to operating expenses. If this amount exceeds the actual amount treated, no adjustment is made. If it is less than the gallons treated, then the difference is the excessive amount of I&I.

The utility has 133,669 feet of 8-inch collecting mains, 440 feet of 3-inch force mains, 21,043 feet of 4-inch force mains, 38,303 feet of 6-inch force mains, 4,000 feet of 8-inch force mains, and 3,810 feet of 12-inch force mains. Given these parameters and performing the necessary conversions to express the result in gallons per year (gpy), the allowance for infiltration is 50,546,348 ~~50,546,347~~ gpy.

The utility's records indicated that its residential customers were billed for 88,154,000 ~~96,230,000~~ gallons of wastewater based on estimated return rates of water usage during the test year. Thus, the allowance for inflow is 10 percent of that amount, or 8,815,400 ~~9,623,000~~ gpy. Therefore, the total allowance for inflow and infiltration is 59,361,748 ~~60,169,347~~ gpy.

The utility reported the wastewater customers had water usage during the test year of 159,287,000 ~~149,727,000~~ gallons (88,154,000 ~~80,153,000~~ residential, 37,605,000 multi-family, 33,528,000 ~~31,969,000~~ non-residential). The Commission practice is that 80 percent of residential and 90 percent of non-residential water is estimated to be returned as wastewater to be treated. Using these values, Estimating the residential return at 80 percent and the non-residential return at 90 percent, the total estimated return to the WWTP is 134,542,900 ~~96,230,000~~ gallons. Thus, the estimated maximum amount of wastewater that the WWTP should treat, the estimated return plus the allowable I&I, is 193,904,648 ~~156,399,347~~ gpy. Any amount treated in excess of this amount is considered excessive I&I.

According to the staff audit, the utility purchased ~~144,336,000~~ 159,287,000 gallons of wastewater treatment during the test year. This is ~~greater~~ less than the estimated maximum amount allowable. ~~Therefore, the excessive I&I is 2,887,652 gpy. Expressed as a percentage of wastewater treated, it is 1.81 percent. Thus, a 1.81 percent adjustment to wastewater purchased power and purchased wastewater expenses should be made for excessive I&I and so there should be no adjustment for excessive I&I.~~

Summary

Based on the analysis above, staff recommends Ni Florida's water distribution system should be considered 100 percent U&U and its wastewater collection system should be considered 100 percent U&U. ~~Staff recommends that wastewater purchased power and purchased wastewater expenses should be reduced by 1.81 percent for excessive I&I.~~ No adjustment is recommended for ~~I&I or~~ EUW.

Correction to Issue 8 (page 23) is as follows:

Issue 8: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is ~~9.22~~ 9.56 percent with an allowed range of plus or minus 100 basis points. (Brown)

Staff Analysis: The utility requested an ROE of 9.27 percent. Based on the current leverage formula in effect and an equity ratio of 76.92 percent, the appropriate ROE is ~~9.22~~ 9.56 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

FALL OUT ISSUES

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Issue 9: 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 ended December 31, 2015 is ~~7.86~~ ~~8.11~~ percent. (Brown)

Staff Analysis: In its filing, Ni Florida requested an overall cost of capital of 8.15 percent. Staff recommends several adjustments to the utility's capital components included in its capital structure.

First, the utility included a cost rate of 6.00 percent for customer deposits. Pursuant to Rule 25-30.311, F.A.C., Customer Deposits, the minimum interest rate for residential customer deposits is 2.00 percent per annum. Going forward, staff recommends that 2.00 percent is the appropriate cost rate for customer deposits.

Second, the utility has requested to include pro forma plant additions in the instant docket. Due to tax timing differences between the Internal Revenue Service and state regulatory depreciation, the additional plant investment caused changes to the balance of accumulated deferred income taxes (ADITs). Ni Florida included in its filing an adjustment to its capital structure to reflect the proper amount of deferred income taxes on its pro forma plant additions. The amount of ADITs included in Ni Florida's capital structure was reduced by \$596 based on staff's pro forma calculations.

Based upon the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2015, including the aforementioned adjustments, staff recommends a weighted average cost of capital of ~~7.86~~ ~~8.11~~ percent. Schedule No. 2 details staff's recommended overall cost of capital.

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Issue 10: Should any further adjustments be made to test year revenues?

Recommendation: Yes. Test year revenues for the Ni Florida's water system and wastewater systems should be increased by \$159 and ~~\$8,500~~ ~~\$10,075~~, respectively. (Bruce)

Staff Analysis:

Staff also made adjustments to miscellaneous revenues for water and wastewater. Staff found that the utility understated the number of occurrences for late payments during the test year. Therefore, staff increased miscellaneous revenues for water and wastewater revenues by \$159 and \$123, respectively. Staff also increased wastewater miscellaneous revenues to reflect the appropriate number of premises visits, which resulted in an increase of \$125. For wastewater, the utility did not record an initial connection charge, which resulted in \$27 increase. Furthermore, as discussed in Issue 16, staff is recommending approval of violation reconnection charges based on a joint agreements with Pasco County and Hudson Water Works. Therefore, staff imputed revenues of ~~\$9,800~~ ~~\$8,225~~ $[(\$125 - \$27) \times 40] + [(\$90 - \$27) \times 45]$ to reflect the additional miscellaneous revenues. For the reasons outlined above, the miscellaneous revenues for water should be \$6,516 ($\$6,357 + 159$) and ~~\$54,031~~ ~~\$62,256~~ ($\$53,756 + \$123 + \$125 + \$27 + 9,800$ ~~\$8,225~~) for wastewater. Based on the above, the appropriate test year revenues for Ni Florida's water and wastewater systems, including miscellaneous service revenues are \$224,606 and ~~\$1,952,477~~ ~~\$1,950,902~~. Table 10-1, represents a summary of staff's adjustments for test year revenues.

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	Water	Wastewater
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Service Revenues		
Utility Recorded Service Revenues	\$236,812	\$1,875,982
Staff's Adjustment	(\$18,721)	\$12,664
Total Service Revenues	\$218,090	\$1,888,646
Miscellaneous Revenues		
Utility Recorded Miscellaneous Revenues	\$6,357	\$53,756
Staff's Miscellaneous Revenue Adjustments	\$159	\$8,500 \$10,075
Total Miscellaneous Revenues	\$6,516	\$62,256 \$63,831
Total Test Year Revenues	\$ 224,606	\$1,950,902 \$1,952,477

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Issue 12: Should additional adjustments be made to test year O&M expenses?

Recommendation: Yes. Based on adjustments set forth above, staff recommends decreasing O&M expense by \$20,724 for water and \$136,054 for wastewater. Adjustments to O&M expense are shown on Schedule No. 3-C. (Brown)

Staff Analysis: Staff has reviewed the test year O&M expenses and examined invoices, canceled checks, and other supporting documentation. As a result, staff is recommending several adjustments to the utility's operating expenses, as summarized below.

Staff notes that in regard to purchased water and wastewater contractual services-engineering, no adjustments were identified by staff. There were also no audit findings pertaining to these issues. Several other accounts had adjustments made as a result of an audit finding ~~or due to I&I~~, and are addressed in other issues. As such, they are identified in the table below, but are not discussed within this issue.

Issue 13: What is the appropriate revenue requirement for the test year ended in December 31, 2015?

Recommendation: Staff recommends the following revenue requirement be approved.

	Test Year Revenue	\$ Increase/ (Decrease)	Revenue Requirement	% Increase/ (Decrease)
Water	\$224,606	\$63,837	\$288,443	28.42%
		\$65,265	\$289,872	29.06%
Wastewater	\$1,952,477	\$310,627	\$2,261,529	15.92%
		\$311,050	\$2,263,527	15.93%

Staff Analysis: In its filing, Ni Florida requested revenue requirements to generate annual revenue of \$322,091 for water and \$2,404,738 for wastewater. These requested revenue requirements represent revenue increases of \$87,150, or approximately 37.10 39 percent, for water, and \$475,000, or approximately 24.60 percent, for wastewater.

Consistent with staff’s recommendations concerning rate base, cost of capital, and operating income issues, staff recommends approval of rates designed to generate a water revenue requirement of \$288,443 \$289,872, and a wastewater revenue requirement of \$2,261,529 \$2,263,527. Staff’s recommended water revenue requirement exceeds staff’s adjusted test year revenue by \$63,837 \$65,265, or 28.42 29.06 percent. Staff’s recommended wastewater revenue requirement exceeds staff’s adjusted test year revenue by \$310,627 \$311,050, or 15.92 15.93 percent. These recommended pre-repression revenue requirements will allow the utility the opportunity to recover its expenses and earn a 7.86 8.11 percent return on its investment in water and wastewater rate base.

(The only modifications to Issue 14 are contained in Tables 14-1 and 14-2, found on pages 44 and 46)

Issue 14: What are the appropriate rate structures and rates for Ni Florida's water and wastewater systems?

Recommendation: The recommended rate structures and monthly water and wastewater rates are shown on Nos. 4-A and 4-B. 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. (Bruce)

**Table 14-1
Staff's Recommended and Alternative Water Rate Structures and Rates**

	Rates at Time of Filing	Staff Recommended Rates (55% BFC)	Alternative I (50% BFC)	Alternative II (59% BFC)
<u>Residential</u>				
5/8" x 3/4" Meter Size	\$12.64	\$15.10 \$15.02	\$13.72 \$13.65	\$16.20 \$16.11
Charge per 1,000 gallons – Residential				
0-3,000 gallons	\$4.47			
3,001-6,000 gallons	\$5.66			
Over 6,000 gallons	\$7.88			
0-3,000 gallons		\$7.05 \$7.02	\$7.83 \$7.80	\$6.42 \$6.39
Over 3,000 gallons		\$7.88 \$7.82	\$8.95 \$8.88	\$7.06 \$7.01
Charge Per 1,000 gallons- General Service	\$4.81	\$7.15 \$7.11	\$7.96 \$7.92	\$6.62 \$6.46
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
2,000 Gallons	\$21.58	\$29.20 \$29.06	\$37.21 \$29.25	\$29.04 \$28.89
6,000 Gallons	\$43.03	\$59.89 \$59.54	\$64.06 \$63.69	\$56.64 \$56.31
8,000 Gallons	\$58.79	\$75.65 \$75.18	\$81.96 \$81.45	\$70.76 \$70.33

Source: Current tariff and staff's calculations

**Table 14-2
Staff's Recommended and Alternative Wastewater Rate Structures and Rates**

	Rates at Time of Filing	Staff Recommended Rates (50% BFC)	Alternative I (45% BFC)	Alternative II (55% BFC)
<u>Residential</u>				
Base Facility Charge	\$20.95	\$26.03	\$23.43	\$28.64 \$28.63
Charge per 1,000 gallons				
8,000 gallon cap	\$6.87	N/A	N/A	N/A
6,000 gallon cap	N/A		\$7.59	\$6.21
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
2,000 Gallons	\$34.69	\$39.83	\$38.61	\$41.06 \$41.05
6,000 Gallons	\$62.17	\$67.43	\$68.97	\$65.90 \$65.89
8,000 Gallons	\$75.91	\$67.43	\$68.97	\$65.90 \$65.89

Issue 16: Should the Commission approve Ni Florida's proposed rates for reconnection and meter re-reads based on a contract with Pasco County and Hudson Water Works?

Recommendation: The appropriate wastewater violation reconnection charge should be Yes. Staff recommends that Ni Florida's proposed violation reconnection charge of \$125.00 and \$187.50 during normal business hours and after hours, respectively, and a \$20.00 for meter re-reads for Pasco County water customers, based on a contract with Pasco County should be approved. For Hudson Water Works water customers, the appropriate wastewater violation reconnection charge should be \$90.00 and \$15.00 for meter re-reads. The charges should be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges 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. (Bruce)

Staff Analysis: Ni Florida provides wastewater-only service for its customers in Pasco County. The water service is provided by two utilities: Pasco County and Hudson Water Works (water providers) and Pasco County. In the past, the utility experienced a high level of bad debt expense due to uncollectable accounts. Ni Florida does not have the ability to disconnect water service when a customer is delinquent in paying for wastewater service. In the last rate case, the Commission approved pro forma additions for the installation of elder valves, which are lockable, disconnection, cleanout devices consisting of a special tee and plunger that is used to stop all flow from the customer's property to the wastewater system. As in the past, the Ni Florida currently has customers with large outstanding balances.

Ni Florida believes that customer service and billing issues can be better addressed through a joint agreements with the water providers of its wastewater customers. Such agreements will eliminate the need for Ni Florida to install elder valves to shut off a customer's service for non-payment and will provide meter reading and violation reconnection services for their its wastewater-only customers within the Pasco County each water provider's respective service area. Pursuant to Paseo County's Contract the respective agreements, (agreement), Sections 3.1 3.2 state that Paseo County the water providers will disconnect water service for a delinquent account within five days of a written notice from Ni Florida. Pasco County will assess Ni Florida its current prevailing charge of \$125.00 (normal hours) and \$187.50 (after-hours) for shut-off and restoration services, which is a violation reconnection charge pursuant to Rule 25-30.460, F.A.C. Hudson Water Works will assess \$45 for disconnection and \$45 for reconnection, which totals \$90 for the violation reconnection charge. As result of the Pasco County agreement, Ni Florida requested to increase its normal reconnection and violation reconnection charges to \$125.00 and \$187.50 for normal hours and after-hours, respectively. The agreement addresses reconnections only in terms of reconnecting service after a disconnection. Therefore, staff does not believe it is appropriate to increase the normal reconnection charge. In its filing, Ni Florida did not request the violation reconnection charge that coincides with its agreement with Hudson Water Works.

In addition, Pasco County and Hudson Water Works provide meter readings for Ni Florida's wastewater billing. Pursuant to Section 2.2 each respective of the agreement, Paseo County the water provider will perform a meter re-read, at the request of Ni Florida, if there is a discrepancy in the billing. The cost of meter re-read is \$20 for Pasco and \$15 for Hudson Water Works if the meter reading is correct and no charge if the initial reading is determined to be incorrect. Therefore, Ni Florida requested to implement a meter re-read at \$20. In its filing, Ni Florida did request the meter re-read charge that coincides with its agreement with Hudson Water Works. Staff believes this both agreements with the water providers is are reasonable remedy remedies for handling delinquent accounts and meter re-reads on going-forward basis for its wastewater-only customers.

Based on the above, ~~staff recommends that Ni Florida's proposed violation reconnection charge of \$125.00 and \$187.50 during normal business hours and after hours, respectively, and a \$20.00 meter re-read based on a contract with Pasco County should be approved. The appropriate wastewater violation reconnection charge should be \$125.00 and \$187.50 during normal business hours and after hours, respectively, and \$20.00 for meter re-reads for Pasco County water customers. For Hudson Water Works water customers, the appropriate wastewater violation reconnection charge should be \$90.00 and \$15.00 for meter re-reads. The charges should be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges 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.~~

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Issue 19: In determining whether any portion of the interim water and wastewater revenue increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The appropriate refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenues granted. This results in a refund of ~~8.90~~ ~~8.44~~ percent for water and ~~1.01~~ ~~0.92~~ percent for wastewater. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as Contributions in Aid of Construction (CIAC) pursuant to Rule 25-30.360(8), F.A.C. Further, the letter of credit should be released upon staff's verification that the required refunds have been made. (Brown)

Staff Analysis: By Order No. PSC-16-0249-PCO-WS, issued June 29, 2016, the Commission approved an interim revenue requirement of \$310,891 for water and \$2,264,770 for wastewater, subject to refund. The approved interim revenue requirements represented an increase of 38.98 percent for water and 17.21 percent for wastewater.

According to Section 367.082, F.S., any refund should be calculated to reduce the rate of return of the utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period interim rates in effect should be removed. Rate case expense is an example of an adjustment which is recovered only after final rates are established.

In this proceeding, the test period for establishment of interim and final rates is the 12-month period, which ended December 31, 2015. Ni Florida's approved interim rates did not include any provisions for pro forma operating expenses or plant. The interim increase was designed to allow recovery of actual interest costs, and the lower limit of the last authorized range of return on equity. To establish the proper refund amount, staff calculated revised interim revenue requirements utilizing the same data used to establish final rates. Rate case expense was excluded because this item is prospective in nature and did not occur during the interim collection period.

Using the principles discussed above, staff calculated an adjusted interim revenue requirements of ~~\$283,216~~ ~~\$284,644~~ for water and ~~\$2,241,865~~ ~~\$2,243,863~~ for wastewater. The adjusted water interim revenue requirement of ~~\$283,216~~ ~~\$284,644~~ is lower than the interim revenue requirement of \$310,891, resulting in a refund of ~~8.90~~ ~~8.44~~ percent. The adjusted wastewater interim revenue requirement of ~~\$2,241,865~~ ~~\$2,243,863~~ is lower than the interim revenue requirement of \$2,264,770, resulting in a refund of ~~1.01~~ ~~0.92~~ percent. As such, the letter of

credit for Ni Florida's funds should be released upon staff's verification that the required refunds have been made.

Issue 21: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the **utility has completed the required refunds, outstanding Phase I pro forma items have been completed,** the revised tariff sheets and customer notice have been filed by the utility and approved by staff, and the utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. (Mapp)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the **utility has completed the required refunds, outstanding Phase I pro forma items have been completed,** the revised tariff sheets and customer notice have been filed by the utility and approved by staff, and the utility has provided staff with proof that the adjustments for all applicable NARUC USOA primary accounts have been made.

SCHEDULES

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Ni Florida, LLC Capital Structure - 13-Month Average Test Year Ended 12/31/15							Schedule Docket No. 160
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate
Per Utility							
1 Long-term Debt - Fixed Rate	48,567	0	48,567	0	48,567	1.13%	8.50%
2 Long-term Debt - Variable Rate	896,661	0	896,661	0	896,661	20.92%	4.50%
3 Short-term Debt	0	0	0	0	0	0.00%	0.00%
4 Preferred Stock	0	0	0	0	0	0.00%	0.00%
5 Common Equity	3,149,915	0	3,149,915	0	3,149,915	73.48%	9.27%
6 Customer Deposits	85,202	0	85,202	0	85,202	1.99%	6.00%
7 Deferred Income Taxes	<u>3,634</u>	<u>102,915</u>	<u>106,549</u>	<u>0</u>	<u>106,549</u>	<u>2.49%</u>	0.00%
8 Total Capital	<u>\$4,183,979</u>	<u>\$102,915</u>	<u>\$4,286,894</u>	<u>\$0</u>	<u>\$4,286,894</u>	<u>100.00%</u>	
Per Staff							
9 Long-term Debt- Fixed Rate	48,567	0	48,567	226	48,793	1.13%	8.50%
10 Long-term Debt - Variable Rate	896,661	0	896,661	4,165	900,826	20.92%	4.50%
11 Short-term Debt	0	0	0	0	0	0.00%	0.00%
12 Preferred Stock	0	0	0	0	0	0.00%	0.00%
13 Common Equity	3,149,915	0	3,149,915	14,633	3,164,548	73.50%	<u>9.22%</u> <u>9.56%</u>
14 Customer Deposits	85,202	0	85,202	0	85,202	1.98%	2.00%
15 Deferred Income Taxes	<u>3,038</u>	<u>102,915</u>	<u>105,953</u>	<u>0</u>	<u>105,953</u>	<u>2.46%</u>	0.00%
16 Total Capital	<u>\$4,183,383</u>	<u>\$102,915</u>	<u>\$4,286,298</u>	<u>\$19,024</u>	<u>\$4,305,322</u>	<u>100.00%</u>	
						LOW	HIGH
RETURN ON EQUITY						<u>8.22%</u>	<u>10.22%</u>
						<u>8.56%</u>	<u>10.56%</u>
OVERALL RATE OF RETURN						<u>7.12%</u>	<u>8.59%</u>
						<u>7.37%</u>	<u>8.84%</u>

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Ni Florida, LLC Statement of Water Operations Test Year Ended 12/31/15						Schedule No. 3-A Docket No. 160030-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:	<u>\$243,169</u>	<u>\$78,922</u>	<u>\$322,091</u>	<u>(\$97,485)</u>	<u>\$224,606</u>	<u>\$63,837</u> <u>\$65,265</u>	<u>\$288,443</u> <u>\$289,872</u>
Operating Expenses						<u>28.42%</u> <u>29.06%</u>	
2 Operation & Maintenance	\$238,510	\$9,115	\$247,625	(\$34,637)	\$212,988	\$0	\$212,988
3 Depreciation	19,513	817	20,330	0	20,330	0	20,330
4 Amortization	0	0	0	0	0	0	0
5 Taxes Other Than Income	10,943	3,922	14,865	(5,222)	9,643	<u>2,873</u> <u>2,937</u>	<u>12,516</u> <u>12,580</u>
6 Income Taxes	<u>0</u>	<u>12,882</u>	<u>12,882</u>	<u>(19,963)</u>	<u>(7,081)</u>	<u>22,941</u> <u>23,454</u>	<u>15,860</u> <u>16,373</u>
7 Total Operating Expense	<u>268,966</u>	<u>26,736</u>	<u>295,702</u>	<u>(59,822)</u>	<u>235,880</u>	<u>25,814</u> <u>26,391</u>	<u>261,694</u> <u>262,271</u>
8 Operating Income	<u>(\$25,797)</u>	<u>\$52,186</u>	<u>\$26,389</u>	<u>(\$37,663)</u>	<u>(\$11,274)</u>	<u>\$38,024</u> <u>\$38,874</u>	<u>\$26,750</u> <u>\$27,600</u>
9 Rate Base	<u>\$1,377,079</u>		<u>\$345,002</u>		<u>\$340,468</u>		<u>\$340,468</u>
10 Rate of Return	<u>-1.87%</u>		<u>7.65%</u>		<u>-3.31%</u>		<u>7.86%</u> <u>8.11%</u>

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Ni Florida, LLC Statement of Wastewater Operations Test Year Ended 12/31/15						Schedule No. 3-B Docket No. 160030-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:	<u>\$1,929,738</u>	<u>\$475,000</u>	<u>\$2,404,738</u>	<u>(\$453,836)</u> <u>(\$452,261)</u>	<u>\$1,950,902</u> <u>\$1,952,477</u>	<u>\$310,627</u> <u>\$311,050</u>	<u>\$2,261,529</u> <u>\$2,263,527</u>
Operating Expenses						<u>15.92%</u> <u>15.93%</u>	
2 Operation & Maintenance	1,515,833	65,633	1,581,466	<u>(189,371)</u>	<u>1,392,095</u>	0	<u>1,392,095</u>

					(203,345)	1,378,121		1,378,121
3	Depreciation	166,265	18,132	184,397	(735)	183,662	0	183,662
4	Amortization	0	0	0	(2,845)	(2,845)	0	(2,845)
5	Taxes Other Than Income	164,261	25,939	190,200	(11,764)	178,436	13,978	192,415
					(11,693)	178,507	13,997	192,504
6	Income Taxes	<u>47,244</u>	<u>99,746</u>	<u>146,990</u>	(73,926)	73,064	111,629	184,693
					(68,101)	78,889	111,781	190,670
7	Total Operating Expense	<u>\$1,893,603</u>	<u>\$209,450</u>	<u>\$2,103,053</u>	(\$278,640)	\$1,824,413	\$125,607	\$1,950,020
					(\$286,719)	\$1,816,334	\$125,778	\$1,942,112
8	Operating Income	<u>\$36,135</u>	<u>\$265,550</u>	<u>\$301,685</u>	(\$175,196)	\$126,489	\$185,020	\$311,509
					(\$165,542)	\$136,143	\$185,272	\$321,415
9	Rate Base	<u>\$9,373,401</u>		<u>\$3,943,297</u>		<u>\$3,964,854</u>		<u>\$3,964,854</u>
10	Rate of Return	<u>0.39%</u>		<u>7.65%</u>		<u>3.19%</u>		<u>7.86%</u>
						<u>3.43%</u>		<u>8.11%</u>

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Ni Florida, LLC		Schedule 3-C	
Adjustment to Operating Income		Docket No. 160030-WS	
Test Year Ended 12/31/15			
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1	Remove requested final revenue increase.	(\$87,150)	(\$475,000)
2	Reflect the appropriate amount of test year revenues. (Issue 10)	<u>(10,335)</u>	<u>22,739</u> <u>21,164</u>
			<u>(\$453,836)</u>
	Total	<u>(\$97,485)</u>	<u>(\$452,261)</u>
<u>Operation and Maintenance Expense</u>			
1	To adjust purchased wastewater for excess I & I. (Issue 5)	0	(13,478)
2	To adjust purchased power for excess I & I. (Issue 5)	0	(496)
3	Reflect contested audit adjustments. (Issue 3)	(10,277)	(39,742)
4	Reflect appropriate rate case expense amortization. (Issue 11)	(3,636)	(13,575)
5	Reflect further adjustments to O&M expense. (Issue 12)	<u>(20,724)</u>	<u>(136,054)</u>
	Total	<u>(\$34,637)</u>	<u>\$189,371</u>
			<u>\$203,345</u>
<u>Depreciation Expense - Net</u>			
	Reflect appropriate pro forma plant adjustments. (Issue 4)	\$0	(\$735)
<u>Amortization Expense</u>			
	Reflect agreed upon audit adjustments. (Issue 2)	\$0	(\$2,845)

Taxes Other Than Income

1	Remove RAFs on revenue adjustments above.	(\$4,387)	(\$20,352)	(\$20,423)
2	Reflect contested audit adjustments. (Issue 3)	(\$835)		(\$1,378)
3	Reflect appropriate pro forma plant adjustments. (Issue 4)	<u>0</u>		<u>10,037</u>
	Total	<u>(\$5,222)</u>	(\$11,764)	(\$11,693)

NI FLORIDA, LLC.
TEST YEAR ENDED 12/31/15
MONTHLY WATER RATES

SCHEDULE NO. 4-A
DOCKET NO. 160030-WS

	RATES AT TIME OF FILING	COMMISSION APPROVED INTERIM	UTILITY REQUESTED RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
Residential and General Service					
Base Facility Charge by Meter Size					
5/8" x 3/4"	\$12.64	\$17.70	\$18.34	\$15.10 \$15.02	\$0.32
3/4"	\$18.96	\$26.54	\$27.52	\$22.65 \$22.53	\$0.49
1"	\$31.60	\$44.24	\$45.86	\$37.75 \$37.55	\$0.81
1-1/2"	\$63.21	\$88.49	\$91.73	\$75.50 \$75.10	\$1.62
2"	\$101.13	\$141.57	\$146.76	\$120.80 \$120.16	\$2.59
3"	\$202.27	\$312.69	\$293.54	\$241.60 \$240.32	\$5.18
4"	\$316.04	\$442.43	\$458.65	\$377.50 \$375.50	\$8.09 \$8.10
6"	\$632.08	\$884.86	\$917.29	\$755.00 \$751.00	\$16.19
8"	\$1,011.20	\$1,415.60	\$1,467.48	\$1,208.80 \$1,201.60	\$25.90 \$25.91
RV Park	\$1,324.36	\$1,854.00	\$1,921.95	\$1,343.90 \$1,336.78	\$28.81 \$28.82
Charge per 1,000 Gallons - Residential					
0-3,000 gallons	\$4.47	\$6.26	\$6.49		
3,001-6,000 gallons	\$5.66	\$7.92	\$8.21		
Over 6,000 gallons	\$7.88	\$11.03	\$11.44		
0-3,000 gallons				\$7.05 \$7.02	\$0.15
Over 3,000 gallons				\$7.88 \$7.82	\$0.17
Charge per 1,000 Gallons - General Service					
	\$4.81	\$6.73	\$6.98	\$7.28 \$7.11	\$0.15
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
2,000 Gallons	\$21.58	\$30.22	\$31.32	\$15.10 \$29.06	
6,000 Gallons	\$43.03	\$60.24	\$62.44	\$59.89 \$59.54	
8,000 Gallons	\$58.79	\$82.30	\$85.32	\$75.65 \$75.18	

NI FLORIDA, LLC.
TEST YEAR ENDED 12/31/15
MONTHLY WASTEWATER RATES

SCHEDULE NO. 4-B
DOCKET NO. 160030-WS

	RATES AT TIME OF FILING	COMMISSION APPROVED INTERIM	UTILITY REQUESTED RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
Residential					
Base Facility Charge - All Meter Sizes					
Charge Per 1,000 gallons	\$20.95	\$24.66	\$26.12	\$26.03	\$0.27
6,000 gallon cap				\$6.90	\$0.07
8,000 gallon cap	\$6.87	\$8.09	\$8.56		
General Service					
Base Facility Charge by Meter Size					
5/8" x 3/4"	\$20.95	\$24.66	\$26.12	\$26.03	\$0.27
3/4"	\$31.43	\$36.99	\$39.18	\$39.05	\$0.41
1"	\$52.38	\$61.65	\$65.30	\$65.08	\$0.68
1-1/2"	\$105.46	\$123.30	\$130.60	\$130.15	\$1.35
2"	\$167.64	\$197.28	\$208.96	\$208.24	\$2.16
3"	\$335.27	\$394.56	\$391.80	\$416.48	\$4.33
4"	\$523.86	\$616.50	\$653.00	\$650.75	\$6.76
6"	\$1,047.73	\$1,233.00	\$1,306.00	\$1,301.50	\$13.52
8"	\$1,676.37	\$1,972.80	\$2,089.60	\$2,082.40	\$21.63 \$21.64
10"	\$2,409.78	\$2,835.90	\$3,003.80	\$2,993.45	\$31.10
Mobile Home Park	\$523.86	\$616.50	\$653.00	\$9,891.40	\$102.76 \$102.78
Condominiums	\$1,047.73	\$1,233.00	\$1,306.00	\$5,232.03	\$54.36
Charge per 1,000 Gallons - General Service	\$8.24	\$9.70	\$10.27	\$8.28 \$8.27	\$0.09
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
2,000 Gallons	\$34.69	\$40.84	\$43.23	\$39.83	
6,000 Gallons	\$62.17	\$73.20	\$77.47	\$67.43	
8,000 Gallons	\$62.17	\$73.20	\$77.47	\$68.90 \$67.43	

Thanks,
Greg