



Ni Florida, Inc.

A SouthWest Water Company

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March 1, 2023

Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RE: Undocketed Staff Workshop on Regulatory Policy

To the Commission,

The Florida Public Service Commission (“Commission”) issued a Notice of Staff Workshop on December 21, 2022, to examine regulatory policies and practices in the water and wastewater industries in Florida. The workshop was held on February 1, 2023, 9:30 a.m. at the Betty Easley Conference Center, 4075 Esplanade Way, Tallahassee. Representatives for Ni Florida, Inc. (“Ni Florida”) appreciated the opportunity to be in attendance and participate in the healthy and constructive discussion.

Ni Florida commends the Commission for organizing and hosting the workshop and allowing utilities to submit written comments. Ni Florida looks forward to continuing to do business in Florida with its constructive regulatory environment and emphasizes the ongoing need for regulatory flexibility in the water and wastewater industry. Even in a best-practice state like Florida there is room for adjustments to address industry and market changes, which makes the workshop hosted by Commission staff all the more meaningful. Ni Florida incorporates and submits in writing below its comments addressing specific topics addressed in the workshop. In addition to the below, Ni Florida parallels the sentiments and perspectives contained in the comments filed by the National Association of Water Companies.

1. Allowed Return on Equity (ROE)

Ni Florida supports time-limited ROE adders for infrastructure replacement investments. These would further incentivize infrastructure investment in Florida that would help address aging and/or problematic critical infrastructure on a more accelerated basis, helping to maintain healthy water and wastewater systems. Other ROE mechanisms such as performance-based or threshold-based adders, while typically more common in the electric industry, could equally be applied to the water and wastewater industry to incentivize investment.

2. Used and Useful Adjustment Rules

Ni Florida echoes the comments presented orally at the workshop by other utilities that the current “used and useful” regulations do not optimally incentivize prudent investment decisions, and therefore revisions are necessary. Ni Florida supports simplification of the “used and useful” adjustment rules in order to properly apply the regulatory concept of used and useful. The current regulatory construct does not support aging infrastructure replacement investment. Ni Florida nonetheless emphasizes that the burden



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of proof of prudence should remain with the utility, with the Commission retaining the ultimate authority to apply its expertise in determining the level of prudent utility investment and resulting levels of return.

3. System Consolidation

Ni Florida acknowledges the administrative burden of the initial filing for a single-tariff or uniform-rate system consolidation. However, the result of uniform rates and accounting records provides tremendous benefits to customers, utilities, and the Commission. Streamlining the initial rate case to achieve uniform rate consolidation might not have an easy or obvious path due to the unique circumstances of each consolidation. The efficiencies realized after consolidation through administrative efficiencies, a higher standard of reliable service to the entire customer base, rate stabilization, and increased focus on environmental compliance are, however, numerous and inure to the benefit of the customers, the utility, and the general public. Ni Florida suggests consolidation applications be completed on a case-by-case basis, with the use of a flexible toolbox incorporated into regulatory policy or already existing in precedent. The toolbox could include options for:

1. Cost of service studies for identified or certain systems to be consolidated, perhaps based on certain criteria, such as utility size;
2. Phase-in options for customers of systems with rates potentially lower than the majority, due to a lack of a recent rate case or otherwise;
3. Requiring a certain standard of operation or compliance for systems to be eligible to consolidate (in some cases this would require investments in troubled systems, thereby theoretically bringing rates and standards of quality closer to a higher majority before combining rates), and/or;
4. Examining the flexibility of rate design and rate class allocations of base and usage portions of rates to keep rate impacts low for minimal-consumption customers.

Incentivizing consolidation also incentivizes regulatory efficiencies. Cost savings of reduced rate case expenses, economies of scale, and fewer resources required for combined applications, annual reports, gross receipts, and other administrative filings are ultimately flowed to the customer.

4. Cost Recovery Mechanisms

Annual cost recovery mechanisms, similar to the gas industry's gas reliability infrastructure program ("GRIP") as introduced by the Staff at the workshop, adapted for the water and wastewater industry, would encourage utilities to respond to aging infrastructure before the over-extension of assets and consequences of failure occur, possibly to the detriment of quality of service. Other mechanisms, similar to the twenty (20) different states' infrastructure surcharge mechanisms, such as Pennsylvania's Distribution Improvement Charge ("DISC") or Texas's System Improvement Charge ("SIC") which does not limit application to distribution-only assets, could also be reviewed, customized, and adopted in Florida to allow for timely recovery of prudent investments without the burden of filing a full rate case. These types of mechanisms reduce regulatory lag similar to the annual index filing, which Ni Florida utilizes on an annual basis. Recognizing that timing and process of any such mechanism may require



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further thoughtful consideration, implementation of such an annual mechanism, coinciding with an index or pass through filing, could significantly reduce the need for rate cases for some utilities, as well as the cost of noticing customers with multiple increases if filed at different times. Timing aside, Ni Florida supports such characteristics for a mechanism including annual reconciliations, defined schedule, specified scope, capping the resulting return to protect customers, statements of quality-of-service requirements, and earnings surveillance. A pilot program would allow the Commission to make modifications at the end of the program to better serve customers, utilities, and the Commission.

Thank you again for this opportunity to submit comments and provide feedback in this collaborative process. We look forward to future opportunities to participate.

Respectfully,

Ni Florida, Inc.