

Carlotta Stauffer

From: Katherine Fleming
Sent: Thursday, October 27, 2016 10:18 AM
To: Carlotta Stauffer
Cc: Joann Parsons; Sonica Bruce
Subject: Re: Why is State of Florida still asking Rick Melcher (was Ni America, now Undine Development LLC)

Yes, please place this in the docket file.

Thank you.

Sent from my iPad

On Oct 27, 2016, at 10:14 AM, Carlotta Stauffer <CStauffe@PSC.STATE.FL.US> wrote:

Good morning,
I just found this in my spam folder. Sharing to be sure you saw it, as you are also addressees. If you wish this to be placed in the docket file, please officially notify the Clerk's Office of same.
Thanks,
Carlotta

From: Hank Lydick [<mailto:hlydick@austin.rr.com>]
Sent: Monday, October 24, 2016 9:44 PM
To: Crnich, Mike
Cc: margaret.pemberton@puc.texas.gov; katherine.gross@puc.texas.gov; Office of Commissioner Brown; Carlotta Stauffer; Sonica Bruce; Hank Lydick
Subject: Why is State of Florida still asking Rick Melcher (was Ni America, now Undine Development LLC)

TO: **Texas Public Utility Commission**
Attorney Mike Crnich

CC: **TPUC Legal Division**
Director Margaret U. Pemberton
Managing Attorney Katherine L. Gross

CC: **Public Service Commission (State of Florida)**
Chairman Julie I. Brown
Director Carlotta S. Stauffer
Economic Analyst Sonita C. Bruce

Mike,

This evening I was reading Mr. Melcher's letter to TPUC.
http://interchange.puc.texas.gov/WebApp/Interchange/application/dbapps/filings/pgControl.asp?TXT_CNTRL_NO=46150&TXT_STYLE=&TXT_UTILITY_TYPE=A&TXT_D_FROM_STYLE=&TXT_D_TO_STYLE=

Undine Development LLC promises:

- 1) Maintain Open & Regular Communication
- 2) Regular Town Hall Meetings

Undine Development LLC notes - TPUC must approve:

- 3) All expenses & capital investments
- 4) These must be (considered by TPUC) "Reasonable & Necessary"
- 5) These must be (considered by TPUC) "Used & Useful"

You might want to ask Undine Development LLC about these four individual's - history of business practices:

<http://undinellc.com/team.html>

Edward R. Wallace - President
Carey A. Thomas - Acquisitions
Andy A. Thomas - Capital Projects
Rick Melcher - Public Relations

WHY is State of Florida (**Public Service Commission**) STILL asking these same Officers, Directors & Major Shareholders (Prior of Ni America and Now of Undine Development LLC) - **Office of Public Council Fourth Data Request** - for Mr. Melcher to Explain:

- 1) Marginal Quality of Service
- 2) Questionable Pro Forma Plant Expenses
- 3) Insufficient Working Capital Allowances
- 4) Excess Expenses to support a Rate Increase

<Rick Melcher letter to PUC.pdf>

Search Results

[PDF]state of florida - Florida Public Service Commission

www.psc.state.fl.us/library/filings/.../07117-16.pdf

1. Florida Public Service Commission
Aug 30, 2016 - STATE OF FLORIDA

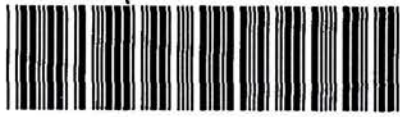
[PDF]Florida Public Service Commission

www.psc.state.fl.us/library/filings/.../07451-16.pdf

1. Florida Public Service Commission
STATE OF FLORIDA ... September 12, 2016

<State of Florida _ Fourth Data Request.pdf>

<State of Florida _ Ni America August 2016.pdf>



Control Number: 46150



Item Number: 77

Addendum StartPage: 0

RECEIVED

2016 OCT 24 AM 9:39

PUBLIC UTILITY COMMISSION
FILING CLERK

October 21, 2016

Public Utility Commission of Texas
Attention: Filing Clerk
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

Re: Docket No. 46150
SOAH Docket No. 473-17-0685.WS.

Dear Sir/Madam:

Undine Development, LLC ("Undine") has reviewed the customer concerns filed with the Commission, to date, and appreciates this opportunity to address some of these issues for our prospective customers, as well as the Commission.

While it is known we are a new company, Undine's management team has over 100 years of combined regulatory utility experience and has been successfully acquiring, managing and operating water and wastewater companies for almost twenty years.

Our core business philosophy is based on two simple but crucial items: maintaining regulatory compliance in all of our systems and providing exemplary customer service.

To accomplish this, we believe in maintaining open and regular communications with not only our customers, but with the regulators in the jurisdictions in which we serve. In this regard, we have already introduced ourselves to the Austin Staffs of the Texas Public Utility Commission ("TPUC") and Texas Commission for Environmental Quality ("TCEQ"). If this acquisition is approved, we will also begin holding regular town hall style meetings with customers to ensure their satisfaction and understanding of the regulatory utility process.

Customers can also be assured that as part of the regulatory process, potential new utility owners must meet certain criteria, including the financial capacity, the managerial experience and technical expertise necessary to properly maintain and operate the utility. With regard to rates, customers should know that only the TPUC can authorize changes in utility charges and that all expenses and capital investments must be approved and considered to be "reasonable and necessary" and "used and useful" by the TPUC.



undine development, llc
WATER IS OUR ELEMENT

We also noted customer concerns regarding the assets and value of the Oak Shores Utility. Customers can be assured that our due diligence process and valuation of the system includes detailed inspections by our own highly-experienced personnel, an inspection by an outside engineering firm and coordination with the TCEQ to determine the existence of any current utility violations.

In closing, I would again stress our commitment to meeting all regulatory standards and permitting requirements. We shall also endeavor to build a reputation as providing superior utility service for all of our customers. We expect and plan for Undine to grow and become responsible for cost-effective utility solutions for systems throughout Texas. Our growth plan shall benefit all of our customers through economies of scale and the allocation of administrative costs over a large customer base.

Respectfully,

A handwritten signature in black ink that reads "Rick Melcher". The signature is written in a cursive, flowing style.

Rick Melcher
Manager of Public Relations

RM/nlr

COMMISSIONERS:
JULIE I. BROWN, CHAIRMAN
LISA POLAK EDGAR
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS

STATE OF FLORIDA



FILED SEP 12, 2016
DOCUMENT NO. 07451-16
FPSC - COMMISSION
CLERK
DIVISION OF ECONOMICS
GREG SHAFER
DIRECTOR
(850) 413-6410

FILED-WTD-FPSC
2016 SEP 12 PM 3:08

Public Service Commission

September 12, 2016

Mr. F. Marshall Deterding
Sundstrom & Mindlin, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301

STAFF'S FOURTH DATA REQUEST

Re: Docket No. 160030-WS - Application for increase in water and wastewater rates in Lee and Pasco Counties by Ni Florida, LLC.

Dear Mr. Deterding:

By this letter, Commission staff requests that Ni Florida, LLC (Ni Florida or utility) provide responses to the following data requests:

1. In response to Staff's First Data Request, Question 1, the utility provided invoices for the Tower Drive collection system replacement project. Invoice #03085 dated August 18, 2015 from Utility Group of Florida, LLC is for payment of \$17,609.23 to AWC, Inc. to "expedite purchase of Mission Communications."
 - a. Why was it necessary to expedite the purchase?
 - b. Please provide a detailed explanation of the material, fees, charges, etc. included in the invoiced amount of \$17,609.23.
 - c. Please provide a copy of invoice #SO1090590, referenced on Utility Group of Florida, LLC invoice #03085.
 - d. Are these the same Mission units that were included in pro forma plant in the 2013 order?
 - e. If so, why were these units not installed earlier when the utility planned to purchase them as early as 2013?
2. Please identify the specific work performed for each of the invoiced contingency amounts listed below and provide support documentation:
 - a. Invoice #0057509 from The Utility Group of Florida, LLC dated June 29, 2015: \$650.
 - b. Invoice #0059059 from The Utility Group of Florida, LLC dated July 23, 2015: \$3,600 for contingencies.

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

An Affirmative Action / Equal Opportunity Employer

PSC Website: <http://www.floridapsc.com>

Internet E-mail: contact@psc.state.fl.us

September 12, 2016

- c. Invoice #03197 from The Utility Group of Florida, LLC dated February 17, 2016: \$2,250 for contingencies.

3. In response to Staff's First Data Request, Question 7, the utility provided information in support of its Contractual Services – Other expense for the wastewater system. As part of its response, the utility included for \$4,014.00 (03/02/15) and \$1,274.71 (07/01/15) for "annual software maintenance and updates." Please provide the following:
 - a. An explanation of the services performed and whether they are routinely done more than once a year.
 - b. A copy of the software maintenance contract with RVS Software.
 - c. The total spent by Hudson Utilities per year on software maintenance and updates for 2013 and 2014.

4. In response to Staff's First Data Request, Question 9, the utility provided a contract dated August 29, 2008. The utility also provided an addendum dated July 28, 2010 that is applicable to Tamiami.
 - a. Are the 2008 contract and 2010 addendum, referenced above, the documents currently governing the contractual operation of Ni's water system?
 - b. Is the 2008 contract, referenced above, the document currently governing the contractual operation of Ni's wastewater system?
 - c. On or about what date did the monthly contract amount change to \$14,000 per month for the wastewater system?
 - d. Why was a formal addendum to change to the monthly contractual services fee not undertaken?

5. Please provide support documentation for the utility's pollution insurance policy renewal.

6. Please explain whether the general liability insurance included in Acct. Nos. 657/757 is duplicative of the liability insurance included in the overhead allocations. As part of your response, please provide a copy of the policy, including premium information, for both Tamiami and Hudson.

7. In response to Staff's First Data Request, Question 9, the utility provided a contract for the management services of Utility Group of Florida, LLC. The contract indicated that the operator would perform billing and collection services, and provide a customer service office where customers may pay their bills, apply for service, obtain information, register complaints, and generally receive normal and customary billing and collecting services.
 - a. If the contract operator is providing these services as the contract indicates, please explain why Ni America is allocating overhead costs that include these functions.
 - b. If the utility discovers overhead costs that are duplicative of those included in the management services contract, please provide a list of the impacted positions and provide the total salaries, bonuses, and benefits related to these positions.

Mr. F. Marshall Deterding

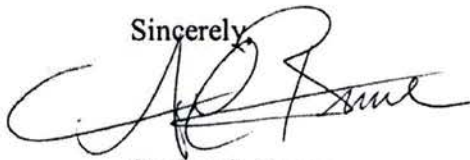
Page 3

September 12, 2016

8. Please explain what the "ERC Project" is and how it provides a benefit to the Florida ratepayers. Include in your response support documentation for the \$209,460 in consulting services associated with the project.
9. Please explain the reasonableness of allocating Ni America Capital Management's director fees to Tamiami and Hudson, which results in allocations of \$2,200 and \$8,442, respectively. Include in your response how the director fees provide a benefit to the Florida ratepayers.
10. In response to Staff's Second Data Request, Question 10, updated rate case expense included \$867.10 for travel expenses for F. Marshall Deterding. Please provide support documentation for this expense.
11. For the wastewater system, please explain why the mobile home park is classified as a bulk customer.
12. Pursuant to Section 367.091(4), Florida Statutes, a utility may only impose and collect those rates and charges approved by the commission for the particular class of service involved. Per the utility's water tariff, a normal reconnection charge is \$24; however, the utility had four occurrences wherein customers were charged \$27 for a normal reconnection. Please explain why these customers were charged this amount.

Please respond to staff's data request by September 26, 2016 to allow this docket to be processed within the statutory time frame. Please submit your response to the Office of Commission Clerk, Docket No. 160030-WS, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, Florida 32399-0850. The information should not be addressed to staff. If you have any questions, please feel free to contact me at (850) 413-6994.

Sincerely,



Sonica C. Bruce

SB

cc: Office of Commission Clerk (Docket No. 160030-WS)

ANDY GARDINER
President of the Senate



J.R. Kelly
Public Counsel

STATE OF FLORIDA
OFFICE OF PUBLIC COUNSEL

c/o THE FLORIDA LEGISLATURE
111 WEST MADISON ST.
ROOM 812
TALLAHASSEE, FLORIDA 32399-1400
1-800-342-0222

EMAIL: OPC_WEBSITE@LEG.STATE.FL.US
WWW.FLORIDAOPC.GOV

FILED AUG 30, 2016
DOCUMENT NO. 07117-16
FPSC - COMMISSION
CLERK
STEVE CRISAFULLI
Speaker of the House of
Representatives



August 30, 2016

Carlotta S. Stauffer, Director
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket 160030 -- Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.

Dear Ms. Stauffer:

Attached are issues that OPC has prepared to identify concerns we have with the utility filing. We are bringing these to staff's attention to aid staff in its review of the rates and to allow staff sufficient time to review our concerns and ask for additional information or documentation that might be needed. If you should have any questions, please feel free to call or e-mail me.

Respectfully submitted,

s/ Denise N. Vandiver

Denise N. Vandiver
Legislative Analyst

c: Division of Accounting & Finance (Brown)
Division of Economics (Bruce, Hudson)
Division of Engineering (Hill)
Office of the General Counsel (Mapp)
Office of Auditing and Performance Analysis
(Deamer)

F. Marshall Deterding
Sundstrom & Mindlin, LLP
2548 Blairstone Pines Drive
Tallahassee FL32301

Office of Public Counsel (Roth)

OPC Issues and Concerns
Ni Florida, LLC
Docket 160030-WS

Quality of Service

1. In the last rate case order,¹ the Commission found the quality of service for the Tamiami water system to be marginal based on the utility's continued failure to provide timely responses and service when problems arise. Based on conversations with representatives from Tamiami Village & RV Park (Park), it appears that the customers continue to experience problems with communications with the utility.
 - a. In May 2016, the Park sent a letter to the utility that the Park planned to put in new roads and requesting that the utility inform the Park if it had any plans for new infrastructure. The letter encouraged that the utility and Park could coordinate their efforts to the benefit of both parties. To date, the Park has received no response from the utility.
 - b. At the customer meeting on July 28, 2016, the Park representative commented that they had never met the new contract operator representative and that considering how much the Park works as a liaison between the customers and the utility, the Park representative believed it was important to maintain a business working relationship with the contract operator representative. The utility committed at the customer meeting that it would set up a meeting with the Park representative and the primary contract operator representative for the Tamiami system. To date, the utility has made no effort to meet with the Park representatives.
 - c. In July, there was substantial flooding at the front entrance of the Park due to a water main break. When the Park representatives attempted to reach the utility, they were unable to reach a person or get a call back from the contract operator. While the break was subsequently found to be in the County's water main, the Park is still concerned about the lack of response from the contract operator.

Pro Forma Plant

2. The MFRs include two pro forma wastewater plant projects:
 - a. **Tower Drive:** In response to Staff's First Data Request, Question #1, the utility provided invoices for the Tower Drive collection system replacement project. Invoice #03085 dated August 18, 2015 from Utility Group of Florida, LLC is for a payment of \$17,609.23 to AWC, Inc. to "expedite purchase of Mission Communications".
 - Why was it necessary to expedite the purchase?
 - Was there imprudence in the timeliness of the order?
 - Why was it so costly?
 - Are these the same mission units that were included in pro forma plant in the 2013 order? If so, why were these units not installed earlier when the utility planned to purchase them as early as 2013?
 - Why should this amount to expedite be included for recovery by ratepayers?

¹ Citing, Order No. PSC-13-0611-PAA-WS, issued November 19, 2013, in Docket No. 130010-WS.

OPC Issues and Concerns
Ni Florida, LLC
Docket 160030-WS

- b. **ROPES-Rhodes Road:** In response to Staff's First Data Request, Question #1, the utility provided invoices for the ROPES-Rhodes Road Project. OPC has the following concerns regarding this project.
- i. The response to Question #1(a) states that the ROPES-Rhodes Road project is necessary to provide service for a new customer. Staff Audit Finding #1 (Florida audit) states that the utility booked \$77,760 for CIAC for this customer. However, the audit recommends that the CIAC should be removed from rate base as the plant project was in CWIP at the end of the year. The utility has requested that the project be included in rate base in a pro forma plant adjustment. In addition, by looking at The Prayer House website, it appears that the project is complete and there was a grand opening on July 11, 2016 (<http://www.theropecor.org/>). Because the utility has requested that the project be included as pro forma plant and that the project is complete, we believe that the CIAC should remain in rate base.
 - ii. Three of the invoices submitted by the utility to support the cost of the ROPES-Rhodes Road project include amounts for contingencies. These invoices are listed below. Contingencies are usually included as part of a bid or estimate. But an invoice should only include specific work performed. We believe that any payments for contingencies should be removed from recovery.
 - Invoice #0059059 from The Utility Group of Florida, LLC dated July 23, 2015: \$3,600 for contingencies
 - Invoice #03197 from The Utility Group of Florida, LLC dated February 17, 2016: \$2,250 for contingencies
 - Invoice #0057509 from The Utility Group of Florida, LLC dated June 29, 2015: \$650

Working Capital Allowance

3. We reviewed the working capital allowance shown on Schedule A-17 of the MFR's. The utility reflects cash balances as shown below. The first five months reflect large balances of cash which are not continued throughout the year. These balances average more than two times the balances for the remaining eight months. Not only do we believe it is unreasonable to keep large sums of cash in a non-interest bearing account, we believe that it does not appear that the balances at the beginning of the test year are representative of the balances on a going forward basis. We recommend that the working capital allowances be reduced by \$41,034.65 for Tamiami and \$154,368.46 for Hudson. Our calculations replace the first five months with the average of the remaining eight months. The schedule below shows our calculations.

OPC Issues and Concerns
Ni Florida, LLC
Docket 160030-WS

	Ni Florida, LLC	Allocated 21% Tamiami	Allocated 79% Hudson	Adjusted	Allocated 21% Tamiami	Allocated 79% Hudson
Description	Cash	Cash	Cash	Cash	Cash	Cash
12/31/2014	665,391.22	139,732.16	525,659.06	169,877.90	35,674.36	134,203.54
1/31/2015	599,774.24	125,952.59	473,821.65	169,877.90	35,674.36	134,203.54
2/28/2015	624,450.78	131,134.66	493,316.12	169,877.90	35,674.36	134,203.54
3/31/2015	775,510.72	162,857.25	612,653.47	169,877.90	35,674.36	134,203.54
4/30/2015	724,503.04	152,145.64	572,357.40	169,877.90	35,674.36	134,203.54
5/31/2015	308,359.68	64,755.53	243,604.15	308,359.68	64,755.53	243,604.15
6/30/2015	332,295.26	69,782.00	262,513.26	332,295.26	69,782.00	262,513.26
7/31/2015	2,151.81	451.88	1,699.93	2,151.81	451.88	1,699.93
8/31/2015	77,166.61	16,204.99	60,961.62	77,166.61	16,204.99	60,961.62
9/30/2015	162,671.36	34,160.99	128,510.37	162,671.36	34,160.99	128,510.37
10/31/2015	139,212.71	29,234.67	109,978.04	139,212.71	29,234.67	109,978.04
11/30/2015	222,724.73	46,772.19	175,952.54	222,724.73	46,772.19	175,952.54
12/31/2015	114,441.05	24,032.62	90,408.43	114,441.05	24,032.62	90,408.43
13-Mo Average	365,281.02	76,709.01	288,572.00	169,877.90	35,674.36	134,203.54
			MFR	OPC	Reduction	
OPC Recommended reduction to Tamiami			76,709.01	35,674.36	(41,034.65)	
OPC Recommended reduction to Hudson			288,572.00	134,203.54	(154,368.46)	

O&M Expenses

Contractual Services-Legal

4. The invoices provided by the utility in response to Staff's First Data request include legal charges related to the four-year rate reduction. These are not recurring costs and should not be included in the test year. OPC believes that the total legal expenses for this issue are \$3,165, as detailed below. These are costs associated with the water rate increase in Docket No. 100149-WU. This docket was concluded with an order issued on April 22, 2011 which would have resulted in a four-year rate reduction for rate case expense in May 2015. OPC first questions why it resulted in over \$3,000 in legal fees to implement a billing change ordered by the Commission. Second, we do not believe these charges should be allowed in total until they are first determined not to be included in the approved rate case expense in Docket No. 100149-WU and already amortized in rates. If any legal fees are determined reasonable, they should not be included in full in the test year as they are not recurring and should be amortized over a reasonable time.

- Invoice #43581 dated 9/30/15 for \$180.00 includes a charge of \$120 for "review Florida Public Service Commission Order No. PSC-11-0199-PAA-WU; office conference Re: four-year rate reduction ordered therein".
- Invoice #53547 dated 11/10/15 for \$840.00 includes four charges regarding the four-year rate reduction.
- Invoice #53571 dated 12/9/15 for \$2,205.00 includes eight charges regarding the four-year rate reduction.

OPC Issues and Concerns
Ni Florida, LLC
Docket 160030-WS

Contractual Services-Management Fees

5. Schedule B-9 indicates that the \$37,368 for the water expense and \$169,266 for the wastewater expense is for Utility Group of Florida, LLC. – the contract operator. Staff's First Data Request, Question #9 asks for support for the water and wastewater management fees. The utility response includes 12 monthly bills for \$14,000 each for the Hudson wastewater system and no bills for the Tamiami water system. Even though the request asked for the contracts, the only contract provided appears to be for the water system (as identified in Exhibit A of the contract) and is dated August 29, 2008 with an addendum dated July 28, 2010. There was no current contract to support the monthly charges paid in 2015 for either the water or wastewater systems.

Contractual Services-Other

6. In response to Staff's First Data Request Question #4, the utility provided invoices to support the \$9,123 in the Contractual Services – Other Expense for the Tamiami water system. Two invoices provided were for postage, imaging, and mailing the notice regarding the four year rate reduction. As discussed in the Contractual Services – Legal issue, these are not recurring expenses and should not be included in the test year expense until they are first determined not to be included in the approved rate case expense in Docket No. 100149-WU and already amortized in rates. If any of these expenses are determined reasonable, they should not be included in full in the test year as they are not recurring and should be amortized over a reasonable time.

11/18/15	November 2015 Visa - Carey (Postage for Rate Reduction Letters)	362.69
12/31/15	Imaging and mailing of Tamiami PSC notice - Four year rate reduction	722.66
	Total of two invoices	<u>1,085.35</u>

7. In response to Staff's First Data Request Question #7, the utility provided invoices to support the \$206,030 in the Contractual Services – Other Expense for the Hudson wastewater system. Our review of these invoices raises the following concerns.

a. The following charge appears to be reimbursed and should not be included in test year expenses:

2/28/15	Shut down Flounder L/S for line repair (invoice states "Paid for by DAB" a construction contractor	1,965.00
---------	--	----------

b. There are two charges for \$4,014 and \$1,274.71 to RVS Software for "annual software maintenance and updates. Why are there two charges for an annual service?

3/2/15	Acct. #3354 Annual maintenance and updates	software	4,014.00
7/1/15	Acct. #6185 Annual maintenance and updates	software	1,274.74
	Total of two invoices		<u>5,288.74</u>

OPC Issues and Concerns
Ni Florida, LLC
Docket 160030-WS

c. There are two charges for \$337.50 and \$5,003.28 to write off amounts from a prior year. The invoices for these charges indicate that these charges were incurred outside the test year. Therefore, these charges should not be included in test year expenses.

7/31/15	To Write off 7506 New Jersey Ave Charges from Prelim. Survery & Invest.	Invoice dated 5/1/13	337.50
7/31/15	To Write off Verizon Claim from A/R Other - Will not be collected	Invoice dated 6/30/14	5,003.28
	Total of two invoices		5,340.78

d. There appears to be a duplicate invoice for the same work:

4/23/15	Repaired Broken Vent Pipe @ Saltwater and Sunfish	199.47
4/23/15	Repaired Broken Vent Pipe @ Saltwater and Sunfish	199.47

e. The expense includes four charges for "use tax on materials purchased from Aquafix". These charges are for purchases made in 2014 and should not be included in test year expenses.

5/22/15	Q1 2014 Use Tax owed on materials purchased from Aquafix	50.36
5/22/15	Q2 2014 Use Tax Use Tax owed on materials purchased from Aquafix	87.00
5/22/15	Q3 2014 Use Tax Use Tax owed on materials purchased from Aquafix	122.29
5/22/15	Q4 2014 Use Tax Use Tax owed on materials purchased from Aquafix	297.44
	Total of four charges	557.09

f. Overall, the charges for general maintenance and repair for the wastewater system appear high. We reviewed the number and types of maintenance invoices. The test year appears to include a significant increase in expenses due to the record-breaking rainfall in the area in July and August of 2015. The August 1, 2015 Tampa Bay Times indicated the following:

"Tampa shattered a 42-year-old record for the amount of rainfall for Aug. 1. By 3 p.m., it had already received 3.1 inches. The previous record, from 1973, was 2.60 inches. And that's in addition to the rainfall that has swamped Tampa Bay since July 24, thanks to a stubborn low pressure system that has stalled

OPC Issues and Concerns
Ni Florida, LLC
Docket 160030-WS

over Florida, said Tyler Fleming, a meteorologist with the National Weather Service."²

In addition, the National Oceanic and Atmospheric Administration (NOAA) data indicates the following select daily rainfall records (inches) broken during August (compiled from NOAA, NWS).³

Date	Location	Record	Last
1	Tampa	3.89	2.60 in 1973
3	Tampa	4.39	2.57 in 1913

This rain event greatly impacted the surrounding areas, as well as Tampa. We believe that the following charges are mostly due to the flooding and resultant maintenance required. We are not commenting that these are imprudent or unreasonable, only that they are not representative of a "normal" test year. At a minimum, we believe that the following charges from Utility Group of Florida, LLC should be reviewed to determine if these are related to the extremely unusual rain event the area experienced in the summer of 2015, or if they are other charges for activities that are not incurred on an annual basis. We believe that the test year expense should only include an average level of expense that is expected to be incurred while the rates will be in effect. Any unusual events should be removed or at a minimum amortized over 5 years or longer.

8/1/15	Repaired fuses, cleaned up spills, and set up temp. pumps during severe weather @ All L/S	28,340.51
8/1/15	Pumped/hailed Nowicki L/S due to high I/I	1,170.00
8/7/15	Entire Ni Florida System Collection Audit	17,521.12
9/2/15	Set bypass pumps at master lift stations for rain event - 09/02/15	4,841.30
Total of four charges		<u>\$51,872.93</u>

Insurance Expense

8. The utility General Ledger includes the following two insurance expense accounts. These same amounts are included in the MFR's on Schedules B-5 and B-6. The staff audit report Finding #7 removes the pollution insurance expense and increases the general liability expense. OPC believes that the general liability expense should be reviewed more closely before including any amount in the test year expenses. The audit workpapers do not include the insurance policy. Therefore, OPC is concerned whether this is a duplication of the insurance that is covered through the overhead allocations.

² <http://www.tampabay.com/news/weather/tampa-breaks-record-for-rainfall/2239628>

³ <https://climatecenter.fsu.edu/products-services/summaries/climate-summary-for-florida-august-2015>

OPC Issues and Concerns
Ni Florida, LLC
Docket 160030-WS

Account	Tamiami	Hudson
657/757 Insurance – General Liability	1,335.13	5,129.20
659/759 Insurance Other - Pollution	685.63	2,634.00

Regulatory Commission Expense

9. The utility filed Docket No. 150170-WS on July 21, 2015 for a rate case. That request was withdrawn on January 21, 2016. If the utility submits any supporting documents regarding rate case expense, these invoices should be examined to verify that there are no expenses for that withdrawn rate case.
10. The utility request for current rate case expense of \$163,928 is more than the amount approved in the last rate case. The main difference is that the utility estimated \$31,428 for customer mailings. This is approximately the same amount requested in the last rate case and amounts to about \$8 per customer. This does not appear reasonable. The Commission approved \$9,009 for this function in the last rate case. We believe that the requested expense for customer mailings has not been justified and should be reduced to an amount similar to that approved in the last rate case.
11. The utility filed two responses to deficiencies, including almost complete copies of new MFR's. If the utility submits any supporting documents regarding rate case expense, the invoices should be carefully reviewed to remove all costs for responding to the deficiencies.
12. We also believe that the copies of the MFR's provided to the Commission are mostly unreadable. There are many numbers that cannot be identified at all. We believe that if the utility plans to spend money to prepare MFR's they should be able to present readable copies. With today's technology, there is no reason to present MFR's of such poor quality. We believe that the Commission has tolerated such behavior on the part of the utilities and should take a stand and put utilities on notice that this behavior will not be tolerated and utilities will be subject to reductions to rate case expense. We believe that this is a reasonable solution in that it recognizes that the tasks included in rate case expense were not completed in that the utility did not present readable copies of the MFR's.

Miscellaneous Expense

Miscellaneous Expense includes allocated expenses from affiliated companies in the amounts of \$75,932 for Tamiami and \$291,406 for Hudson. Based on the utility's responses to Staff's First Data Request and the staff audit requests, we request that the following issues be reviewed.

13. The "salaries" for the employees and officers listed in the MFR's Volume III are those employees of UGF that are passed through the UGF charges which are included in Contractual Services-Other. In addition to these charges, the utility includes employee and officers' salaries and benefits of \$59,663 for Tamiami and \$228,970 for Hudson. So, in addition to the charges for local management and operations, the utility is requesting recovery of salaries and benefits for the non-local employees and officers

OPC Issues and Concerns
Ni Florida, LLC
Docket 160030-WS

listed on Attachment A. We request that the Commission verify what benefits are received by the Florida customers before these costs are recovered. We suggest the following specific adjustments be made to remove salaries that do not benefit the Florida customers.

- a. Audit workpaper 44-3.3 is a list of allocated employees and their job titles and duties. We do not believe that the following employees should be allocated to the Florida systems for the reasons indicated. The total salaries and bonuses related to these positions is \$631,723.13, with an allocated amount of \$11,236.24 to the Tamiami water system and \$43,121.53 allocated to the Hudson wastewater system. We believe that these salaries and the related benefits should be removed from the test year expenses.

<u>Emp.</u>	<u>Title</u>	<u>Duties</u>	<u>Reason</u>
L.B.	Senior Analyst	Responsible for handling general accounting for the South Carolina utilities owned by Ni America, prepares each of the utilities' monthly financial statements in accordance with U.S. GAAP. Also responsible for determining and re-evaluating Equivalent Residential Customers (ERCs) for each of the South Carolina utilities owned by Ni America.	Appears to be only South Carolina duties
D.C.	Customer Service Field Technician	Responsible for disconnections and reconnections when customers have paid their account balances or made arrangements to make payments in installments.	This employee is located in South Carolina so appears to be only South Carolina duties (UGF provides this service in Florida).
A.D.	Project Manager	Leads and directs capital projects and operations programs assigned to him for utilities owned by Ni America in South Carolina. As part of this role, oversees and directs the coordination of all repairs and maintenance and capital projects to ensure the work is performed to standards, within budget, and on time.	Appears to be only South Carolina duties
S.J.	President of South Carolina Utilities	Leads and directs the capital expenditures, operations, and contractors at all owned utilities owned by Ni America. Looks for potential ways to grow the utilities through developer agreements or acquisition. Also participates in the administration of the 208 Plan for the utilities in South Carolina.	Appears to be only South Carolina duties
C.M.	Office Manager	Responsible for managing the South Carolina office for employees of Ni America. Orders supplies, coordinates mailroom activities, assists with making bank deposits from the personnel posting payments, and assists other employees as needed.	Appears to be only South Carolina duties

OPC Issues and Concerns
 Ni Florida, LLC
 Docket 160030-WS

C.T.	Inspector	Responsible for inspecting installations of grease traps, taps, and elder valves. Also assists with field personnel in determining equivalent residential customers and other duties as assigned.	This employee is located in South Carolina so appears to be only South Carolina duties (UGF provides this service in Florida).
------	-----------	---	--

- b. In addition, we request that the salary levels be closely reviewed for reasonableness. In the last rate case, the commission compared the corporate level salaries to average salaries as compiled by the American Water Works Association (AWWA) and made reductions to the requested salaries. We believe that these are small utilities and should be compared to other small water and wastewater utilities when determining the amount of corporate overhead that should be allocated from the related parties, especially salaries and benefits.
- c. In response to Staff's First Data Request Question #9, the utility provided a contract for the management services of Utility Group of Florida, LLC. The contract that is included in the utility response states that the operator "shall perform billing and collection services per the utility's tariff and policies for the utility's water and wastewater services." It further states that the operator shall bill each customer of the utility monthly in accordance with the utility's approved rate structure." Additionally, the contract states that the operator will provide a Customer Service Office where customers may pay their bills, apply for service, obtain information, register complaints, and generally receive normal and customary billing and collecting services. In our conversations with the Park representative, we understand that if the Park has billing questions or service concerns, they call the Florida operator. If the contract operator is providing these services, we question why Ni America is allocating overhead costs that include these functions. We have identified the following positions included in the allocation that appear to duplicate these functions included in the Florida contract. The total salaries and bonuses related to these positions is \$311,800.95, with an allocated amount of \$5,545.89 to the Tamiami water system and \$21,283.59 allocated to the Hudson wastewater system. We believe that these salaries and the related benefits should be removed from the test year expenses.

<u>Emp.</u>	<u>Title</u>	<u>Duties</u>
E.B.	Billing Supervisor	Responsible for maintenance and updates to customer accounts to ensure the accurate calculation and distribution of customer billings. She is responsible for entering meter readings, responding to customer inquiries, managing and training customer service representatives, coordinating connections and reconNECTIONS, and entering payment data.

OPC Issues and Concerns
Ni Florida, LLC
Docket 160030-WS

A.M.	Customer Service Department Manager	Responsible for the Customer Service Department and billing for all utility systems. Supervises the Customer Service Representatives and Billing Supervisor. Plans and organizes the work for the Customer Service Department, prepares reports as needed, and evaluates policies and recommends changes, as needed. Overall responsibility for connections, reconnections, billings, collections, and installment payment plans. Ensures the management and training of departmental employees and contractors involved in providing customer service. Helps to resolve customer complaints and other issues.
R.J.	Customer Service Representative-In Charge	Responsible for supervising the customer service representatives, responding to customer inquiries, managing and training customer service representatives, coordinating connections and reconnections, and entering payment data.
G.P.	Billing	Responsible for maintenance and updates to customer accounts to ensure the accurate calculation and distribution of customer billings, entering meter readings, responding to customer inquiries, coordinating connections and reconnections, and entering payment data.
M.T.	Customer Service Representative-Part- Time	Responsible for handling connections, reconnections, billings, collections, and installment payment plans on an as-needed, part-time basis. Ensures the customer service issues and customer complaints are resolved.

14. Schedule B-12 breaks down the charges to Miscellaneous Expense. The staff audit sampled expense charges based on entries in the affiliate general ledger. Table 1-2 of the audit report identifies charges that should have been direct charges to Hudson and Tamiami. The audit report includes an adjustment to increase Miscellaneous Expense by \$12,294.62 (\$13,195.90 - \$901.28) for Hudson and \$383.06 (\$390.00 - \$6.94) for Tamiami to reflect the net difference from allocating the expense compared to a direct charge. However, as shown on MFR Schedule B-12, these charges were already included in Miscellaneous Expense, therefore, this audit adjustment should not be made.

	Water	Sewer
Allocated from affiliates	75,932	291,406
Direct Charges paid by affiliates	390	13,196
Direct charges paid by utility:		
Billing/Cust Service	10,668	
Bank Fees	2,952	10,321
Telephone		7,108
Ni Florida LLC - Other	435	1,669
Total Miscellaneous Expense	90,377	323,700

OPC Issues and Concerns
Ni Florida, LLC
Docket 160030-WS

15. The General Ledgers provided by the utility in response to Staff's First Data Request provide the detailed charges for Ni America and Ni America Capital Management (Ni Cap). These general ledgers indicate that Ni America paid \$209,460 for consulting services for an "ERC Project". There is not sufficient support for what the "ERC Project" is and how it provides a benefit to the Florida ratepayers. We believe that the allocated amounts of \$3,726 for Tamiami and \$14,298 for Hudson should be removed from the test year.
16. The General Ledgers also indicate that Ni Cap paid \$47,862 for Directors and Officers Liability Insurance. In the last rate case, the Commission stated that this type of insurance benefits both the ratepayers and the shareholders. Therefore, the Commission shared the expense equally and reduced the expense by 50%. Therefore, we believe that the expense should be reduced by \$23,931, which results in a reduction in the allocated expense to Tamiami of \$425 and to Hudson of \$1,634.
17. In addition, the General Ledgers indicate that Ni Cap paid Directors fees of \$123,667 which resulted in \$2,200 allocated to Tamiami and \$8,442 allocated to Hudson. Tamiami has 783 customer and Hudson has 3,003 customers. It does not appear reasonable for these two small systems to incur a total of \$10,641 for directors' fees. We believe that these should be removed from test year expenses as unreasonable.
18. The staff audit sampled expense charges based on entries in the affiliate general ledger. Some of the items sampled indicated \$209 paid to The Members Club at Woodcreek & WildWood for member fees. It appears that the audit has recommended removing some amounts based on the items sampled. However, we believe that the audit sample only includes a few months of the invoices. Therefore, we believe that the Commission should remove all 12 monthly charges.

Income Taxes

19. The MFR's include income tax expense. The utility is an LLC and no taxes have been included in the past. Unlike a corporation, LLCs are not taxed as a separate business entity. Instead, all profits and losses "pass through" the business to each member of the LLC. Prior Commission orders have stated that the when a utility is an LLC it does not pay taxes but passes the income through to the partners. Therefore, the Commission has not allowed income taxes in the test year expenses.⁴

As far as the Internal Revenue Service is concerned, LLCs don't exist as a tax-filing entity. When it comes to tax reporting, by default LLCs report as partnerships do - like LLPs. IRS Publication 3402 states that an LLC with at least two members is classified as a partnership for federal income tax purposes. An LLC with only one member is

⁴ Citing, Order No. PSC-13-0320-PAA-WU, issued July 15, 2013, in Docket No. 120269-WU, In re: Application for staff-assisted rate case in Polk County by Pinecrest Utilities, LLC; Order No. PSC-07-0668-PAA-WS, issued August 20, 2007, in Docket No. 060747-WS, In re: Application for staff-assisted rate case in Highlands County by Mink Associates II, LLC d/b/a Crystal Lake Club Utilities; Order No. PSC-11-0436-PAA-WS, issued September 29, 2011, in Docket No. 100472-WS, In re: Application for staff-assisted rate case in Manatee County by Heather Hills Estates Utilities LLC.

OPC Issues and Concerns
Ni Florida, LLC
Docket 160030-WS

treated as an entity disregarded as separate from its owner for income tax purposes. An LLC can elect to be classified as an association taxable as a corporation or as an S corporation. LLCs usually report as partnerships since that's the key to pass-through taxation and avoiding double taxation.

Therefore, staff should determine what election the utility has made and how it files its taxes. If the utility is not treated as a separate taxable entity, the Commission should follow its past decisions and not allow income taxes to be recovered through rates as those costs will be paid by the partners.

Attachment A

Employees @ 12/31/15	
April Braswell	Customer Service Department Manager
Christopher T Thornton	Inspector
Clady Martinez	Office Manager
Conrad Lozano	Accounts Payable Specialist
Cory J. Pendleton	Manager of Accounting
Derek Chance	Cust Service Field Tech
Ella Bell	Billing Supervisor
Eric J Griffin	Corporate Controller
Gabriele Pierce	Billing
George A Delk	Project Manager
Kevin M Binder	Senior Accountant
Lauren A Burgess	Senior Analyst /
Martha Tuttle	Cust Service Rep - Part Time
Nicia L Rotermund	Office Manager - Houston
Renee Jaffee	Cust Service Rep - In Charge
Thomas Creasman	VP - Capital Improvements
Officers, Directors & Major Shareholders @ 12/31/15	
Benny Wilkinson	VP - Financial Due Diligence
Carey A. Thomas	Sr VP HR
Craig W. Sherwood	Manager of Operations
Edward R. Wallace	President
Fred W. Melcher, III	Manager Public Relations
Mark S Daday	CFO
Mike Ashfield	VP - Operations
Robert S Jones	Regional President
William (Andy) A. Thomas	VP - Capital Improvements
Pacolet Milliken Management	
Rick Webel	CEO
Ralph Walker	Head of Energy
William Crawford	General Counsel
Rick Thompson	Corporate CFO
Jack Altman	Corporate Controller
Bill Falls	Group CFO
Chuck Blackman	Mgr. IT
Katie Burnette	Payroll
Bryan Stone	COO
Andrena Powell-Baker	Regulatory Rel & PR
Van Clark	HR Manager