



# Public Service Commission

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COMMISSION  
CLERK

**DATE:** September 8, 2010

**TO:** Jared Deason, Regulatory Analyst IV, Division of Economic Regulation

**FROM:** Clarence Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CP*

**RE:** Docket No.: 100149-WU  
 Company Name: Ni Florida, LLC  
 Company Code: SU915  
 Audit Purpose: Rate Case  
 Audit Control No: 10-175-4-1

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

CP/ip  
 Attachment: Audit Report

cc: (With Attachment)  
 Office of Auditing and Performance Analysis (Mailhot, Prestwood, File Folder)  
 Office of Commission Clerk  
 Office of the General Counsel

(Without Attachment)  
 Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

DOCUMENT NUMBER DATE

07541 SEP-08

FPSC-COMMISSION CLERK

State of Florida



**FLORIDA PUBLIC SERVICE COMMISSION**

**OFFICE OF AUDITING AND  
PERFORMANCE ANALYSIS**

***Miami District Office***

**NI FLORIDA, LLC - TAMAMI**

**RATE CASE**

**YEAR ENDED DECEMBER 31, 2009**

**DOCKET NO. 100149-WU  
AUDIT CONTROL NO. 10-175-4-1**

*Bety*

**Bety Maitre,  
Audit Manager**

*Kathy L. Welch*

**Kathy L. Welch,  
District Audit Supervisor**

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**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS  
AUDITOR'S REPORT**

**September 3, 2010**

**TO: FLORIDA PUBLIC SERVICE COMMISSION**

We have performed the procedures described later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request dated June 24, 2010. We have applied these procedures to the attached schedules prepared by Ni Florida, LLC in support of its filing for rate relief in Docket No. 100149-WU.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures and the report is intended only for internal Commission use.

## **OBJECTIVES AND PROCEDURES**

### **RATE BASE**

#### **General**

**Objective:** The objective was to review Order No. PSC-09-0260-PAA-WU and verify that the adjustments ordered have been booked and were reflected in the current Minimum Filing Requirements (MFRs).

**Procedures:** We obtained the last Commission Order and agreed the beginning balances in the filing to the order. We verified that the adjustments from the order were booked to the ledger and included in the MFRs. No material misstatements were found.

#### **Land**

**Objective:** The object was to obtain a copy of warranty deeds or other evidence of ownership for land purchases from December 31, 2007 to December 31, 2009, the end of the test year in this case.

**Procedure:** We verified that there has been no change to the utility's land from December 31, 2007 to December 31, 2009. We performed a County and Clerk of Courts record search and found no additions to land.

#### **Utility Plant In Service**

**Objective:** The objective was to audit all plant additions from December 31, 2007 to December 31, 2009 and describe major additions, retirements, or adjustments and disclose any affiliate transactions.

**Procedures:** We sampled all plant additions from December 31, 2007 to December 31, 2009 and traced to supporting documentation. We verified that the additions were recorded in the proper accounts, at original cost, and in the proper period. We found no transactions related to an affiliate. We traced the utility plant in service ending balances at December 31, 2009 to the trial balance and verified the 13-month average balance of utility plant in service to the MFRs. A tour of the facility was not performed since the utility purchases water from the county for distribution and the majority of the assets are underground.

Audit Finding 1 discusses capitalized legal expenses related to the transfer of the Utility.

We determined whether the Utility properly recorded retirements to plant when a capital item was removed or replaced. Audit Finding 2 discusses retirements not made.

#### **Contributions In Aid of Construction (CIAC)**

**Objective:** The objective was to audit all additions and retirements to CIAC from December 31, 2007 to December 31, 2009.

**Procedures:** We asked the company to provide its CIAC detail from December 31, 2007 to December 31, 2009. The Utility acknowledged that there were no new CIAC payments or developer's agreements. The Federal Income Tax returns for 2007, 2008, and 2009 were provided and reviewed by staff for unrecorded CIAC. No additional CIAC was found.

### **Accumulated Depreciation**

**Objective:** The objective was to test all the annual accruals to accumulated depreciation from December 31, 2007 to December 31, 2009.

**Procedures:** We determined whether the utility used Commission authorized rates to depreciate its plant accounts. We traced the accumulated depreciation ending balances at December 31, 2009 to the trial balance and verified the 13-month average balance of accumulated depreciation to the MFRs. We determined that the Utility was not using the proper rates. Audit Finding 3 discusses the errors in the calculation of depreciation and amortization. Audit Finding 4 discusses problems with the proforma depreciation expense calculation.

### **Accumulated Amortization of CIAC**

**Objective:** The objective was to test all the annual accruals to accumulated amortization of CIAC from December 31, 2007 to December 31, 2009.

**Procedures:** We verified that the utility used Commission authorized rates to amortize its CIAC account. We traced the filing's annual ending balances to the trial balance and verified the 13-month average balance of accumulated amortization of CIAC in the MFRs. We determined that the Utility was not using the proper rates. Audit Finding 3 discusses the errors in the calculation of depreciation and amortization.

### **Working Capital**

**Objective:** The objective was to audit all the appropriate accounts associated with the balance sheet approach for working capital allowance.

**Procedures:** We traced the working capital accounts to the ledger and verified the Utility's working capital balance. The Utility re-filed its working capital exhibit to reflect the one-eighth of operation and maintenance (O&M) expense method. We recalculated working capital and reconciled it to the MFRs. No material misstatements were found.

## **NET OPERATING INCOME**

### **Revenues**

**Objective:** The objective was to audit revenues, billing determinants, and customers for the test year ending December 31, 2009.

**Procedures:** We traced the revenues in the filing to the Utility's trial balance and we reconciled the third-party billing summaries to the Utility's revenue schedule. We compared the Utility's current service and miscellaneous service charges to the authorized rates. We reconciled the billing determinants to the billing detail. We sampled customer bills in each class of service and recalculated the bill using authorized rates. We traced the customer count to supporting documentation. No material misstatements were found.

### **Operation and Maintenance Expenses (O&M)**

**Objective:** The objective was to audit test year O&M expense accounts. We were to examine for proper timing, amount, classification, supporting documentation, and whether the costs were non-utility related, nonrecurring, unreasonable or imprudent.

**Procedures:** We reconciled the O&M account balances in the MFRs to the Utility's general ledger. The miscellaneous account consists of direct and allocated overhead charges from the parent. We sampled expense transactions based on auditor judgment from the Utility's and its parent's general ledger. We examined invoices and supporting documentation to determine if the above objectives were met. Audit Finding 5 discusses the allocated cost of the parent company.

### **Taxes Other Than Income Tax**

**Objective:** The objective was to follow the standard audit program for taxes other than income.

**Procedures:** We obtained the 2009 regulatory assessment fee (RAF) filing and reconciled it to the general ledger. The utility did not have any property tax bills.

## **CAPITAL STRUCTURE**

### **General**

**Objective:** The objective was to follow the standard audit program for capital structure.

**Procedures:** We reconciled the capital structure components to the Utility's books. The cost rate was agreed to the authorized rates. We recalculated the weighted cost of capital.

**AUDIT FINDING 1**

**SUBJECT: TRANSFER COSTS**

**AUDIT ANALYSIS:** According to Rule 25-30.125, "Each utility shall maintain on file at its principal office located within the State suitable maps, drawings and/or records of its system and facilities..." In the transfer proceeding, it was noted that the utility did not have an adequate map for the service area and was ordered to produce an updated service territory map to finalize transfer order PSC-08-0621-FOF-WU. The legal expenses to oversee the service territory map compliance with the order are an indirect cost of the transfer of ownership. The following transactions show that the utility capitalized \$5,515 in its 348 - Other Tangible Plant account related to updating mapping.

<u>Date</u>	<u>Num</u>	<u>Memo</u>	<u>Amount</u>
05/31/2009	123	Legal Service for 05/2009 - Service Area Mapping / Legal Desc.	\$2,544
06/23/2009	124	Legal Svc for 06/2009 - Mapping Project (Rutledge Inv 30827)	\$1,219
10/01/2009	170	Prof Legal Svc for 10/2009 - Mapping Project (Rutledge Inv 31390).	\$557
12/08/2009	193	Prof Legal Svc for 11/2009 - Mapping (Rutledge Inv 31803)	\$716
12/31/2009	194	Prof Legal Svc for 12/2009 - Mapping (Rutledge Inv 31905)	\$477
<b>Total</b>			<b>\$5,512</b>

The audit staff is deferring this issue to the staff analyst in Tallahassee to determine whether the amount should remain capitalized or moved to acquisition adjustments.

In account 633, Contractual Services – Legal, the utility expensed the following legal cost associated with updating the authorized service territory map.

**Ni Florida, LLC Direct Cost**

**NARUC**

<u>Account</u>	<u>Description</u>	<u>Date</u>	<u>Num</u>	<u>Memo</u>	<u>Amount</u>	<u>Description</u>
633 Contractual Svcs - Lega		03/10/2009	81	Legal services for 02/2009 - Service Area Mapping	\$ 159	Legal service in conjunction with mapping resolution to finalizing transfer order
633 Contractual Svcs - Lega		05/31/2009	110	Legal Services for 03/2009	\$ 822	Legal service in conjunction with mapping resolution to finalizing transfer order and Rate Base recommendations
<b>Total Direct Cost</b>					<b>\$ 981</b>	

The audit staff is deferring this issue to the staff analyst in Tallahassee to determine whether the amount should remain in the legal expense account or be moved to acquisition adjustments.



**EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:** Depending on the conclusion reached by the staff analyst.

**EFFECT ON FILING IF FINDING IS ACCEPTED:** Depending on the conclusion reached by the staff analyst.

**AUDIT FINDING 2**

**SUBJECT: RETIREMENTS NOT RECORDED**

**AUDIT ANALYSIS:** During the testing of the plant accounts, it was determined that there were items that should have had a retirement associated with them. These items are listed in the schedule below.

**Transactions Requiring Retirement Entries**

<u>Date</u>	<u>Num</u>	<u>Memo</u>	<u>Amount</u>
12/31/2008	51	To reclass invoices related to capitalized maintenance. The utility replaced a leaking section of 1" black poly pipe from main @ 3151 Saturn - \$957.50, \$330 for labor 6 hrs/2 men	\$ 1,479
06/30/2009	135	To reclass invoices related to capitalized maintenance. The utility replaced a couple of leaking pipes and install new lines	\$ 4,270
		Cost for invoice 51 and 135	\$ 5,749
		Retirement percent	75%
		<b>Retirement Amount</b>	<b>\$ 4,312</b>

**Depreciation Expense on Retirement Entry**

<u>NARUC Account</u>	<u>Depreciation</u>	<u>2008 Rates</u>	<u>2008 Retirement</u>	<u>2009 Retirement</u>	<u>Expense Per Staff</u>
331	Transmission and Distr Mains	2.22%	\$ 1,109	\$ 3,203	\$ 60

Staff has used 75% percent of the new cost for retirements instead of determining original cost for the retired pipes.

In addition to the retirements above, the Utility has stated that it has not recorded any retirement entries for the proforma isolation valve and meter replacement project of \$158,877, but should do so before 2010 year end. Audit staff will defer this issue to the staff analyst to determine the proper retirement treatment associated with the proforma the isolation valve and meter replacement project.

**EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:** The following entries are needed to correct the utility's ledger as of December 31, 2009. Any additional reduction will depend on the conclusion reached by analyst.

<u>NARUC Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
331	Plant in Service		\$ 4,312
108	Accumulated Depreciation	\$ 4,312	
	<b>Total</b>	<b>\$ 4,312</b>	<b>\$ 4,312</b>

**EFFECT ON FILING IF FINDING IS ACCEPTED:** Plant, accumulated depreciation, and depreciation expense should be reduced by \$4,312, \$4,408, and \$80, respectively. Any additional reduction for the proforma will depend on the conclusion reached by analyst.

### AUDIT FINDING 3

#### SUBJECT: CORRECTION TO DEPRECIATION AND AMORTIZATION

**AUDIT ANALYSIS:** Rule 25-30.140, F.A.C. states the guideline rates to be used for depreciation expense.

The Utility is a Class B utility that has been depreciating its plant assets at the Class C utility rates since December 31, 2007. Staff recalculated depreciation and amortization on the following page using a half year convention from December 31, 2007 to December 31, 2009.

Comparing the Utility's calculation to the staff calculation reveals that the general ledger accumulated depreciation and depreciation expense accounts are understated by \$1,011 and \$1,251, respectively.

The Utility's accumulated amortization of CIAC balance as of December 31, 2007 was overstated by \$1,086. The utility adjusted the balance of accumulated amortization in 2009 to adhere to order PSC-09-0260-PAA-WU for December 31, 2007. Staff found accumulated amortization and amortization expense accounts to be overstated by \$1,724 and \$861, respectively for the test year ending December 31, 2009.

Section (9)(a) of the rule states that "Each CIAC sub-account shall be amortized in the same manner that the related contributed plant is depreciated." In the 1995 transfer audit, it states that in the 1983 rate case, the \$103,713 in CIAC was attributed to service lines. The utility has classified the entire balance as service lines/mains which would be depreciated at the same rate as the transmission and distribution mains, 2.22%

**EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:** The following entries are need to correct the utility's ledger as of December 31, 2009.

<b>NARUC Account</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>
108	Accumulated Depreciation		\$ 1,011
272	Accumulated Amortization of CIAC		\$ 1,724
403	Depreciation Expense	\$ 1,251	
407	Amortization Expense	\$ 861	
215	Retained Earnings	\$ 623	
	<b>Total</b>	<b>\$ 2,735</b>	<b>\$ 2,735</b>

**EFFECT ON FILING IF FINDING IS ACCEPTED:** Net depreciation and amortization expense should be increased by \$ 2,112 (\$1,251 + \$861). The 13-month average accumulated depreciation should be increased by \$435 and accumulated amortization should be decreased by \$1,293. See the schedule on the following page for the calculation of the 13-month average.

**Accumulate Deprecation**

NARUC Acc	Depreciation	Rates	12/312007 Acc Dep	12/312007 Plant	2008 Additions	08 Acc Dep Accrual	12/31/2008 Acc Dep	12/31/2008 Plant	2009 Additions	09 Acc Dep Accrual	12/31/2009 Acc Dep
331	Transmission and Distr Mains	2.22%	\$ (105,308)	\$ 174,568	\$ 3,882	\$ (3,922)	\$ (109,230)	\$ 178,450	\$ 49,318	\$ (4,514)	\$ (113,744)
333	Service	2.50%	\$ (42,883)	\$ 50,932		\$ (1,273)	\$ (44,156)	\$ 50,932		\$ (1,273)	\$ (45,430)
334	Meter and meter Installation	5.00%	\$ (36,458)	\$ 36,458			\$ (36,458)	\$ 36,458			\$ (36,458)
340	Office Furniture & Equipment	6.67%	\$ (11,210)	\$ 11,210			\$ (11,210)	\$ 11,210			\$ (11,210)
348	Other Tangible Plant	10.00%							\$ 13,962	\$ (698)	\$ (698)
	<b>Total</b>		\$ (195,859)	\$ 273,168	\$ 3,882	\$ (5,196)	\$ (201,055)	\$ 277,050	\$ 63,280	\$ (6,485)	\$ (207,540)
	Per Utility		\$ (195,859)			\$ (5,436)	\$ (201,295)			\$ (5,234)	\$ (206,529)
	Difference		\$ -			\$ 240	\$ 240			\$ (1,251)	\$ (1,011)

**Accumulated Amortization**

NARUC Code	Depreciation	Rates	12/312007 Acc Amtz	12/312007 CIAC	2008 Additions	Note A 08 Acc Dep Accrual	12/31/2008 Acc Amtz	12/31/2008 CIAC	2009 Additions	09 Acc Dep Accrual	12/31/2009 Acc Amtz
331	Transmission and Distr Mains	2.22%	\$ 100,311	\$ (110,779)	\$ -	\$ 2,462	\$ 102,773	\$ (110,779)	\$ -	\$ 2,462	\$ 105,235
	<b>Total</b>		\$ 100,311	\$ (110,779)	\$ -	\$ 2,462	\$ 102,773	\$ (110,779)	\$ -	\$ 2,462	\$ 105,235
	Per Utility		\$ 100,311			\$ 3,323	\$ 102,550			\$ 3,323	\$ 106,959
	Difference		\$ -			\$ (861)	\$ 223			\$ (861)	\$ (1,724)

Note A The 2007 Acc. Amt. plus 2008 depreciation does not equal the per utility 2008 Acc. Amt. because the utility posted the Commission Ordered adj. here .

**13 Month Average**

Month	Acc Dep	Acc Amtz	Net Depreciation Expense								
			NARUC Acc	Depreciation	Rates	12/31/2008 Plant/CIAC	2009 Additions	Expense Per Staff	Expense Per Co	Differenece	
Dec-08	\$ (201,055)	\$ 102,773									
Jan-09	\$ (201,595)	\$ 102,978									
Feb-09	\$ (202,136)	\$ 103,183									
Mar-09	\$ (202,676)	\$ 103,388									
Apr-09	\$ (203,216)	\$ 103,593									
May-09	\$ (203,757)	\$ 103,798									
Jun-09	\$ (204,297)	\$ 104,004									
Jul-09	\$ (204,838)	\$ 104,209									
Aug-09	\$ (205,378)	\$ 104,414									
Sep-09	\$ (205,918)	\$ 104,619									
Oct-09	\$ (206,459)	\$ 104,824									
Nov-09	\$ (206,999)	\$ 105,029									
Dec-09	\$ (207,540)	\$ 105,235									
13-MO AVG	\$ (204,297)	\$ 104,004									
Per Company	\$ (203,862)	\$ 105,297									
Difference	\$ 435	\$ 1,293									
			Amortization Expense								
			331	Transmission and Distr Mains	2.22%	\$ (110,779)	\$ -	\$ (2,462)	\$ (3,323)	\$ (861)	
						<b>Net Depreciation Expense</b>			\$ 4,023	\$ 1,912	\$ (2,111)

## AUDIT FINDING 4

### SUBJECT: PROFORMA DEPRECIATION EXPENSE

**AUDIT ANALYSIS:** Rule 25-30.140, F.A.C. states the guideline rates to be used for depreciation expense.

The utility is a Class B utility that has been depreciating its plant assets at the Class C utility rates. The utility has agreed to start using the authorized depreciation rates going forward. Staff recalculated the depreciation expense for the proforma additions by multiplying half of the proforma additions by the rule rates on the schedule below.

#### Expense for Proforma Additions

<b>NARUC Account</b>	<b>Description</b>	<b>Rates</b>	<b>2009 Proforma</b>	<b>Dep Exp Per Staff</b>
331	Transmission and Distri Main	2.22%	\$ 11,532	\$ 128
334	Meters and Meter Installatiions	5.00%	\$ 173,478	\$ 4,337
	<b>Total</b>		<b>\$ 185,010</b>	<b>\$ 4,465</b>
	<b>Per Company</b>			<b>\$ 10,200</b>
	<b>Difference</b>			<b>\$ 5,735</b>

The Utility did not include an adjustment to accumulated depreciation for the proforma addition.

**EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:** None.

**EFFECT ON FILING IF FINDING IS ACCEPTED:** Depreciation expense should be decreased by \$5,735 and accumulated depreciation should be increased by \$4,465.

## **AUDIT FINDING 5**

### **SUBJECT: OVERHEAD EXPENSE ALLOCATION**

**AUDIT ANALYSIS:** The operation and maintenance expenses are composed of both direct costs incurred by the utility and allocated cost from the parent company. Staff sampled and tested expenses from parent company general ledger for proper timing, amount, classification, supporting documentation, and whether they were non-utility related, nonrecurring, unreasonable or imprudent.

The allocated cost from the parent is recorded in Account 675, Miscellaneous Expenses on a monthly basis. The parent company's allocation policy states that "The corporate expenses are allocated to the utilities based on two factors; which are ERCs for each utility to the total ERCs for all owned utilities and all expenses other than due diligence expenses on the basis of payroll charges allocable to the utilities. During 2009 test year, Ni America estimated that 47.09% of payroll costs were allocable to the utilities."

In January 2009, the parent company paid five weeks severance to seven employees in the amount of \$48,047 for salaries and \$3,676 for the employer's share of taxes. Severance pay is probably not a re-occurring expense and should not be included in the test year period.

Staff found property tax invoices for both the 2008 and 2009 included in the test year. The 2008 amount of \$500 was out of period.

The \$330 in dues paid to the Texas Society of Certified Public Accountants included 9% allocated to lobbying or \$30 ( $\$330 \times 9\%$ ).

The parent paid \$19,992 to the Texas Workforce Commission as a contribution for the purpose of reducing the following year's taxes.

The parent company incurred \$11,909 (\$8,344 for food and beverages+ \$3,365 for tickets + \$200 for parking) for image building and entertainment for the rodeo,

There are charges that specifically relate to another affiliate or state. These are shown in the following schedule.

The total of all of the above adjustment shown on the following schedules is \$89,165. The allocated portion of the cost is \$7,641.

The parent company had three charges sampled that should have been allocated to Florida only. These charges were in June, August, and December for \$300, 370, and \$1,065 respectively. Staff recalculated the Utility's allocated share of the charges based solely on ERCs and increased O&M by \$352.

The net reduction to expenses is \$7,289 ( $\$7,641 - \$352$ ).

**Parent Company Cost Removed**

<b>Date</b>	<b>Name</b>	<b>Memo</b>	<b>Amount</b>	<b>Description</b>
1/22/2009			\$ 48,047	Severance
1/22/2009			\$ 3,676	Employers Tax on Severance
08/11/2009	Leo Vasquez	Harris County Taxes for Metronome Office Contents	\$ 240	Harris County Taxes for Metronome Office for 2008 - 2009 is included in the test year
08/22/2009	Spring Branch ISD Tax Office	Business Personal Property Taxes SBISD	\$ 259	Metronome Office Personal Property Taxes for 2008 - 2009 is included in the test year
04/21/2009	TSCPA	Annual dues for Ed Wallace (06/01/09 - 05/31/10)	\$ 30	Texas Society of Certified Public Accountants dues for Wallace. 9% used for lobbying
12/31/2009	Texas Workforce Commission	Chargeback used in computing 2010 tax rate	\$ 19,992	2010 Unemployment Compensation Tax Volunteer Contribution Election - pymt to Texas Workforce Commission to reduce the tax rate for 2010
03/19/2009	Sutton, Barney A.	Downpayment for food for 2009 Rodeo	\$ 8,344	Advance pymt for food and beverage estimate at Rodeo with 10% increase from prior yr's total
10/30/2009	Sutton, Barney A.	4 tickets and 1 parking pass for Skybox Year 2010 HLS&Rodeo Season/Box 232	\$ 3,365	4 - \$841.25 ticket for Skybox to Rodeo
11/30/2009	Sutton, Barney A.	Rodeo Parking 2010	\$ 200	1 - \$200 parking pass for Rodeo
12/31/2009	American Express	Dec. 2009 Amex - Ed Wallace (Hudson Rate Case)	\$ 394	Airline travel related to Hudson rate case
02/27/2009	Thomas, William A. (vendor)	Mileage to Austin, TX on 02/10/09 to meet w/ AquaAmerica	\$ 178	Roundtrip mileage to Austin related to Shaded Lanes - Affiliate related
04/30/2009	American Express	-MULTIPLE-	\$ 1,172	Travel, lodging, and meals expenses to FL - Hudson - Affiliate related
12/31/2009	American Express	Dec. 2009 Amex - Rick Melcher (Hudson Rate Case/Tamiami Valves)	\$ 1,065	Travel, lodging, and meals expenses related to Hudson rate case and Tamiami inspection - Florida Only
01/31/2009	Sherwood, Craig	-MULTIPLE-	\$ 1,030	Travel to Headquarters, hotel stay, Ft. Worth, Bowman, Austin, and Texas Commission on Environmental Quality - Affiliate related
06/02/2009	Florida Rural Water Association	2009 Ni Florida, LLC Membership Dues	\$ 300	2009 Ni Florida, LLC Membership Dues - Florida Only
01/31/2009	Bell Utilities of Mississippi, LLC:24077	Membership fee for Westover Water Assn, Inc	\$ 10	Membership fee for Westover Water Association - Affiliate related
12/09/2009	Texas Rural Water Association	Membership Dues for 2010	\$ 400	Texas Rural Water Association Membership Dues - Affiliate related
06/29/2009	Hudson Utilities:9071	Sent Maps to Keith Bachman for Hudson	\$ 32	FedEx Express Service - Affiliate related
11/12/2009	Palmetto Utilities, Inc.:40071	Overnight Pkgs related to Palmetto, pkgs sent to MM, Banks, & Stan Jones	\$ 62	FedEx Express Service - Affiliate related
08/31/2009	Melcher, Rick	Florida Rural Water Association Meeting Daytona	\$ 370	Travel expense related to Hudson rate case and Florida Rural Water Association Meeting in Daytona - Florida Only
		<b>Total Ni America Operating, LLC Cost</b>	<b>\$ 89,165</b>	



**EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:** The following entries are need to correct the utility's ledger as of December 31, 2009.

<u>NARUC Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
675	Miscellaneous Expenses		\$ 7,289
215	Retained Earnings	\$ 7,289	
	<b>Total</b>	<b>\$ 7,289</b>	<b>\$ 7,289</b>

**EFFECT ON FILING IF FINDING IS ACCEPTED:** Operation and Maintenance expenses should be decreased by \$7,289.

**Overhead Cost and Allocation Removed**

	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>Total</u>
<b>O&amp;M Total</b>	\$52,762	\$178	\$8,344	\$1,202	-	\$332	-	\$869	-	\$3,365	\$262	\$21,851	89,165
<b>Payroll %</b>	47.089%	47.089%	47.089%	47.089%	47.089%	47.089%	47.089%	47.089%	47.089%	47.089%	47.089%	47.089%	
	\$ 24,845	\$ 84	\$ 3,929	\$ 566	\$ -	\$ 156	\$ -	\$ 409	\$ -	\$ 1,585	\$ 123	\$ 10,290	\$ 41,987

**ERCs Per Utility**

Shaded Lane	204	204	204	205	205	205	205	203	203	202	204	200	2,444
Hudson	2,987	2,974	2,985	2,979	2,979	2,985	2,985	2,987	2,978	2,987	2,986	2,985	35,797
Tamiami	748	748	748	749	749	749	749	749	749	756	756	768	9,018
Brighton						748	748	747	740	738	726	732	5,179
<b>Total</b>	<b>3,939</b>	<b>3,926</b>	<b>3,937</b>	<b>3,933</b>	<b>3,933</b>	<b>4,687</b>	<b>4,687</b>	<b>4,686</b>	<b>4,670</b>	<b>4,683</b>	<b>4,672</b>	<b>4,685</b>	<b>52,438</b>

**Allocated Overhead**

Shaded Lane	\$ 1,287	\$ 4	\$ 204	\$ 29	\$ -	\$ 7	\$ -	\$ 18	\$ -	\$ 68	\$ 5	\$ 439	\$ 2,062
Hudson	18,840	64	2,979	429	-	99	-	261	-	1,011	79	6,556	30,317
Tamiami	4,718	16	746	108	-	25	-	65	-	256	20	1,687	7,641
Brighton						25	-	65	-	250	19	1,608	1,967
<b>Total</b>	<b>\$ 24,845</b>	<b>\$ 84</b>	<b>\$ 3,929</b>	<b>\$ 566</b>	<b>\$ -</b>	<b>\$ 156</b>	<b>\$ -</b>	<b>\$ 409</b>	<b>\$ -</b>	<b>\$ 1,585</b>	<b>\$ 123</b>	<b>\$ 10,290</b>	<b>\$ 41,987</b>

**Florida Allocation Included**

	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>Total</u>
<b>Florida Only</b>	-	-	-	-	-	\$300	-	\$370	-	-	-	\$1,065	1,735
<b>ERCs Per Utility</b>													
Hudson	2,987	2,974	2,985	2,979	2,979	2,985	2,985	2,987	2,978	2,987	2,986	2,985	35,797
Tamiami	748	748	748	749	749	749	749	749	749	756	756	768	9,018
<b>Total</b>	<b>3,735</b>	<b>3,722</b>	<b>3,733</b>	<b>3,728</b>	<b>3,728</b>	<b>3,734</b>	<b>3,734</b>	<b>3,736</b>	<b>3,727</b>	<b>3,743</b>	<b>3,742</b>	<b>3,753</b>	<b>44,815</b>

**Allocated Overhead**

Hudson	-	-	-	-	-	240	-	296	-	-	-	847	1,383
Tamiami	-	-	-	-	-	60	-	74	-	-	-	218	352
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 300</b>	<b>\$ -</b>	<b>\$ 370</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,065</b>	<b>\$ 1,735</b>

**COMPANY EXHIBITS**

Schedule of Water Rate Base

Florida Public Service Commission

Company: NI Florida, LLC  
 Docket No.: 100149-WU  
 Test Year Ended: December 31, 2009  
 Interim [ ] Final [X]

Schedule: A-1 (Revised 7-27-10)  
 Page 1 of 1  
 Preparer: Donald J. Clayton, P.E.

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

Line No.	(1) Description	(2) Average Amount Per Books	(3) A-3 Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant In Service	\$ 292,084	\$ 173,478 (B)	\$ 465,562	A-3.A-5
2					
3	Utility Land & Land Rights	-	-	-	A-3.A-5
4					
5	Less: Non-Used & Useful Plant	-	-	-	A-7
6					
7	Construction Work In Progress	-	-	-	A-3
8					
9	Less: Accumulated Depreciation	203,862	-	203,862	A-3, A-9
10					
11					
12					
13	Less: CIAC	110,779	-	110,779	A-12
14					
15	Accumulated Amortization of CIAC	105,297	-	105,297	A-14
16					
17	Acquisition Adjustments	713,630	(713,630) (A)	-	A-3
18					
19	Advances For Construction	-	-	-	A-16
20					
21	Working Capital Allowance	43,943	-	43,943	A-17
22					
23	<b>Total Rate Base</b>	<b>\$ 840,313</b>	<b>\$ (540,152)</b>	<b>\$ 300,161</b>	

DECUM 4 NUMBER-DATE

06164 JUL 28 09

FPSC-COMMISSION CLERK

Schedule of Requested Cost of Capital  
13-Month Average Balance

Florida Public Service Commission

Company: Ni Florida, LLC  
Docket No.: 100149-WU  
Test Year Ended: December 31, 2009  
Schedule Year Ended: December 31, 2009  
Historic  or Projected   
Interim  or Final

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

Subsidiary  or Consolidated

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

Line No.	(1) Class of Capital	(2) Reconciled to Requested Rate Base (13-Month Average)	(3) Ratio	(4) Cost Rate	(5) Weighted Cost
1	Long Term Debt	\$ -	0.00%	0.00%	0.00%
2	Short Term debt	-	0.00%	0.00%	0.00%
3	Preferred stock	-	0.00%	0.00%	0.00%
4	Common Equity	332,452	99.35%	8.82%	8.77%
5	Customer Deposits	2,171	0.65%	6.00%	0.04%
6	Tax Credits - Zero Cost	-	0.00%	0.00%	0.00%
7	Tax Credits - Weighted Cost	-	0.00%	0.00%	0.00%
8	Accumulated Deferred Income Tax	-	0.00%	0.00%	0.00%
9	Other	-	0.00%	0.00%	0.00%
10	<b>Total</b>	<b>\$ 334,624</b>	<b>100.00%</b>		<b>8.81%</b>

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

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: NI Florida, LLC  
 Docket No.: 100149-WU  
 Schedule Year Ended: December 31, 2009  
 Interim  Final   
 Historic  or Projected

Schedule: B-1 (Revised 7-27-10)  
 Page 1 of 1  
 Preparer: Donald J. Clayton, P.E.

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

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Test year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenue	(7) Supporting Schedules
1	OPERATING REVENUES	\$ 220,146	\$ -	\$ 220,146	\$ 188,300 (A)	\$ 408,446	B-4, B-3
2							
3	Operation & Maintenance	314,908	33,344 (B)	348,252	3,295 (D)	351,547	B-5, B-3
4							
5	Depreciation, net of CIAC Amort.	1,911	10,200 (C)	12,111	-	12,111	B-14, B-3
6							
7	Amortization	-	-	-	-	-	
8							
9	Taxes Other Than Income Taxes	9,863	-	9,863	8,474 (D)	18,337	B-15, B-3
10							
11	Provision for Income Taxes	-	-	-	-	-	C-1, B-3
12							
13	OPERATING EXPENSES	<u>326,682</u>	<u>43,544</u>	<u>370,226</u>	<u>11,769</u>	<u>381,995</u>	
14							
15	NET OPERATING INCOME	<u>\$ (106,536)</u>	<u>\$ (43,544)</u>	<u>\$ (150,081)</u>	<u>\$ 178,531</u>	<u>\$ 28,451</u>	
16							
17							
18	RATE BASE	<u>\$ 840,313</u>	<u>\$ (540,152)</u>	<u>\$ 300,161</u>		<u>\$ 300,161</u>	
19							
20							
21	RATE OF RETURN	-12.68%		-50.00%		8.81%	