

State of Florida



Public Service Commission

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

-M-E-M-O-R-A-N-D-U-M-

DATE: September 21, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (P. Buys, King, Ramos) *TB*
Office of the General Counsel (Stiller) *JSC*

RE: Docket No. 20230081-WS – Application for increase in water and wastewater rates in Broward County by Royal Waterworks, Inc.

AGENDA: 10/03/23 – Regular Agenda – Tariff Suspension – Participation is at the discretion of the Commission

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: 10/13/23 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

Royal Waterworks, Inc. (Royal or Utility) is a Class B water and wastewater utility providing service to approximately 457 residential and 64 general service water customers in Broward County. Royal is located in the South Florida Water Management District. The Utility's initial rates were established in 1983 in Docket No. 19820237-WS.¹ At that time, the Utility was owned by University Utility Corporation and subsequently underwent two transfers.²

¹ Order No. 12170, issued June 24, 1983, in Docket No. 19820237-WS, *In re: Application of University Utility Corporation for an increase in its rates to its customers in Broward County, Florida.*

² Order No. 19867, issued August 22, 1988, in Docket No. 19880557-WS, *In re: Application of Royal Utility Company for transfer of Certifications Nos. 259-W and 199-S from University Utility Corporation;* and Order No. PSC-2020-0458-PAA-WS, issued November 23, 2020, in Docket No. 20190170-WS, *In re: Application for transfer of facilities and Certificate Nos. 259-W and 199-S in Broward County from Royal Utility Company to Royal Waterworks, Inc.*

In 2022, the Utility recorded total company operating revenues of \$704,462 and \$713,819 for water and wastewater, respectively. Royal reported a net operating income for 2022 of \$12,515 for water and \$201,311 for wastewater.

On August 14, 2023, Royal filed an application for increased interim and final water and wastewater rates.³ However, on August 22, 2023, the Utility withdrew its request for interim rates due to calculation errors.⁴

The Utility requested that its application be processed using the Proposed Agency Action (PAA) procedure. Royal's application for increased final water and wastewater rates is based on the historical test year ending May 31, 2023. The requested final rates include adjustments for six water pro forma projects and six wastewater pro forma projects.

Royal requested final rates designed to generate revenues of \$804,969 for water operations and \$862,426 for wastewater operations. This represents a revenue increase of \$70,783, or 8.8 percent, for water and \$100,955, or 11.7 percent, for wastewater.

By letter dated September 13, 2023, staff advised the Utility that its Minimum Filing Requirements (MFRs) had deficiencies.⁵ Royal responded to that letter correcting some of the deficiencies on September 15, 2023.⁶ Staff sent a second deficiency letter on September 20, 2023.⁷ On the same day, the Utility provided responses to the second deficiency letter.⁸ Staff is still reviewing the response and as such, the official date of filing has not yet been established.

The 60-day statutory deadline for the Commission to suspend the Utility's requested final rates is October 13, 2023. This recommendation addresses the suspension of the Utility's requested final rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

³ Document No. 04709-2023, filed on August 14, 2023.

⁴ Document No. 04917-2023, filed on August 22, 2023.

⁵ Document No. 05199-2023, filed on September 13, 2023.

⁶ Document No. 05222-2023, filed on September 15, 2023.

⁷ Document No. 05292-2023, filed on September 20, 2023.

⁸ Document No. 05293-2023, filed on September 20, 2023.

Discussion of Issues

Issue 1: Should the Utility's proposed final water and wastewater rates be suspended?

Recommendation: Yes. Suspension of the Utility's proposed rates is necessary to allow sufficient time to review the request for final rate relief. (P. Buys)

Staff Analysis: Section 367.081(6), F.S., provides that the rates proposed by a utility shall become effective within sixty days after filing unless the Commission votes to withhold consent of implementation of the requested rates. Further, the above referenced statute permits the proposed final rates to go into effect, under bond, escrow, or corporate undertaking eight months after filing unless final action has been taken by the Commission.

Staff has reviewed the filing and the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. Staff believes that it is reasonable and necessary to require further explanation regarding this data, and to require production of additional and/or corroborative data. This further examination will include a review by staff accountants and engineers. To date, staff has initiated an audit of Royal's books and records to examine allocated investment and operating expenses.⁹ This audit is tentatively due on October 13, 2023. Therefore, staff recommends suspension of the Utility's proposed rate increases to allow staff and any intervenors sufficient time to adequately and thoroughly examine the appropriateness of the Utility's request for final rate relief.

⁹ Document No. 04751-2023, filed August 15, 2023.

Issue 2: Should this docket be closed?

Recommendation: The docket should remain open pending the Commission's final action on the Utility's requested rate increase. (Stiller)

Staff Analysis: The docket should remain open pending the Commission's final action on the Utility's requested rate increase.