

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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.

DOCKET NO. 20190170-WS
ORDER NO. PSC-2021-0114-PAA-WS
ISSUED: March 22, 2021

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman
ART GRAHAM
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION
ORDER RECALCULATING THE UTILITY PLANT IN SERVICE
AND NET BOOK VALUE

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

On August 29, 2019, Royal Waterworks, Inc. (Royal or Utility) filed an application for transfer of Certificate Nos. 259-W and 199-S from Royal Utility Company. We approved the transfer in Order No. PSC-2020-0458-PAA-WS, issued November 23, 2020, and consummated by Order No. PSC-2020-0506-CO-WS, issued December 18, 2020. Following the issuance of the Consummating Order, an error was discovered regarding the calculation of the utility plant in service (UPIS) balances and the resulting net book value (NBV).

This Order addresses the correction to the UPIS balances and the resulting NBV. We have jurisdiction pursuant to Sections 367.071, 367.091, and 367.121, Florida Statutes (F.S.).

Decision

Standard of Review

The appropriate standard of review for reconsideration is whether a point of fact or law was overlooked or that we failed to consider in rendering our Order. *Stewart Bonded Warehouse,*

Inc. v. Bevis, 294 So. 2d 315 (Fla. 1974); *Diamond Cab Co. v. King*, 146 So. 2d 889 (Fla. 1962); and *Pingree v. Quaintance*, 394 So. 2d 161 (Fla. 1st DCA 1981).

The doctrine of administrative finality provides that there must be a terminal point in every proceeding both administrative and judicial, at which the parties and the public may rely on a decision as being final and dispositive of the rights and issues involved therein. A decision, once final, may only be modified if there is a significant change in circumstances or if modification is required in the public interest. *Florida Power Corp. v. Garcia*, 780 So. 2d 34 (Fla. 2001); *Peoples Gas System, Inc. v. Mason*, 187 So. 2d 335 (Fla. 1966).

However, the Florida Supreme Court has also found that we have the inherent power and the statutory duty to correct errors in our orders to protect the interests of the public. *Reedy Creek Utilities Co. v. FPSC*, 418 So. 2d 249 (Fla. 1982). For example, in *Reedy Creek*, the Court affirmed that we correctly amended an erroneous order, two and half months after its issuance, where the appellant “did not change its position during the lapse of time between orders, and suffered no prejudice as a consequence.” *Reedy Creek*, 418 So. 2d at 254; *see also Peoples Gas System, Inc. v. Mason*, 187 So. 2d 335 (Fla. 1966) (“We have no doubt that such powers [to regulate public utilities] may, in proper instances, be exercised on the initiative of the commission.”).

Analysis

By Order No. PSC-2020-0458-PAA-WS, issued November 23, 2020, we approved the transfer of the water and wastewater certificates to Royal. After the Consummating Order had been issued, Commission staff was notified by the Utility that it was unable to reconcile the Commission ordered adjustments to the total UPIS balances. Upon further review, Commission staff discovered a calculation error was made in its October 22, 2020 recommendation, resulting in an overstated UPIS balance, as well as an overstated NBV.

We approved water and wastewater UPIS balances of \$3,389,692 and \$1,944,996, respectively. However, we inadvertently included the water and wastewater land balances of \$76,123 and \$71,802, respectively, in our calculation of UPIS. As a result, the UPIS balances were overstated. Correction of this calculation error results in water and wastewater UPIS balances of \$3,313,569 and \$1,873,194, respectively. The correct UPIS balances are shown in Schedule No. 1, with the correct amounts bolded and highlighted.

We approved a water and wastewater system NBV of \$943,455 and \$539,395, respectively. Our calculation of NBV is comprised of UPIS, land and land rights, accumulated depreciation, contributions in aid of construction (CIAC), and accumulated amortization of CIAC. As discussed above, the land balances were inadvertently included in the UPIS balances, as well as the land and land rights balances. This resulted in a doubling of the land amounts and an overstatement of the NBVs of both the water and wastewater systems. Correction of this calculation error results in a water and wastewater system NBV of \$867,332 and \$467,593, respectively. The correct NBV are shown in Schedule No. 1, with the correct amounts bolded and highlighted.

The changes in the UPIS balances and NBV have no effect on our other decisions reached in Order No. PSC-2020-0458-PAA-WS.

Conclusion

We hereby find that the correct UPIS balances of the water and wastewater systems are \$3,313,569 and \$1,873,194, respectively, as of July 1, 2019. The NBV of the water and wastewater systems are \$867,332 and \$467,593, respectively, as of July 1, 2019. Royal shall be required to notify us in writing that it has adjusted its books in accordance with our decision. The adjustments shall be reflected in the 2020 Annual Report when filed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the decision made in Order No. PSC-2020-0458-PAA-WS is corrected with respect to the UPIS balances and the calculation of NBV. The correct UPIS balances of the water and wastewater systems are \$3,313,569 and \$1,873,194, respectively, as of July 1, 2019. The NBV of the water and wastewater systems are \$867,332 and \$467,593, respectively, as of July 1, 2019. Royal shall be required to notify this Commission in writing that it has adjusted its books in accordance with our decision. The adjustments shall be reflected in the 2020 Annual Report when filed. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, and after the Utility has notified the Commission in writing that it has adjusted its books in accordance with the Commission's decision, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 22nd day of March, 2021.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 12, 2021.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

**Royal Waterworks, Inc.
 Schedule of Net Book Value as of July 1, 2019**

Water System

| <u>Description</u> | <u>Balance Per Utility</u> | <u>Adjustments</u> | <u>Commission Approved</u> |
|--------------------------|--------------------------------|------------------------|--------------------------------|
| Utility Plant In Service | \$3,187,937 | \$125,632 | \$3,313,569 |
| Land & Land Rights | 76,123 | 0 | 76,123 |
| Accumulated Depreciation | (2,437,158) | (49,202) | (2,522,360) |
| CIAC | (571,643) | 0 | (571,643) |
| Amortization of CIAC | <u>579,047</u> | <u>(7,404)</u> | <u>571,643</u> |
| Total | <u>\$798,306</u> | <u>\$69,026</u> | <u>\$867,332</u> |

Wastewater System

| <u>Description</u> | <u>Balance Per Utility</u> | <u>Adjustments</u> | <u>Commission Approved</u> |
|--------------------------|--------------------------------|------------------------|--------------------------------|
| Utility Plant In Service | \$1,814,757 | \$58,437 | \$1,873,194 |
| Land & Land Rights | 71,802 | 0 | 71,802 |
| Accumulated Depreciation | (1,471,604) | (5,799) | (1,477,403) |
| CIAC | (238,921) | 0 | (238,921) |
| Amortization of CIAC | <u>206,294</u> | <u>32,627</u> | <u>238,921</u> |
| Total | <u>\$382,328</u> | <u>\$85,265</u> | <u>\$467,593</u> |

**Explanation of Commission Approved Adjustments
To Net Book Value as of July 1, 2019**

| <u>Explanation</u> | <u>Water</u> | <u>Wastewater</u> |
|---|--------------------------|--------------------------|
| Utility Plant in Service To reflect the appropriate amount of utility plant in service | <u>\$125,632</u> | <u>\$58,437</u> |
| Accumulated Depreciation To reflect the appropriate amount of accumulated depreciation | <u>(\$49,202)</u> | <u>(\$5,799)</u> |
| Amortization of CIAC To reflect the appropriate amount of amortization of CIAC | <u>(\$7,404)</u> | <u>\$32,627</u> |
| Total Adjustments | <u>\$69,026</u> | <u>\$85,265</u> |

Royal Waterworks, Inc.
Schedule of Commission Approved Account Balances as of July 1, 2019
Water System

| Account | | | UPIS | Accumulated |
|-------------------|--|--|---------------------------|----------------------------|
| <u>No.</u> | <u>Description</u> | | | <u>Depreciation</u> |
| 302 | Franchises | | \$713 | (\$494) |
| 304 | Structure and Improvements | | 542,157 | (404,877) |
| 307 | Wells and Springs | | 23,683 | (23,683) |
| 309 | Supply Mains | | 48,267 | (48,267) |
| 310 | Power Generation Equipment | | 11,948 | (7,169) |
| 311 | Pumping Equipment | | 735,632 | (728,171) |
| 320 | Water Treatment Equipment | | 224,484 | (55,242) |
| 330 | Distribution Reservoirs and Standpipes | | 9,100 | (9,100) |
| 331 | Transmission and Distribution Mains | | 974,103 | (569,917) |
| 333 | Services | | 168,098 | (131,089) |
| 334 | Meters and Meter Installations | | 335,937 | (339,645) |
| 335 | Hydrants | | 68,439 | (47,249) |
| 339 | Other Plant / Misc Equipment | | 60,527 | (46,978) |
| 340 | Office Furniture and Equipment | | 11,693 | (11,692) |
| 341 | Transportation Equipment | | 13,029 | (13,029) |
| 343 | Tools, Shop and Garage Equipment | | 10,370 | (10,370) |
| 344 | Laboratory Equipment | | 5,856 | (5,856) |
| 347 | Misc Equipment | | 25,650 | (25,650) |
| 348 | Other Tangible Plant | | <u>43,883</u> | <u>(43,883)</u> |
| | Total | | <u>\$3,313,569</u> | <u>\$2,522,360</u> |

Royal Waterworks, Inc.
Schedule of Commission Approved Account Balances as of July 1, 2019
Wastewater System

| Account | | | Accumulated |
|-------------------|-----------------------------------|---------------------------|----------------------------|
| <u>No.</u> | <u>Description</u> | <u>UPIS</u> | <u>Depreciation</u> |
| 354 | Structure and Improvements | \$145,709 | \$103,668 |
| 355 | Power Generation Equipment | 37,368 | 18,987 |
| 360 | Collection Sewers-Force | 120,328 | 120,328 |
| 361 | Collection Sewers-Gravity | 1,007,571 | 728,031 |
| 364 | Flow Measuring Devices | 81,227 | 81,227 |
| 371 | Pumping Equipment | 273,926 | 221,187 |
| 389 | Other Plant/Misc Equipment | 121,758 | 121,758 |
| 390 | Office Furniture & Equipment | 11,276 | 11,276 |
| 391 | Transportation Equipment | 13,029 | 13,029 |
| 393 | Tools, Shop, and Garage Equipment | 22,947 | 22,947 |
| 394 | Laboratory Equipment | 26,858 | 23,768 |
| 398 | Other Tangible Plant | <u>11,197</u> | <u>11,197</u> |
| | Total | <u>\$1,873,194</u> | <u>\$1,477,403</u> |