

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: March 13, 2020

TO: Office of Commission Clerk

FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 20190195-WS
Company Name: Regency Utilities, Inc.
Company Code: WS919
Audit Purpose: B1c: Certificate Transfer
Audit Control No.: 2020-006-2-1

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 are no confidential work papers associated with this audit.

LMD/cmm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File.

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

Regency Utilities, Inc./Duval Waterworks, Inc.
Transfer of Certificate

As of September 30, 2019

Docket No. 20190195-WS
Audit Control No. 2020-006-2-1

February 25, 2020

A handwritten signature in cursive script that reads "Ron Mavrides".

Ron Mavrides
Audit Manager

A handwritten signature in cursive script that reads "Linda Hill".

Linda Hill
Reviewer

Table of Contents

Purpose	1
Objectives and Procedures.....	2
Audit Findings	
1: UPIS.....	5
2: Accumulated Depreciation	6
Exhibit	
1: Net Book Value	7

Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated December 20, 2019. We have applied these procedures to the attached schedules prepared by audit staff in support of Regency Utilities, Inc.'s request for a Transfer of Certificate in Docket No. 20190195-WS.

The report is intended only for internal Commission use.

Objectives and Procedures

Background

Definitions

Buyer refers to Duval Waterworks, Inc.
Seller/Utility refers to Regency Utilities, Inc.

Utility Information

Regency Utilities, Inc., is a Class C Utility that serves approximately 65 water and 50 wastewater customers in Duval County. Rate base was established by Order No. PSC-2012-0436-PAA-WS, issued August 24, 2012. The seller and buyer executed a purchase agreement on September 30, 2019, for \$60,000. The purchase price included all utility assets for the water distribution system, and assets for the wastewater collection system and the private fire protection system located at Regency Square Mall. The Utility purchases its potable and irrigation water and wastewater services from Jacksonville Electric Authority (JEA).

The Utility maintains a well, pumps, and ground storage tank for the private fire protection along with a very large ground storage tank for fire protection.

General

Utility Books and Records

Objective: The objective was to determine whether the Utility maintains its books and records in conformity with the National Association of Regulatory Commissioners (NARUC) Uniform System of Accounts (USOA).

Procedures: We examined the Utility's books and records and determined that they are in substantial compliance with the NARUC USOA.

Net Book Value

Utility Plant in Service

Objectives: The objectives were to determine whether the utility plant in service (UPIS): 1) Consists of property that exists and is owned by the Utility, 2) Additions are recorded at original cost, 3) Retirements are made when a replacement asset was put in service, and 4) Adjustments required in the Utility's last rate proceeding were recorded in its books and records.

Procedures: We obtained the beginning balances for UPIS as of September 30, 2011, established in Order No. PSC-2012-00436-PAA-WS. We compiled a schedule of water plant additions from September 30, 2011, through September 30, 2019, using the Utility's annual reports and Utility provided invoices. There were no additions to the wastewater plant. Our recommended adjustments to UPIS are discussed in Finding 1.

Land & Land Rights

Objectives: The objectives were to determine whether utility land is recorded at original cost and owned or secured under a long-term lease agreement.

Procedures: We determined the Utility did not own any land by reviewing the prior order as well as the current purchase agreement. No further work was performed.

Contributions-in-Aid-of-Construction

Objectives: The objectives were to determine whether Contributions-in-Aid-of-Construction (CIAC) is recorded correctly and is in compliance with the Utility's Commission approved service availability charges.

Procedures: We obtained the beginning balances for CIAC as of September 30, 2011, established in Order PSC-2012-00436-PAA-WS. Audit staff determined there have been no additions to the CIAC balances for the water or wastewater plant. No further work was performed.

Accumulated Depreciation

Objectives: The objectives were to determine whether Accumulated Depreciation: 1) Accruals are properly calculated and recorded based on Rule 25-30.140 - Depreciation, (F.A.C.), 2) Retirements are recorded when an asset was replaced, and 3) Adjustments required in the Utility's last rate proceeding were recorded to its books and records.

Procedures: We obtained the beginning balances for Accumulated Depreciation as of September 30, 2011, established in Order PSC-2012-00436-PAA-WS. We calculated depreciation from January 1, 2011, to September 30, 2019 to determine our ending balances. Our recommended adjustments to Accumulated Depreciation are discussed in Finding 2.

Accumulated Amortization of CIAC

Objectives: The objectives were to determine whether Accumulated Amortization of CIAC accruals are properly calculated and recorded based on Commission rules and the NARUC USOA.

Procedures: We obtained the beginning balances for Accumulated Amortization of CIAC as of September 30, 2011, established in Order PSC-2012-00436-PAA-WS. We note that CIAC was fully amortized shortly after the issuance of that Order. No further work was performed.

Acquisition Adjustment

Objectives: The objective was to determine the acquisition adjustment, if any, based on audit staff's net book value pursuant to Rule 25-30.0371(1) – Acquisition Adjustments, F.A.C.

Procedures: The Buyer paid \$60,000 for the global purchase of the assets. We determined that the Combined Net Book Value for this Utility was \$145,693. The Utility did not divide the

purchase price between water and wastewater. The Utility is not requesting an acquisition adjustment. Therefore, we did not calculate one.

Other

Customer Deposits

Objective: The objective was to determine whether the Utility is charging the correct amount set by Commission tariffs.

Procedures: We requested a listing of customer deposits included in the sale. It was determined that the seller credited all deposits to the customers' final bills before the sale. No further work was performed.

Billing

Objective: The objective was to determine that the buyer is billing the customers the correct rates per the last approved tariff.

Procedures: We obtained ten customers' bills for the month of January 2020 from different water and wastewater classes. Billing is done monthly. We recalculated these customers' bills using the approved tariffs. No exceptions were noted.

Audit Findings

Finding 1: UPIS

Audit Analysis: We began with the Water and Wastewater plant balances from Order PSC-2012-0436-PAA-WS and adjusted these accounts for additions. Additions for the Water plant were added in 2018 and 2019. There were no additions to the Wastewater plant. We determined the retirement amounts using 75% of the value of the additions in the respective year acquired. See Tables 1-1 and 1-2.

Table 1-1

WATER PLANT				
As of 9/30/2019		Plant in Service	Audit	Plant in Service
Acct#	Account Description	Utility Balance 9/30/2019	Adustment	Balance per Audit 9/30/2019
301	Organization	\$ 25,000	\$ -	\$ 25,000
304	Structures & Improvements	\$ 285,386	\$ 899	\$ 286,285
307	Wells & Springs	\$ 195,402	\$ -	\$ 195,402
309	Supply Mains	\$ 16,090	\$ 1,580	\$ 17,670
310	Power Generation Equipment	\$ 58,707	\$ 1,100	\$ 59,807
311	Pumping Equipment	\$ 185,199	\$ 7,498	\$ 192,697
320	Water Treatment Equipment	\$ 15,818	\$ -	\$ 15,818
330	Dist. Reservoirs & Standpipes	\$ 153,890	\$ -	\$ 153,890
331	Transmission & Dist. Lines	\$ 21,980	\$ 3,392	\$ 25,372
333	Services	\$ 148,540	\$ -	\$ 148,540
334	Meters	\$ 51,095	\$ -	\$ 51,095
335	Hydrants	\$ 10,786	\$ 1	\$ 10,787
340	Office Equip. & Computers	\$ 373	\$ -	\$ 373
TOTAL UTILITY PLANT IN SERVICE		\$ 1,168,266	\$ 14,470	\$ 1,182,736

Table 1-2

WASTEWATER PLANT				
As of 9/30/2019		Plant in Service	Audit	Plant in Service
Acct#	Account Description	Utility Balance 9/30/2019	Adustment	Balance per Audit 9/30/2019
351	Organization	\$ 25,000	\$ -	\$ 25,000
361	Collection - Sewers Gravity	\$ 30,260	\$ -	\$ 30,260
363	Meters	\$ 6,682	\$ -	\$ 6,682
390	Office Furniture & Equipment	\$ 373	\$ -	\$ 373
TOTAL UTILITY PLANT IN SERVICE		\$ 62,315	\$ -	\$ 62,315

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Increase UPIS for water by \$14,470.

Finding 2: Accumulated Depreciation

Audit Analysis: We began with the accumulated depreciation balance for water and wastewater amounts from Order PSC-2012-00436-PAA-WS. We used our audited balances and depreciated the plant assets in compliance with Rule 25-30.140, F.A.C, See Tables 2-1 and 2-2.

Table 2-1

WATER PLANT ACCUMULATED DEPRECIATION				
As of 9/30/2019		Plant in Service	Audit	Plant in Service
Acct#	Account Description	Utility Balance 9/30/2019	Adjustment	Balance per Audit 9/30/2019
301	Organization	\$ (25,000)	\$ 17,969	\$ (7,031)
304	Structures & Improvements	\$ (285,386)	\$ 22,242	\$ (263,144)
307	Wells & Springs	\$ (195,402)	\$ 20,879	\$ (174,523)
309	Supply Mains	\$ (16,090)	\$ 4,928	\$ (11,162)
310	Power Generation Equipment	\$ (58,707)	\$ (1,100)	\$ (59,807)
311	Pumping Equipment	\$ (185,199)	\$ (197)	\$ (185,396)
320	Water Treatment Equipment	\$ (15,818)	\$ -	\$ (15,818)
330	Dist. Reservoirs & Standpipes	\$ (153,890)	\$ 38,076	\$ (115,814)
331	Transmission & Dist. Lines	\$ (21,980)	\$ 1,990	\$ (19,990)
333	Services	\$ (148,540)	\$ 5,858	\$ (142,682)
334	Meters	\$ (51,095)	\$ -	\$ (51,095)
335	Hydrants	\$ (10,786)	\$ (1)	\$ (10,787)
340	Office Equip. & Computers	\$ (373)	\$ -	\$ (373)
TOTAL UTILITY PLANT IN SERVICE		\$ (1,168,266)	\$ 110,644	\$ (1,057,622)

Table 2-2

WASTEWATER PLANT ACCUMULATED DEPRECIATION				
As of 9/30/2019		Plant in Service	Audit	Plant in Service
Acct#	Account Description	Utility Balance 9/30/2019	Adjustment	Balance per Audit 9/30/2019
351	Organization	\$ (7,344)	\$ 313	\$ (7,031)
361	Collection - Sewers Gravity	\$ (30,260)	\$ -	\$ (30,260)
363	Meters	\$ (4,321)	\$ 247	\$ (4,074)
390	Office Furniture & Equipment	\$ (373)	\$ -	\$ (373)
TOTAL UTILITY PLANT IN SERVICE		\$ (42,298)	\$ 560	\$ (41,738)

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Decrease Accumulated Depreciation by \$110,644 and \$560 for water and wastewater, respectively.

Exhibit

Exhibit 1: Net Book Value

**Regency Utilities, Inc.
Net Book Value
As of September 30, 2019**

Water

Description	Balance per Utility	Adjustment	Balance per Audit
Utility Plant in Service	\$ 1,168,266	\$ 14,470	\$ 1,182,736
Land	\$ -	\$ -	\$ -
Accumulated Depreciation	\$ (1,168,266)	\$ 110,646	\$ (1,057,620)
Contribution in aid of Construction	\$ (21,980)	\$ -	\$ (21,980)
Accumulted Amortization of CIAC	\$ 21,980	\$ -	\$ 21,980
Net Book Value	\$ -	\$ 125,116	\$ 125,116

Wastewater

Description	Balance per Utility	Adjustment	Balance per Audit
Utility Plant in Service	\$ 62,315	\$ -	\$ 62,315
Land	\$ -	\$ -	\$ -
Accumulated Depreciation	\$ (42,298)	\$ 560	\$ (41,738)
Contribution in aid of Construction	\$ (30,260)	\$ -	\$ (30,260)
Accumulted Amortization of CIAC	\$ 30,260	\$ -	\$ 30,260
Net Book Value	\$ 20,017	\$ 560	\$ 20,577