

ROYAL WATERWORKS, INC.

August 7, 2020

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

Re: Docket No. 20190170-WS - Application for transfer of facilities Certificate Nos. 259-W and 199-S in Broward County from Royal Utility Company to Royal Waterworks, Inc. – Response to Staff Third Data Request

Dear Commission Clerk,

Royal Waterworks, Inc. (Royal) hereby submits its response to Staff's Third Data Request dated August 6, 2020 in the above referenced docket.

1. In response to Staff's first data request, the Utility provided actual Operation and Maintenance (O&M) expenses incurred in July through December 2019, please provide actual O&M expenses incurred in January through July 2020 by primary expense account.

Response: See attached O&M expenses for the period January through June 2020. Royal has not closed its July books to date. Also attached is a comparison analysis between the 2018 Annual Report (Royal Utility) and 2020 O&M expenses. Several expenses were annualized and some represent actual costs. Royal did not include the bad debt expense. Due to the COVID-19 pandemic, the bad debt expense for Royal has increased significantly. This is beyond the control of the utility. Over one-half (1/2) of Royal's revenues are derived from one general service customer Ramblewood East Condominium. Due to the COVID-19 the majority of the tenants at Ramblewood are not paying either rent or assessments. To further exasperate the situation, due to the current actions of both the U.S. Congress and Governor DeSantis' Executive Order, Ramblewood has no recourse of evictions. As a result Ramblewood is not paying for its water and wastewater services to Royal. Currently their account balance has reached almost \$250,000.

Royal does not believe it is appropriate to make any comparison of the bad debt expense since this is an unprecedented event beyond the utility's control. Royal has been and is still working with Ramblewood on any available funds or payments. To date, Royal has not discontinued service as Ramblewood

represents approximately 2,800 residents in Broward County. This is an ever evolving situation.

Royal also did not include purchased wastewater expense since this too is beyond Royal's control, and there has been an increase in the rate charged by Broward County since 2018. A comparison of the annualized O&M expense (absent the bad debt and purchased wastewater) shows an overall savings of (\$100,763). For the water miscellaneous expense the cost of the annual permit renewal of \$2,000 was not "annualized" as this was an actual cost. See attaches schedule.

2. Does the Utility agree with the findings of the audit report submitted on January 15, 2020? If not, please provide a response to the audit report.

Response: No. Royal does not agree with the audit findings. Staff auditor recommended *significant* reductions to the utility's Plant-in-Service. As previously stated in the utility's response to Staff Second Data Request, the previous owner booked all invoices into O&M expense accounts. (Document 02094-2020), At the end of the year, all financial statements were then sent to the utility's outside accounting firm CJN&W. The CPA firm would then identify items that should have been capitalized and requested copies of the invoices. The CPA would then send a spreadsheet to the utility's accountant to make the appropriate adjustments. CJN&W is a reputable accounting firm that specializes in regulatory accounting and NARUC. CJN&W prepares numerous Annual Reports for investor owned utilities regulated by the FPSC. After the acquisition, Royal was only able to obtain records (invoices) for 5 years prior to the closing. The auditor recommended disallowance of items where records were not provided. However, the FPSC relied on the Annual Reports filed by the previous owner when conducting their overearning surveillance reviews each year. Unfortunately, Royal provided all records to the FPSC that it received from the seller. The audit did not specifically identify which items or dates records were not provided for.

Respectfully submitted,



Troy Rendell
Vice President
Investor Owned Utilities
// for Royal Waterworks, Inc.

Royal Waterworks

401 · Operating Expense

401.1 · WATER SYSTEM O&M	<u>Jan - Jun 20</u>
603 · Salaries - Officers, Directors	12,499.98
615 · Purchased Power	15,478.66
618 · Chemicals	10,269.25
630 · Professional Fees	
631 · Engineering Fees	4,609.45
632 · Accounting Fees	300.02
633 · Legal Fees	100.02
635 · Testing	47.04
Total 630 · Professional Fees	<u>5,056.53</u>
636 · Contractual Services	
636.1 · Operating & Billing Services	173,396.13
Total 636 · Contractual Services	<u>173,396.13</u>
657 · Insurance - Gen Liability	2,139.04
670 · Bad Debt Expense	34,670.51
675 · Miscellaneous Expense	4,432.94
Total 401.1 · WATER SYSTEM O&M	<u>257,943.04</u>
401.2 · WASTEWATER SYSTEM O&M	
703 · Wages Officers Directors	12,499.98
710 · Purchased Wastewater Treatment	122,989.89
715 · WW Purchased Power	2,886.63
732 · Contract Services - Accounting	300.02
733 · Contractual Services - Legal	100.02
736 · Contractual Services - Other	93,302.88
757 · Insurance- General Liability	2,139.04
770 · Bad Debt Expense	0.00
775 · WW Misc Expense	437.82
Total 401.2 · WASTEWATER SYSTEM O&M	<u>234,656.28</u>

		2018 Annual Report		Royal Waterworks			
Water Acct	Name	Water	Wastewater	Water	Wastewater		
		Amount	Amount	2020 Amount	2020 Amount		
601/701	Employee Salaries	\$ 172,075	\$ 91,785	\$ -	\$ -		
603/703	Officer Salaries	\$ 44,000	\$ 44,000	\$ 25,000	\$ 25,000	Annualized	
604/704	Pension & Benefits	\$ 6,840	\$ 6,840	\$ -	\$ -		
615/715	Purchased Power	\$ 50,093	\$ 9,782	\$ 30,957	\$ 5,773	Annualized	
618/718	Chemicals	\$ 48,104		\$ 20,539		Annualized	
620/720	Material & Supplies	\$ 4,188	\$ 53,085	\$ -	\$ -		
631/731	Contract - Engineering	\$ 10,631	\$ 10,631	\$ 4,609	\$ -	Actual	
632/732	Contract - Accounting	\$ 10,395	\$ 10,395	\$ 200	\$ 200	Actual	
633/732	Contract - Legal	\$ 10,575	\$ 10,575	\$ 200	\$ 200	Actual	
635/735	Contract - Testing		\$ 1,359	\$ 94	\$ -		
636/736	Contract - Other	\$ -	\$ 25,030	\$ 346,792	\$ 186,606	Annualized	
650/750	Transportation	\$ 6,508	\$ 6,508	\$ -	\$ -		
656/756	Insurance - Vehicle	\$ 3,363	\$ 1,975	\$ -	\$ -		
657/757	Insurance - General Liability	\$ 16,688	\$ 10,789	\$ 3,849	\$ 3,849	Actual	
658/758	Insurance - Workmerns Comp	\$ 5,582	\$ 3,592	\$ -	\$ -		
659/759	Insurance - Other	\$ 11,755	\$ 6,330	\$ -	\$ -		
660/770	Advertising	\$ 789		\$ -	\$ -		
675/775	Miscellaneous Expense	\$ 38,920	\$ 29,191	\$ 6,866	\$ 876	Annualized	
	Total	\$ 440,506	\$ 321,867	\$ 439,107	\$ 222,504		
	Utility Total		\$ 762,373		\$ 661,610		

Savings

\$ (100,763)