

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: August 16, 2022

TO: Office of the Commission Clerk

FROM: Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 

RE: Docket No.: 20220085-WS
Company Name: River Grove Utilities, Inc.
Company Code: WS979
Audit Purpose: B1c: Certificate Transfer
Audit Control No.: 2022-138-2-1

Attached is the Revised (08.15.22) final audit report for the Utility stated above. I am sending the Utility a copy of this memo along with the Revised (08.15.22) audit report. Page 6, Exhibit 1, Water Net Book Value balances for Accumulated Depreciation and Amortization of CIAC were incorrectly stated, and have been corrected. Page 4, Acquisition Adjustment – Procedures was updated to reflect the corrected balance of Exhibit 1, Water Net Book Value. These pages have been replaced and are the only corrections made to the final audit report.

TMB/cmm

Attachment: Revised (08.15.22) 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 Revised Report

River Grove Utilities, Inc./
Cobblestone II RVG LLC, dba River Grove Utility

Transfer of Certificates
Certificate Nos. 674-W and 575-S

As of April 1, 2022

Docket No. 20220085-WS
Audit Control No. 2022-138-2-1
August 15, 2022

A blue ink signature of Tomer Kopelovich.

Tomer Kopelovich
Audit Manager

A blue ink signature of Simon O. Ojada.

Simon O. Ojada
Reviewer

Table of Contents

Purpose	1
Objectives and Procedures.....	2
Audit Findings	
None.....	5
Exhibits	
1: Revised (08/15/22) Water Net Book Value.....	6
2: Wastewater Net Book Value	7

Purpose

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 Accounting & Finance in its audit service request dated May 16, 2022. We have applied these procedures to the attached schedules prepared by River Grove Utilities, Inc./Cobblestone II RVG LLC, dba River Grove Utility in support of their request for Transfer of Certificates in Docket No. 20220085-WS.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Buyer/Utility refers to Cobblestone II RVG LLC.

Seller refers to River Grove Utilities, Inc.

NARUC refers to the National Association of Regulatory Utility Commissioners.

USOA refers to the NARUC Uniform System of Accounts adopted by Rule 25-30.115 – Uniform System of Accounts for Water and Wastewater Utilities, Florida Administrative Code (F.A.C.)

Utility Information

River Grove Utilities, Inc. is a Class C utility that serves approximately 179 water and wastewater customers in Brevard County. Rate base was last established as of December 31, 2019, in Order No. PSC-2020-0059-PAA-WS, issued on February 24, 2020, in Docket No. 20190147-WS.

Cobblestone II RVG LLC is purchasing River Grove Utilities, Inc. for \$19,000,000, which includes the mobile home community served by the Utility. According to the application, the closing took place on April 21, 2022. The application for the Transfer of Certificates was filed with the Commission on April 22, 2022.

Utility Books and Records

Objective: The objective was to determine whether the Utility maintain its accounts and records in conformity with the NARUC USOA.

Procedures: We reviewed the Utility's books and records and determined that the Utility maintained its books and records in conformity with the NARUC USOA.

Net Book Value

Utility Plant in Service

Objectives: The objectives were to determine whether 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 recorded when a replacement asset is put in service, and 4) Adjustments required in the Utility's last rate proceeding are recorded in its books and records.

Procedures: We reconciled the beginning balances for water and wastewater UPIS as of January 1, 2020, established in Docket No. 20190147-WS, with the Seller's books and records. We scheduled water and wastewater UPIS activity from January 1, 2020, through April 1, 2022, and traced plant additions to supporting documentation. No exceptions were noted.

Land & Land Rights

Objectives: The objectives were to determine whether the utility land was: 1) Recorded at original cost, 2) Owned or secured under a long-term lease agreement, and 3) Adjustments required in the Utility's last rate proceeding were recorded in its books and records.

Procedures: We reconciled the beginning balances for water and wastewater land that was established in Order No. PSC-2020-0059-PAA-WS, issued on February 24, 2020, in Docket No. 20190147-WS, to the general ledger. There was no change to land since the last proceeding. No exceptions were noted.

Accumulated Depreciation

Objectives: The objectives were to determine whether accumulated depreciation: 1) Accruals were properly recorded in compliance with Commission Rule 25-30.140–Depreciation, Florida Administrative Code (F.A.C.) and the NARUC USOA, 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 reconciled the beginning balances for water and wastewater accumulated depreciation, as of December 31, 2019, from Order No. PSC-2020-0059-PAA-WS, issued on February 24, 2020, in Docket No. 20190147-WS. We reviewed and verified the depreciation accruals from December 31, 2019, through April 1, 2022, for all UPIS accounts to verify that the correct depreciation rates were used. No exceptions were noted.

Contributions-in-Aid-of-Construction

Objectives: The objectives were to determine whether: 1) Contributions-in-aid-of-construction (CIAC) is properly recorded in compliance with Commission rules and the NARUC USOA, 2) Donated property is properly accounted for and recorded as CIAC, and 3) Adjustments to CIAC in the Utility's last rate case proceeding are recorded in its general ledger.

Procedures: We reconciled the beginning balances for CIAC, as of December 31, 2019, from Order No. PSC-2020-0059-PAA-WS, issued on February 24, 2020, in Docket No. 20190147-WS. We scheduled CIAC activity from December 31, 2019, through April 1, 2022. We determined the CIAC transfer balances as of April 1, 2022. No exceptions were noted.

Accumulated Amortization of CIAC

Objectives: The objectives were to determine whether 1) Accumulated amortization of CIAC accruals are properly calculated and recorded based on Rule 25-30.140 – Depreciation, F.A.C., 2) Retirements are recorded when a contributed asset is replaced, and 3) Adjustments required in the Utility's last rate proceeding are recorded to its books and records.

Procedures: We reconciled the beginning balances for accumulated amortization of CIAC, as of December 31, 2019, from Order No. PSC-2020-0059-PAA-WS, issued on February 24, 2020, in Docket No. 20190147-WS. We scheduled amortization accruals for all CIAC accounts to verify that correct amortization rates were used. No exceptions were noted.

Revised (08/15/22) Acquisition Adjustment

Objective: 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: We determined that the combined Net Book Value for this Utility at the time of transfer is \$161,343. The buyer paid \$19,000,000, which includes the mobile home community served by the Utility. The purchase price was not divided between the water and wastewater systems involved in this transfer and the mobile home community. The Utility is not requesting an acquisition adjustment. No further work was performed.

Other

Rates and Charges

Objective: The objective was to determine whether the Utility is charging monthly service rates authorized by Commission-approved tariffs.

Procedures: We obtained the Utility's March 2022 billing register. We recalculated a sample of the customer bills for each system using the approved water and wastewater tariffs. No exceptions were noted.

Customer Deposits

Objectives: The objectives were to determine whether the Seller collected customer deposits and whether the balances were transferred to the Buyer.

Procedures: We reviewed the general ledger to determine if customer deposits were being collected by the utility. The Seller has authorized tariffs for the collection of customer deposits and customer deposits were being recorded in the Seller's books and records. No further work was performed.

Audit Findings

None

Exhibits

Exhibit 1: Revised (08/15/22) Water Net Book Value

**River Grove Utilities, Inc.
Transfer of Certificate
Docket No. 20220085-WS; ACN: 2022-138-2-1
Schedule of Water Net Book Value
As of April 1, 2022**

Description	Balance Per Utility 4/1/2022	Audit Adjustments 4/1/2022	Balance Per Audit 4/1/2022
Utility Plant In Service	\$ 661,426	\$ -	\$ 661,426
Land	2,250	-	2,250
Accumulated Depreciation	(73,163)	-	(73,163)
Contributions In Aid of Construction (CIAC)	(476,202)	-	(476,202)
Amortization of CIAC	44,782	-	44,782
Water Rate Base	<u>\$ 159,093</u>	<u>\$ -</u>	<u>\$ 159,093</u>

Exhibit 2: Wastewater Net Book Value

River Grove Utilities, Inc.
Transfer of Certificate
Docket No. 20220085-WS; ACN: 2022-138-2-1
Schedule of Water Net Book Value
As of April 1, 2022

Description	Balance Per Utility 4/1/2022	Audit Adjustments 4/1/2022	Balance Per Audit 4/1/2022
Utility Plant In Service	\$ 8,100	\$ -	\$ 8,100
Land	2,250	-	2,250
Accumulated Depreciation	(8,100)	-	(8,100)
Contributions In Aid of Construction (CIAC)	-	-	-
Amortization of CIAC	-	-	-
Net Book Value	<u>\$ 2,250</u>	<u>\$ -</u>	<u>\$ 2,250</u>