

**ROYAL WATERWORKS, INC.**FILED 7/5/2023  
DOCUMENT NO. 03922-2023  
FPSC - COMMISSION CLERK

June 30, 2023

Honorable Andrew Fay, Chairman  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850RECEIVED-FPSC  
2023 JUL -5 AM 8:23  
COMMISSION  
CLERK

Re: Royal Waterworks, Inc. - Request for Test Year Approval Pursuant to Rule 25-30.430, Florida Administrative Code for water and wastewater in Broward County.

Dear Chairman Fay:

Royal Waterworks, Inc. ("Royal" or "Company") intends to submit an application for general rate relief to the Florida Public Service Commission ("Commission") for its water and wastewater systems in Broward County. Royal plans to file its application, including the minimum filing requirements ("MFRs"), on or before September 30, 2023.

The need for rate relief is driven by both capital investments in plant and equipment to improve the quality of service in the service area, as well as increased operating expenses since the systems was purchased by the current owner.

**Background**

Royal acquired the water and the wastewater systems in 2019. Prior to Royal's acquisition, the utility's rates were last established in a previous rate case by Order No. 12170, issued June 24, 1983. At that time, the utility was owned by University Utility Corporation. The utility has since been transferred twice.

**The Need for Rate Relief**

As explained above, the last general rate increase for Royal's water and wastewater systems was in 1983. At the current earnings level the Company cannot realistically maintain a stable financial position and, without rate relief, will not be in a position to meet the needs of its customers for safe and reliable service.

The utility has experienced significant increases in its chemical costs, insurance costs and purchased wastewater costs from Broward County. Although the utility was granted a pass through of some of the increased wastewater costs, there were additional Annual Treatment Adjustment and Annual Distribution Adjustment that the utility was unaware of at the time of the pass through, and thus these were not included in the process nor was approved by the Commission. This is a significant increase in costs of approximately \$40,000 that are currently not included in wastewater rates. Further, as discussed later in this request, there are numerous pro forma plant and expense items that will further deteriorate the utility's earnings below the allowable return on equity.

The decision to seek rate relief is not one that the Company has taken lightly. However, Royal's current revenues are simply insufficient to continue to meet its utility responsibilities in the manner that the Commission and our customers expect. The Company's rate of return will continue to remain below the returns that the Commission has awarded to other water and wastewater utilities without the requested rate relief. Thus, the Company has no choice but to seek timely rate relief for its water system.

To minimize rate case expense, Royal requests that this case be processed using the proposed agency action ("PAA") procedures set forth in Section 367.081(8), Florida Statutes. These PAA procedures have historically provided a cost-effective mechanism through which the Commission and its staff can thoroughly address all of the customers' and the Company's issues related to the rate case. Through this process, Royal's customers will have ample opportunity to voice any concerns they may have at customer meetings held in Royal's service territory. Utilizing the PAA process should minimize rate case expense and result in lower rates for the customer.

**The Test Year**

Finally, as part of its request for rate relief, and pursuant to Rule 25-30.430, Florida Administrative Code, Royal requests approval of a historic test year ending May 31, 2023. The requested test year is representative of a normal full year of operation, and will best fulfill the purpose of a test year, which is to set rates based on costs and revenues that are representative of the period when new rates will be in effect. Royal has not experienced any significant changes in its operations since May 31, 2023, and does not anticipate any such changes prospectively. The Company will also request interim rates based on the same historic test year and, as indicated above, intends to submit the MFRs on or before September 30, 2023.

**Pro Forma**

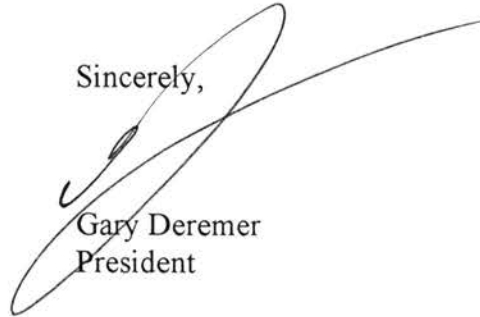
Royal will be requesting pro forma plant and expense items in its rate filing. Below is a summary of these items with the estimated costs:

<b><u>Water</u></b>		<i>Approximate</i>	
<u>Account</u>	<u>Description</u>		<u>Cost</u>
304	Paving of Water Treatment Plant Parking Lot	\$	22,443
320	Refurbish WTP Control Panel	\$	49,500
309	Replace influent meter	\$	4,600
310	Generator radiator Repair	\$	7,000
636	Index of Operations Contract	\$	21,773
657	Insurance	\$	5,000
<b><u>Wastewater</u></b>			
371	Wire harness replacement master lift station	\$	7,565
371	Lift station control panel	\$	2,500
710	Annualized Purchase Wastewater Increase	\$	33,872
711	Removal of Lime Sludge from holding pond	\$	60,000

736	Index of Operations Contract	\$	11,756
757	Insurance	\$	5,000

Royal is committed to continuing to provide excellent service to its customers. Should you or members of the Staff have any questions regarding this request, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Deremer", written over the typed name and title.

Gary Deremer  
President

cc: Walt Trierweiler, Public Counsel  
Adam Teitzman, Commission Clerk  
Andrew Maurey, Florida Public Service Commission  
Mr. Troy Rendell, U.S. Water Service Corporation