

ROYAL WATERWORKS, INC.

FILED 11/1/2023
DOCUMENT NO. 05916-2023
FPSC - COMMISSION CLERK

November 1, 2023

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

RE: Docket No. 20230081-WS – Application for increase in water and wastewater rates in Broward County by Royal Waterworks, Inc. – Response to Staff’s Audit Report

Dear Commission Clerk:

Royal Waterworks, Inc. (Royal) hereby submits its response to Staff’s Audit Report – Control No. 202-227-2-1 dated October 27, 2023.

Royal disagrees with Audit Finding 1, as it relates to disallowance of Officer’s Salary. As previously stated to the Staff Auditor, the owner only receives any type of compensation through disbursement of retained earnings if there are any net operating profits from operations that are not retained or utilized for continuing operations or capital improvements.

The Florida Public Service Commission has recently approved Officer’s Salaries for related utilities as follows:

Utility Name	Order Number	Amount
Lakeside Waterworks, Inc.	PSC-2017-0428-PAA-WS	\$3,000/water - \$3,000/sewer – total \$6,000
LP Waterworks, Inc.	PSC-2017-0334-PAA-WS	\$6,120/water - \$5,880/sewer – total \$12,000
Brevard Waterworks, Inc.	PSC-15-0329-PAA-WU	\$5,000/water
Jumper Creek Utility Company	PSC-15-0335-PAA-WS	\$750/water - \$750/sewer – total \$1,500
HC Waterworks, Inc.	PSC-15-0282-PAA-WS	\$9,120/water - \$2,880/sewer – total \$12,000
Raintree Waterworks, Inc.	PSC-16-0256-PAA-WU	\$3,000/water
Lake Idlewild Utility Company	PSC-16-0305-PAA-WU	\$4,000/water
Country Walk Utilities	PSC-2018-0553-PAA-WU	\$3,000/water
Pine Harbour Waterworks, Inc.	PSC-2018-0552-PAA-WU	\$3,000/water
Gator Waterworks, Inc.	PSC-2020-0086-PAA-WU	\$5,000/water
Merritt Island Utility	PSC-2020-0088-PAA-SU	\$5,000/wastewater

Also in a recent rate case for Sunny Hills Utility, the Commission made no adjustment to the Officer’s Salary of \$9,900 for water.

In addition, the Commission approved the following amounts for Officer’s Salaries in the following Orders:

Order No.	Amount
PSC-15-0592-PAA-WU	\$15,890
PSC-15-0588-PAA-WU	\$11,763
PSC-2017-0383-PAA-SU	\$32,400

4939 Cross Bayou Blvd. ~ New Port Richey, FL 34652
Tel: (727) 848-8292

PSC-15-0535-PAA-WU	\$4,142
PSC-14-0626-PAA-WU	\$70,710
PSC-16-0126-PAA-WU	\$7,459

Gary Deremer is the majority shareholder and CEO of Royal Waterworks, Inc. Mr. Deremer's capacity in this position is making all final decisions as it relates to:

- a) Oversight of All Business and Utility Operations
- b) Capital Improvements required at the utility
- c) Financing of operations and funding of utility improvements; including equity investment in utility; long term debt, etc.
- d) Primary liaison with the Florida Department of Environmental Regulation, Public Service Commission, and various Florida Water Management Districts
- e) Acts as President of utility similar to other regulated utilities throughout Florida
- f) Ensures compliance with Federal, State, and Local Tax Filing Requirements.
- g) Ensures corporate record management and annual corporate renewals.

As majority shareholder, Gary Deremer ultimately has sole discretion over all financial, legal, operational, and regulatory matters. However, the minority shareholders also have an equity stake and ownership in the utility. As CEO and majority shareholder, Mr. Deremer has a fiduciary responsibility to make reasonable and necessary decisions to protect the interest of the minority shareholders, as well as the customers of the utility.

Mr. Deremer provides over 35 years of utility experience in operation and ownership of water and wastewater utilities.

Specifically, in Order No. PSC-13-0425-PAA-WS, issued on September 18, 2013, the Commission stated:

The application also included information attesting to the fact that Lakeside's president, Mr. Gary Deremer, has 27 years of experience in the water and wastewater industry, including utility ownership in the following systems previously regulated by this Commission and subsequently sold to FGUA:

Utility System	Location
Holiday Utility System	Holiday, FL
Virginia City Utility System	New Port Richey, FL
Dixie Groves Utility System	Holiday, FL
Colonial Manor Utility System	Holiday, FL
Pasco Utilities, Inc.	Zephyrhills, FL

See also, Order No. . PSC-12-0587-PAA-WU, issued October 29, 2012.

Officer Salaries have historically been recognized as a beneficial operating expense for regulated utilities. This is also true for utilities that have also had contractual agreements with US Water

4939 Cross Bayou Boulevard ~ New Port Richey, FL 34652
 Tel: (866) 753-8292 Fax: (727) 848-7701

Services. One example is for Pasco Utilities, Inc. In Order No. PSC-07-0425-PAA-WU, issued May 15, 2007, the Commission approved an officer's salary of \$24,000 for a water only utility with 674 customers, while also approving Outside Services for an agreement with U.S. Water Services Corporation (USWSC) for operations, maintenance, and customer service of the utility system. In this order, the Commission approved the monthly fee totaling \$70,772 annually. Again, this was for a water only utility. (see pgs. 7 – 8).

There are numerous benefits to the utility's customers as to having Mr. Deremer as the majority owner of both the utility, as well as, US Water Services Corporation, Inc. As discussed above, Mr. Deremer has well over 35 years of utility experience in both managing, operating, and providing contractual services. He maintains high certification as an Operator and is also licensed as an Underground Utility Contractor.

Mr. Deremer brings synergy to the management and ownership of regulated utilities through his extensive experience and professional relationships with governmental agencies, elected officials, city and county governments, and suppliers. Through Mr. Deremer's majority ownership of regulated utilities and US Water, there are opportunities for decreased financing of projects, minimization of operating expenses, and increased customer service, as well as the quality of the product provided to the customers. The majority of these utilities are considered troubled for numerous reasons, whether operational, managerial, or environmental. As such, these systems are either not considered for purchase by counties or other governmental entities leaving the customers with the possibility of abandonment or significant quality concerns, either DEP related or water and wastewater quality. Further some of these systems are also geographically challenged in relation to operations. These extenuating circumstances often lead to significant pressures on customer service rates. Through Mr. Deremer's extensive experience, he is able to address the required capital improvement and operational challenges to minimize, or eliminate, these pressures on rates. Mr. Deremer is also cognizant of the effect of overpaying for a system - which can be seen throughout the industry, in order to protect future rate structure passed on to customers. He has been successful in negotiating reduced purchase prices which reduces the rate base amounts thereby relieving the rate of return pressure on the rate base. Through Mr. Deremer's professional association and relationships with counties and city entities, he is also able to capitalize on cost sharing mechanisms to potentially utilize the underutilized plant at various facilities, thereby further minimizing cost impact to the existing utility customers.

Mr. Deremer, through mutual control of both Royal and US Water as the Operations, Maintenance and Customer Service Contractor, brings a scale of service which benefits the utility community. In addition to regulated utility operating services, US Water focuses on economies of scale, environmental protection, preventive maintenance, customer service and strives to set increased standards within the water and wastewater utility industry. With a staff of over 700 employees in twenty states, customers receive quick attention to any issues that may arise. There is a multidisciplinary grouping of individuals within US Water including certified operators, registered engineers, new construction and utility rehabilitation contractors, emergency and preventive maintenance specialist, customer service and compliance specialist. This unique staffing within one service company provides a level of service not readily available within the water/wastewater utility industry. The expertise provided allows Mr. Deremer to look

further into what might be a corrective action representing significant cost reduction to the utility – such as asking local government to consider reduction of an Ad Valorem Tax Base; a small redesign or treatment process change to wastewater treatment to reduce sludge hauling cost; change in operating protocol to reduce cost of chemicals and power to the utility. The team led by Mr. Deremer at US Water approaches all utility operations in the spirit of finding and identifying the most cost effective operations with a longterm approach which benefits the customers.

If you have questions or require any more information, please contact me at 727-848-8292, ext. 245 or via email at trendell@uswatercorp.net.

Respectfully,



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