

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: June 28, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (M. Watts, Ramos) *TB*
Division of Accounting and Finance (Sewards, Thurmond) *ALM*
Division of Economics (Bethea, Hudson) *JGH*
Office of the General Counsel (Watrous, Crawford) *JSC*

RE: Docket No. 20220149-WS – Application for transfer of wastewater Certificate No. 365-S of Sebring Ridge Utilities, Inc. to CSWR-Florida Utility Operating Company, LLC, in Highlands County.

AGENDA: 07/11/23 – Regular Agenda – Proposed Agency Action for Issues 2, 3, and 4 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Sebring Ridge Utilities, Inc. (Sebring, Utility, or Seller) is a Class C wastewater utility operating in Highlands County. Sebring provides wastewater service to approximately 279 residential and 252 general service customers. The City of Avon Park Utilities provides water service to the area. The Utility is in the Southwest Florida Water Management District (SWFWMD) and is in the Southern Water Use Caution Area. In its 2022 Annual Report, Sebring reported a net operating income of \$24,932. The Utility's last staff-assisted rate case was in 1996.¹

¹ Order No. PSC-96-0869-FOF-WS, issued July 2, 1996, in Docket No. 19950966-WS, *In re: Application for staff-assisted rate case in Highlands County by Sebring Ridge Utilities, Inc.*

In 1984, the Florida Public Service Commission (Commission) issued grandfather water and wastewater Certificate Nos. 434-W and 365-S to Sebring.² Since its certification, the Utility has experienced three territory amendments, one of which was the transfer to a governmental authority of its water facilities and the cancellation of its water certificate.³

On August 31, 2022, CSWR-Florida Utility Operating Company, LLC (CSWR-Sebring or Buyer) filed an application with the Commission for the transfer of Certificate No. 365-S from Sebring to CSWR-Sebring in Highlands County. The application was found to be deficient. The Buyer cured the deficiencies on January 25, 2023. The sale will close after the Commission votes to approve the transfer. In its application, the Buyer has requested a positive acquisition adjustment, which is discussed in Issue 3. The Office of Public Counsel's (OPC) intervention was acknowledged by Order No. PSC-2023-0138-PCO-SU, issued April 21, 2023.

This recommendation addresses the transfer of the wastewater system and Certificate No. 365-S, the appropriate net book value of the wastewater system for transfer purposes, and the request for an acquisition adjustment. The Commission has jurisdiction pursuant to Sections 367.071 and 367.081, Florida Statutes (F.S.).

² Order No. 13564, issued August 3, 1984, in Docket No. 19830049-WS, *In Re: Application of Sebring Ridge Utilities, Inc., for certificates to operate a water and sewer system in Highlands County, pursuant to the provisions of Section 367.041, Florida Statutes.*

³ Order No. 19116, issued April 6, 1988, in Docket No. 19880255-WS, *In re: Application of Sebring Ridge Utilities, Inc. for amendment of Certificate Nos. 434-W and 365-S in Highlands County*; Order No. PSC-95-0984-FOF-WU, issued August 10, 1995, in Docket No. 19950196-WSU, *In re: Application for amendment of Certificate No. 434-W in Highlands County by Sebring Ridge Utilities, Inc.*; and Order No. PSC-05-0953-FOF-WU, issued October 6, 2005, in Docket No. 20050314-WU, *In re: Application for transfer of facilities operated under Certificate 434-W in Highlands County from Sebring Ridge Utilities, Inc. to City of Avon Park Utilities.*

Discussion of Issues

Issue 1: Should the transfer of Certificate No. 365-S in Highlands County from Sebring Ridge Utilities, Inc. to CSWR-Florida Utility Operating Company, LLC be approved?

Recommendation: Yes. The transfer of the wastewater system and Certificate No. 365-S is in the public interest and should be approved effective the date that the sale becomes final. The resultant Order should serve as the Buyer's certificate and should be retained by the Buyer. The Buyer should submit the executed and recorded deed for continued access to the land upon which its facilities are located, copies of its permit transfer application, and a copy of its signed and executed contract for sale to the Commission within 60 days of the Order approving the transfer, which is final agency action. If the sale is not finalized within 60 days of the transfer Order, the Buyer should file a status update in the docket file. The Utility's existing rates, service availability charges, and initial customer deposits, as shown on Schedule No. 4, should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). The Seller is current with respect to annual reports and regulatory assessment fees (RAFs) through December 31, 2022. The Buyer should be responsible for filing annual reports and paying RAFs for all future years. (M. Watts, Thurmond, Bethea)

Staff Analysis: On August 31, 2021, CSWR-Sebring filed an application for the transfer of Certificate No. 365-S from Sebring to CSWR-Sebring in Highlands County. The application is in compliance with Section 367.071, F.S., and Commission rules concerning applications for transfer of certificates. The sale to CSWR-Sebring will become final after Commission approval of the transfer, pursuant to Section 367.071(1), F.S.

Noticing, Territory, and Land Ownership

CSWR-Sebring provided notice of the application pursuant to Section 367.071, F.S., and Rule 25-30.030, F.A.C. No objections to the transfer were filed, and the time for doing so has expired. The application contains a description of the service territory, which is appended to this recommendation as Attachment A. In its application, CSWR-Sebring provided a copy of an unrecorded warranty deed as evidence that the Buyer will have rights to long-term use of the land upon which the treatment facilities are located pursuant to Rule 25-30.037(2)(s), F.A.C. CSWR-Sebring committed to providing the executed and recorded deed to the Commission within 60 days after the closing of the sale.

Purchase Agreement and Financing

Pursuant to Rule 25-30.037(2)(g), (h), and (i), F.A.C., the application contains a statement regarding financing and a copy of the purchase agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. There are no guaranteed revenue contracts or customer advances from Sebring that must be disposed of with regard to the transfer. CSWR-Sebring will review all leases and developer agreements and will assume or renegotiate those agreements on a case-by-case basis prior to closing. Any customer deposits will be refunded to customers by the Seller prior to the closing. According to the purchase and sale agreement, the total purchase price for the assets is \$540,000. According to the Buyer, the closing has not yet

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taken place and is dependent on Commission approval of the transfer, pursuant to Section 367.071(1), F.S.

Facility Description and Compliance

Sebring's domestic wastewater treatment plant (WWTP) is a 65,000 gallons per day (gpd) extended aeration plant, consisting of a 16,270 gallon flow equalization basin, 74,490 gallons of aeration, dual clarifiers with a combined capacity of 19,160 gallons, a 3,000 gallon chlorine contact basin, and three 5,000 gallon sludge digester basins. Disinfection is provided by liquid sodium hypochlorite in a 9,200 gallon chlorine contact chamber. The treated water is discharged into a reuse system consisting of two rapid infiltration basins with a total capacity of 65,000 gpd, the permitted capacity of the WWTP. CSWR-Sebring provided a copy of the Utility's current permit from the Florida Department of Environmental Protection (DEP) pursuant to Rule 25-30.037(2)(r)1., F.A.C. The Buyer committed to providing a copy of its permit transfer application, reflecting the change in ownership, to the Commission within 60 days of the contract for sale.

Staff reviewed the most recent DEP compliance evaluation inspections (CEI) for the WWTP. The DEP's December 8, 2020 CEI identified a number of issues that resulted in a file review followed by a warning letter. The warning letter listed twelve items found during the inspection, with the details described in an attached copy of the CEI. Most of the items deal with untimely and/or inaccurate reporting, as well as inadequate recordkeeping. The issues cited for improper plant maintenance were: the pH calibration meter was not bracketed; a clogged diffuser; excessive vegetation in the pond; and accumulated sludge in the pond.

Staff also notes that the DEP issued the Seller's current wastewater permit, effective October 30, 2020, with an Administrative Order and accompanying compliance schedule that detailed actions that Sebring must take in order to reach full compliance with the new requirements. According to the latest information available on the DEP's Oculus site, most of the items on the Compliance Schedule had been completed as of May 17, 2021, with some items pertaining to percolation pond maintenance anticipated to be completed within 30 days. In Exhibit H of the Buyer's application, CSWR-Sebring provides its assessment of Sebring's wastewater treatment plant and lists several improvements and repairs it recommends be made to the system. The Buyer's suggested repairs and improvements are discussed further in Issue 3.

Technical and Financial Ability

Pursuant to Rule 25-30.037(2)(l) and (m), F.A.C., the application contains statements describing the technical and financial ability of the Buyer to provide service to the proposed service area. As referenced in the transfer application, the Buyer will fulfill the commitments, obligations, and representations of the Seller with regards to utility matters. CSWR-Sebring's application states that it owns and operates water and wastewater systems in Missouri, Arkansas, Kentucky, Louisiana, Texas, Mississippi, Arizona, North Carolina, and Tennessee that currently serve more

than 73,000 water and 117,000 wastewater customers. The Commission has also approved CSWR's purchase of four Florida certificated utilities in prior dockets.⁴

The Buyer plans to use qualified and licensed contractors to provide routine operation and maintenance (O&M) of the systems, as well as to handle billing and customer service. Staff reviewed the financial statements of CSWR-Sebring and believes the Buyer has documented adequate resources to support the Utility's wastewater operations. Based on the above, the Buyer has demonstrated the technical and financial ability to provide service to the existing service territory.

Rates and Charges

The Utility's rates, charges, and initial customer deposits were last approved in a 1996 staff-assisted rate case.⁵ Sebring had a rate decrease to remove expired rate case expense amortization in 2000. Subsequently, the rates have been amended by 11 price index and 2 pass through rate adjustments with the last one being in 2020. Rule 25-9.044(1), F.A.C., provides that, in the case of a change of ownership or control of a Utility, the rates, classifications, and regulations of the former owner must continue unless authorized to change by the Commission. However, the miscellaneous service charges do not conform to Rule 25-30.460, F.A.C., and are discussed in Issue 4. Therefore, staff recommends that the Utility's existing rates, service availability charges, and initial customer deposits as shown on Schedule No. 4, should remain in effect, until a change is authorized by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C.

Regulatory Assessment Fees and Annual Report

Staff has verified that the Utility is current on the filing of annual reports and RAFs through December 31, 2022. The Buyer will be responsible for filing the Utility's annual reports and paying RAFs for all future years.

Conclusion

Based on the foregoing, staff recommends that the transfer of the wastewater system and Certificate No. 365-S is in the public interest and should be approved effective the date that the sale becomes final. The resultant Order should serve as the Buyer's certificate and should be retained by the Buyer. The Buyer should submit the executed and recorded deed for continued access to the land upon which its facilities are located, copies of its permit transfer application,

⁴ See Order No. PSC-2022-0115-PAA-WS, issued March 15, 2022, in Docket No. 20210093-WS, *In re: Application for transfer of water and wastewater systems of Aquarina Utilities, Inc.*, water Certificate No. 517-W, and wastewater Certificate No. 450-S to CSWR-Florida Utility Operating Company, LLC, in Brevard County; Order No. PSC-2022-0120-PAA-WU, issued March 18, 2022, in Docket No. 20210095-WU, *In re: Application for transfer of water facilities of Sunshine Utilities of Central Florida, Inc. and water Certificate No. 363-W to CSWR-Florida Utility Operating Company, LLC, in Marion County*; Order No. PSC-2022-0116-PAA-SU, issued March 17, 2022, in Docket No. 20210133-SU, *In re: Application for transfer of facilities of North Peninsula Utilities Corporation and wastewater Certificate No. 249-S to CSWR-Florida Utility Operating Company, LLC, in Volusia County*; Order No. PSC-2022-0364-PAA-WU, issued October 25, 2022, in Docket No. 20220019-WU, *In re: Application for transfer of water facilities of Neighborhood Utilities, Inc. and water Certificate No. 430-W to CSWR-Florida Utility Operating Company, LLC, in Duval County*.

⁵ Order No. PSC-96-0869-POF-WS, issued July 2, 1996, in Docket No. 950966-WU, *In re: Application for a staff-assisted rate case in Highlands County by Sebring Ridge Utilities, Inc.*

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and a copy of its signed and executed contract for sale to the Commission within 60 days of the Order approving the transfer, which is final agency action. If the sale is not finalized within 60 days of the transfer Order, the Buyer should file a status update in the docket file. The Utility's existing rates, service availability charges, and initial customer deposits, as shown on Schedule No. 4, should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The Seller is current with respect to annual reports and RAFs through December 31, 2022. The Buyer should be responsible for filing annual reports and paying RAFs for all future years.

Issue 2: What is the appropriate net book value for CSWR-Florida Utility Operating Company LLC's wastewater system for transfer purposes?

Recommendation: For transfer purposes, the net book value (NBV) of the wastewater system is \$8,222 as of August 31, 2022. Within 90 days of the date of the consummating Order, CSWR-Sebring should be required to notify the Commission in writing that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in CSWR-Sebring's 2023 Annual Report when it is filed. (Thurmond)

Staff Analysis: The rate base was last established as of December 31, 1994, by Order No. PSC-1996-0869-FOF-WS.⁶ The purpose of establishing NBV for transfers is to determine whether an acquisition adjustment should be approved. CSWR-Sebring's request for a positive acquisition adjustment is addressed in Issue 3. The NBV does not include normal ratemaking adjustments for used and useful plant or working capital. The Utility's NBV has been updated to reflect balances as of August 31, 2022.⁷ Staff's recommended NBV, as described below, is shown on Schedule No. 1.

Utility Plant in Service (UPIS)

According to the Utility's general ledger, the total UPIS balance was \$565,944 as of December 31, 2021. Staff determined that the Utility had not made the adjustments required by Order No. PSC-1996-0869-FOF-WS. As a result, staff recommends a decrease to UPIS of \$130,192 as of August 31, 2022. Accordingly, staff recommends a total UPIS balance of \$435,752 as of August 31, 2022.

Land

The Utility's general ledger reflected a land balance of \$19,712 as of December 31, 2021. There have been no additions to land since December 31, 1994; however, staff determined that the Utility had not made the adjustments required by Order No. PSC-1996-0869-FOF-WS. Therefore, staff recommends an increase in the value of land of \$26,004 as of August 31, 2022. Accordingly, staff recommends a total land balance of \$45,716 as of August 31, 2022.

Accumulated Depreciation

According to the Utility's general ledger, the total accumulated depreciation balance was \$489,155 as of December 31, 2021. Staff auditors recalculated depreciation accruals using the depreciation rates established by Rule 25-30.140, F.A.C. As a result, staff recommends that the accumulated depreciation balance be decreased by \$80,995 as of August 31, 2022. Accordingly, staff recommends a total accumulated depreciation balance of \$408,160 as of August 31, 2022.

⁶ Order No. PSC-1996-0869-FOF-WS, issued July 2, 1996, in Docket No. 19950966-WS, *In re: Application for a staff-assisted rate case in Highlands County by Sebring Ridge Utilities, Inc.*

⁷ Net book value is calculated through the date of the closing. According to the Utility's application, the closing will not occur until after the transaction receives Commission approval. Therefore, staff is relying on the most current information provided to staff auditors at the time of the filing.

Contributions-in-Aid-of-Construction (CIAC) and Accumulated Amortization of CIAC

According to the Utility's general ledger, the CIAC balance and accumulated amortization of CIAC were \$578,043 and \$530,761, respectively, as of December 31, 2021. Staff determined that the Utility had not made the adjustments required by Order No. PSC-1996-0869-FOF-WS. As a result, staff recommends that the CIAC balance be decreased by \$298,468 as of August 31, 2022. Staff also recommends that the accumulated amortization of the CIAC balance be decreased by \$316,272 as of August 31, 2022. Accordingly, staff recommends total CIAC and Accumulated Amortization of CIAC balances of \$279,575 and \$214,489, respectively, as of August 31, 2022.

Net Book Value

The Utility's general ledger reflected a NBV of \$49,219 as of December 31, 2021. Based on the adjustments described above, staff recommends a NBV of \$8,222 as of August 31, 2022. Staff's recommended NBV and the National Association of Regulatory Utility Commissioners, Uniform System of Accounts (NARUC USOA) balances for UPIS and accumulated depreciation are shown on Schedule No. 1 as of August 31, 2022. As addressed in Issue 3, staff recommends a positive acquisition adjustment not be recognized for ratemaking purposes.

Conclusion

Based on the above, staff recommends a NBV of \$8,222 as of August 31, 2022, for transfer purposes. Within 90 days of the date of the consummating Order, the Buyer should be required to notify the Commission in writing that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in the Utility's 2023 Annual Report when it is filed.

Issue 3: Should a positive acquisition adjustment be recognized for ratemaking purposes?

Recommendation: No. Pursuant to Rule 25-30.0371, F.A.C., a positive acquisition adjustment should not be granted as the Buyer failed to demonstrate extraordinary circumstances. (Thurmond, M. Watts)

Staff Analysis: In its filing, the Buyer requested a positive acquisition adjustment be included in the calculation of CSWR-Sebring's rate base. An acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of acquisition. Pursuant to Rule 25-30.0371, F.A.C., a positive acquisition adjustment results when the purchase price is greater than the NBV, and a negative acquisition adjustment results when the purchase price is less than the NBV. A positive acquisition adjustment, if approved, increases the rate base.

According to the purchase agreement, the Buyer will purchase the Utility for \$540,000. As discussed in Issue 2, staff is recommending a NBV of \$8,222. This would result in a positive acquisition adjustment of \$531,778.

Any entity that believes a full or partial positive acquisition adjustment should be made has the burden of proving the existence of extraordinary circumstances. Rule 25-30.0371(2), F.A.C., states:

In determining whether extraordinary circumstances have been demonstrated, the Commission shall consider evidence provided to the Commission such as anticipated improvements in quality of service, anticipated improvements in compliance with regulatory mandates, anticipated rate reductions or rate stability over a long-term period, anticipated cost efficiencies, and whether the purchase was made as part of an arms-length transaction.

If a purchase price above the depreciated original cost is used to determine the rate base without the requirement for extraordinary circumstances, it could encourage utilities to "swap assets" and inappropriately increase costs to customers.

Deferral

In discovery, CSWR-Sebring stated that it intends to ask for deferral of a decision regarding the requested acquisition adjustment. In its application, the Buyer laid out factors such as improvements to quality of service, cost efficiencies, and rate stability. These are discussed below, and staff recommends that these factors do not constitute extraordinary circumstances. In response to discovery, the Buyer agreed that after the rate base is set, if a company provides support in a separate and subsequent case that there are utility assets that were not previously recorded, then the company can prospectively recover the unrecorded amount of that investment. Therefore, if the Buyer finds assets were incorrectly recorded on the Seller's balance sheet, the Buyer can support those costs and recover them in a future rate case. That is normal Commission practice and is not considered extraordinary circumstances.

Pursuant to Commission practice, the Buyer has the burden of proving extraordinary circumstances at the time of transfer. Staff believes that in the instant case, the Buyer has failed to provide proof of extraordinary circumstances. Further, the Buyer had multiple opportunities to

provide pertinent information needed to determine if a positive acquisition adjustment was appropriate. As such, staff recommends the Commission deny the request to defer a decision on the positive acquisition adjustment.

Finally, it is long-standing Commission practice to address the disposition of any positive or negative acquisition adjustment at the time of transfer. Pursuant to Section 120.68(7)(e)3., F.S., when agencies change their established policies, practices, and procedures, they must give an explanation for the deviation. Staff does not believe the facts in this case warrant such a deviation. As such, staff believes the deferral of a positive acquisition adjustment decision in this docket would result in an unnecessary deviation from Commission practice.

Improvements in Quality of Service and Compliance with Regulatory Mandates

In its application, CSWR-Sebring listed six business practices that it believes will improve the quality of service to its customers: (1) provision of 24-hour emergency service phone numbers; (2) on-call emergency service personnel who are required to respond to emergency service calls within prescribed time limits; (3) a computerized maintenance management system; (4) access to resources not usually available to comparably sized systems and the ability to supplement local personnel with resources owned by the parent and sister companies; (5) online bill payment options; and (6) an updated website for customer communication, bulletins, procedures, etc.

Staff reviewed the complaints filed with the Commission for the five-year period prior to the application, from August 2017 to August 2022. The Commission recorded one complaint regarding improper billing during this time period. In its application, CSWR-Sebring did not list any customer complaints related to the wastewater treatment system.

In addition to reviewing the Utility's most recent inspection report, as discussed in Issue 1, staff also reviewed the DEP inspection reports and enforcement actions for the two years prior to the 2020 CEI (CEIs conducted in 2018 and 2019). The Utility appears to have ongoing issues with proper documentation, recordkeeping, and reporting. For example, each of the last three CEIs noted that the Operation and Maintenance manual for the plant and collection system was not onsite, and two listed errors in the monthly discharge monitoring report. Additionally, each of the last three CEIs listed several other instances of inadequately maintained documentation. However, the 2018 and 2019 CEIs listed significantly more plant maintenance issues, which Sebring corrected, than were noted in the 2020 CEI. The one plant maintenance issue that appears to be an ongoing problem is percolation pond maintenance.

In Exhibit H of its application, which was filed with a request for confidentiality, CSWR-Sebring described its plans for repairs and improvements. The Buyer's plans for repair largely address the issues described above from the DEP reports, as well as repairs to the lift stations. Its plans for improvements to the system consist primarily of the addition of remote monitoring systems. CSWR-Sebring stated in its application that no governmental authorities are presently requiring repairs or improvements to the systems.

Based on the above, it appears that Sebring currently has issues with respect to regulatory compliance. While the Buyer identified several improvements it intends to implement in an effort to rectify these points, staff does not believe the Buyer has demonstrated extraordinary

circumstances in support of its requested positive acquisition adjustment. Instead, staff believes that the proposed anticipated improvements in quality of service and compliance with regulatory mandates demonstrate CSWR-Sebring's intention to responsibly execute its obligations as a utility owner. While staff does not believe the Utility's anticipated improvements justify its requested positive acquisition adjustment, these improvements may be considered for prudence and cost recovery in a future rate proceeding.

Anticipated Cost Efficiencies and Rates

In its application, the Buyer stated that its size and anticipated consolidation of many small systems under one financial and managerial entity would result in operational cost efficiencies, particularly in the areas of:

- PSC and environmental regulatory reporting
- Managerial and operational oversight
- Utility asset planning
- Engineering planning
- Ongoing utility maintenance
- Utility record keeping
- Customer service responsiveness
- Improved access to capital is necessary to repair and upgrade Sebring's systems to ensure compliance with all health and environmental requirements and ensure service to customers remains safe and reliable

In response to the staff's data request, the Utility estimated an increase in O&M expense of approximately \$52,000 in order to cure compliance issues already present and ensure the system can avoid them in the future. While staff is aware of the importance of maintaining compliance, this increase on top of the requested acquisition adjustment of \$531,778, approximately sixty-five times greater than the system's current NBV of \$8,222, would result in a substantial increase in revenue requirement.

The Buyer also stated that CSWR-Sebring would bring long-term rate stability to the Utility, should the transfer be approved. Staff agrees that economies of scale and the potential consolidation of several systems in Florida, as proposed by CSWR-Sebring, could bring some long-term rate stability. However, absent specific and detailed support for these assertions, the Buyer has failed to meet its burden of demonstrating extraordinary circumstances.

Staff's recommendation is consistent with the Commission's decision in Order No. PSC-2020-0458-PAA-WS.⁸ In that docket, the Buyer identified estimates of anticipated cost efficiencies, including a reduction in O&M expenses and a reduction in the cost of capital that would result from the transfer. Additionally, the Buyer cited several improvements it has made to the wastewater treatment plant and wastewater lift station since acquisition to improve the quality of service and compliance with regulatory mandates. While the Commission acknowledged that the

⁸ Order No. PSC-2020-0458-PAA-WS, issued November, 23, 2020, in Docket No. 20190170-WS, *In re: Application for transfer of facilities and Certificate Nos. 259-W and 199-S in Broward County from Royal Utility Company to Royal Waterworks, Inc.*

Buyer accomplished cost savings, it did not believe the actions performed demonstrated extraordinary circumstances that would justify approval of a positive acquisition adjustment.

Staff's recommendation is also consistent with the Commission's decisions to deny CSWR-Sebring a positive acquisition adjustment in Order Nos. PSC-2022-0116-PAA-SU, PSC-2022-0120-PAA-WU, PSC-2022-0115-PAA-WS, and PSC-2022-0364-PAA-WU.⁹ In those cases, the Commission determined that the Buyer failed to provide sufficient evidence of extraordinary circumstances, and CSWR was denied a positive acquisition adjustment in all four cases. In those cases, CSWR also requested a deferral of the decision regarding the positive acquisition adjustments, which was also denied by the Commission. Staff believes the facts of this case are similar to the four cases discussed above.

Conclusion

Pursuant to Rule 25-30.0371, F.A.C., staff recommends a positive acquisition adjustment not be granted as the Buyer did not demonstrate extraordinary circumstances. Staff believes the Buyer's anticipated improvements in quality of service and compliance with regulatory mandates do not illustrate extraordinary circumstances and instead demonstrate CSWR-Sebring's intentions to responsibly provide utility service.

⁹ Order No. PSC-2022-0116-PAA-SU, issued March 17, 2022, in Docket No. 20210133-SU, *In re: Application for transfer of facilities of North Peninsula Utilities Corporation and wastewater Certificate No. 249-S to CSWR-Florida Utility Operating Company, LLC, in Volusia County.*; Order No. PSC-2022-0120-PAA-WU, issued March 18, 2022, in Docket No. 20220095-WU, *In re: Application for transfer of wastewater facilities of Sunshine Utilities of Central Florida, Inc. and wastewater Certificate No. 363-W to CSWR-Florida Utility Operating Company, LLC, in Marion County*; Order No. PSC-2022-0115-PAA-WS, issued March 15, 2022, in Docket No. 20210093-WS, *In re: Application for transfer of wastewater and wastewater systems of Aquarina Utilities, Inc., wastewater Certificate No. 517-W, and wastewater Certificate No. 450-S to CSWR-Florida Utility Operating Company, LLC, in Brevard County.*; Order No. PSC-2022-0364-PAA-WU, issued October 25, 2022, in Docket No. 20220019-WU, *In re: Application for the transfer of water facilities in Neighborhood Utilities, Inc. and water Certificate No. 430-W to CSWR-Florida Utility Operating Company, LLC, in Duval County*

Issue 4: Should CSWR-Florida Utility Operating Company, LLC’s miscellaneous service charges be revised to conform to amended Rule 25-30.460, F.A.C.?

Recommendation: Yes. The miscellaneous service charges should be revised to conform to the recent amendment to Rule 25-30.460, F.A.C. The tariff should be revised to reflect the removal of initial connection and normal reconnection charges. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets, provided customers have received notice pursuant to Rule 25-30.475(2), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date the notice was given within 10 days of the date of the notice. The Utility should be required to charge the approved miscellaneous service charges until authorized to change them by the Commission in a subsequent proceeding. (Bethea)

Staff Analysis: Effective June 24, 2021, Rule 25-30.460, F.A.C., was amended to remove initial connection and normal reconnection charges.¹⁰ The definitions for initial connection charges and normal reconnection charges were subsumed in the definition of the premises visit charge. The Utility’s miscellaneous service charges consist of initial connection and normal reconnection charges. The normal reconnection charge is more than the premises visit charge. Since the premises visit entails a broader range of tasks, staff believes the premises visit charge should reflect the amount of the normal reconnection charge of \$15. Therefore, staff recommends that the initial connection and normal reconnection charges be removed, the premises visit charge should be revised to \$15, and the definition for the premises visit charge be updated to comply with amended Rule 25-30.460, F.A.C. The Utility’s existing and staff’s recommended miscellaneous service charges are shown below in Table 4-1.

Table 4-1
Utility Existing and Staff Recommended Miscellaneous Service Charges

	<u>Existing</u>	<u>Staff Recommended</u>
	<u>Normal Hours</u>	<u>Normal Hours</u>
Initial Connection Charge	\$15.00	N/A
Normal Reconnection Charge	\$15.00	N/A
Violation Reconnection Charge	Actual Cost	Actual Cost
Premises Visit Charge	\$10.00	\$15.00

Conclusion

Based on the above, staff recommends the miscellaneous service charges be revised to conform to the recent amendment to Rule 25-30.460, F.A.C. The tariff should be revised to reflect the removal of initial connection and normal reconnection charges. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets, provided customers have received notice pursuant to Rule 25-

¹⁰ Order No. PSC-2021-0201-FOF-WS, issued June 4, 2021, in Docket No. 20200240-WS, *In re: Proposed amendment of Rule 25-30.460, F.A.C., Application for Miscellaneous Service Charges.*

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30.475(2), F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date the notice was given within 10 days of the date of the notice. The Utility should be required to charge the approved miscellaneous service charges until authorized to change them by the Commission in a subsequent proceeding.

Issue 5: Should this docket be closed?

Recommendation: Yes. If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the issuance of the Order, a Consummating Order should be issued and the docket should be closed administratively upon Commission staff's verification that the revised tariff sheets have been filed, the Buyer has notified the Commission in writing that it has adjusted its books in accordance with the Commission's decision, that the Buyer has submitted the executed and recorded warranty deed, that the Buyer has submitted a copy of its application for permit transfer to the DEP, and that the Buyer has submitted a signed and executed copy of its contract for sale within 60 days of the Commission's Order approving the transfer. (Watrous)

Staff Analysis: If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the issuance of the Order, a Consummating Order should be issued and the docket should be closed administratively upon Commission staff's verification that the revised tariff sheets have been filed, the Buyer has notified the Commission in writing that it has adjusted its books in accordance with the Commission's decision, that the Buyer has submitted the executed and recorded warranty deed, that the Buyer has submitted a copy of its application for permit transfer to the DEP, and that the Buyer has submitted a signed and executed copy of its contract for sale within 60 days of the Commission's Order approving the transfer.

ORDER NO. 13564

TOWNSHIP 34 South, RANGE 28 East

SECTIONS 2, 11, and 12

Commence at the Northeast corner of said Section 11, thence North $01^{\circ}04'20''$ West following the Easterly boundary of said Section 2, a distance of 242.10 feet to a point; thence North $89^{\circ}47'20''$ West a distance of 2,257.35 feet to the centerline of Florida Power Company easement and the POINT OF BEGINNING. Thence continue North $89^{\circ}47'20''$ West a distance of 1,641.85 feet to a point on the Easterly ROW line of S-17A, thence South $01^{\circ}29'30''$ East along said ROW line a distance of 498 feet to a point; thence South $34^{\circ}50'15''$ East along the Easterly ROW line of Manatee Drive for a distance of 3,271 feet to a point; thence North $55^{\circ}09'45''$ East for a distance of 250 feet to a point; thence North $3^{\circ}50'15''$ West with the Southerly boundary of Whiting Drive a distance of 47.74 feet to a point; thence North $55^{\circ}09'45''$ East across Whiting Drive a distance of 175 feet to a point; thence South $34^{\circ}50'15''$ East for a distance of 57.76 feet to a point of curvature to the left, said curve having for its elements a radius of 462 feet and a central angle of $54^{\circ}30'25''$, thence Easterly along the arc of said curve a distance of 439.42 feet to a point of tangency; thence South $89^{\circ}20'40''$ East for a distance of 378.55 feet to a point of curvature to the right, said curve having for its elements a radius of 3,342.84 feet and a central angle of $15^{\circ}34'80''$, thence Easterly along the arc of said curve for a distance of 908.70 feet to a point of tangency; thence South $73^{\circ}46'10''$ East for a distance of 617 feet to a point; thence South $18^{\circ}16'30''$ West for a distance of 425.27 feet to the Northerly ROW line of Lake Sebring Drive; thence South $73^{\circ}46'10''$ East along said ROW line for a distance of 125.08 feet to a point; thence North $18^{\circ}16'30''$ East, a distance of 1,462.58 feet to the Westerly ROW line of the Atlantic Coast Line Railroad; thence North and West along said ROW line on an arc of a curve, concave on its Easterly side and having for its elements a radius of 5,761.78 feet and a central angle of $09^{\circ}19'47''$ for a distance of 938.22 feet to a point; thence North $89^{\circ}47'20''$ West a distance of 582.20 feet to the centerline of Florida Power Easement, thence North $61^{\circ}07'50''$ West following aforesaid centerline a distance of 2,502.16 feet to the POINT OF BEGINNING.

ORDER NO. 19116

A portion of Sections 10 and 11, Township 34 South, Range 28 East, Highlands County Florida, being more particularly described as follows:

Begin at the Northeast corner of Section 10; thence run South $88^{\circ}41'30''$ West and along the North line of Section 10 a distance of 2,095.12 feet to a point on the East line of Block "C" of Maxcy Parkway Subdivision, as per plat recorded in Plat Book 4, page 72 of the Public Records of Highlands County, Florida; thence North $19^{\circ}34'10''$ West and along said East line a distance of 677.55 feet to the Northeast corner of Lot 36 of said subdivision; thence South $70^{\circ}25'50''$ West and along the North line of Lot 36 a distance of 200.00 feet to a point on the Easterly ROW line of U.S. Highway No. 27; thence South $19^{\circ}34'10''$ East and along said ROW line a distance of 1,200.00 feet to the Southwest corner of Lot 25 of Maxcy Parkway Subdivision; thence North $10^{\circ}25'50''$ East and along the South line of Lot 25 a distance of 200.00 feet to the Southeast corner of Lot 25; thence South $19^{\circ}34'10''$ East and along the E line of Block "C" of said subdivision a distance of 46.16 feet to a point on the North boundary of Section "B" of Sebring Ridge Subdivision, as per plat recorded in Plat Book 7, page 46 of the Public Records of Highlands County, Florida; thence South $79^{\circ}40'10''$ East and along the North line of said subdivision a distance of 942.10 feet to the Point of Curvature of a curve concave to the Southwest; thence in a Southeasterly direction and along the arc of said curve to the right (curve having for its elements a Radius of 2,950.00 feet and a Central Angle of $2^{\circ}28'02''$) a distance of 127.03 feet; thence North $12^{\circ}47'52''$ East and radial to the last described curve a distance of 225.00 feet to a point on the arc of a curve concave to the Southwest; thence in a Southeasterly direction and along the arc of said curve to the right (curve having for its elements a Radius of 3,175.00 feet, a Central Angle of $17^{\circ}43'13''$ and a Chord Bearing of South $68^{\circ}20'32''$ East) a distance of 981.95 feet to a point on the Northwest ROW line of Herring Avenue; thence North $30^{\circ}58'09''$ East and along said ROW line a distance of 588.10 feet; thence North $88^{\circ}36'30''$ East and along the North ROW line of Herring Avenue a distance of 907.2 feet; thence North $1^{\circ}29'30''$ West a distance of 425.10 feet to a point on the North line of Section 11; thence South $88^{\circ}36'30''$ West and along said line a distance of 1,304.87 feet to the Point of Beginning. Subject to all easements, reservations or restrictions of record.

Containing 51.242 Acres.

**FLORIDA PUBLIC SERVICE COMMISSION
authorizes
CSWR-Florida Utility Operating Company, LLC
pursuant to
Certificate Number 365-S**

to provide wastewater service in Highlands County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
Order No. 13564	08/03/84	19830049-WS	Grandfather
Order No. 19116	04/06/88	19880255-WS	Territory Amendment
*	*	20220149-SU	Transfer

***Order Number and date to be provided at time of issuance**

**CSWR-Florida Utility Operating Company, LLC
Sebring Ridge Utilities, Inc.**

Schedule of Net Book Value as of August 31, 2022

<u>Description</u>	<u>Balance Per Utility 12/31/21</u>	<u>Adjustments</u>		<u>Staff 8/31/22</u>
Utility Plant in Service	\$565,944	(\$130,192)	A	\$435,752
Land & Land Rights	19,712	26,004	B	45,716
Accumulated Depreciation	(489,155)	80,995	C	(408,160)
CIAC	(578,043)	298,468	D	(279,575)
Amortization of CIAC	<u>530,761</u>	<u>(316,272)</u>	E	<u>214,489</u>
Total	<u>\$49,219</u>	<u>(\$40,997)</u>		<u>\$8,222</u>

**CSWR-Florida Utility Operating Company, LLC
Sebring Ridge Utilities, Inc.**

Explanation of Adjustments to Net Book Value as of August 31, 2022

Explanation	Amount
A. UPIS To reflect the appropriate balance.	(\$130,192)
B. Land To reflect the appropriate balance.	26,004
C. Accumulated Depreciation To reflect the appropriate balance.	80,995
D. CIAC To reflect the appropriate balance.	298,468
E. Accumulated Amortization of CIAC To reflect the appropriate balance.	<u>(316,272)</u>
Total Adjustments to Net Book Value as of August 31, 2022	<u>(\$40,997)</u>

**CSWR-Florida Utility Operating Company, LLC
Sebring Ridge Utilities, Inc.**

Schedule of Staff's Recommended Account Balances as of August 31, 2022

Account No.	Description	UPIS	Accumulated Depreciation
354	Structures & Improvements	\$14,419	(\$8,423)
360	Collection Sewers - Force	10,264	(10,264)
361	Collection Sewers - Gravity	160,220	(160,220)
362	Special Collection Structures	76,537	(76,537)
371	Pumping Equipment	26,597	(5,064)
380	Treatment and Disposal Equipment	145,362	(145,362)
381	Plant Sewers	660	(605)
389	Other Plant & Misc. Equipment	60	(45)
390	Office Furniture and Equipment	509	(509)
396	Communication Equipment	<u>1,124</u>	<u>(1,124)</u>
	Total	<u>\$435,752</u>	<u>(\$408,160)</u>

**CSWR-Florida Utility Operating Company, LLC.
Sebring Ridge Utilities, Inc.**

Monthly Wastewater Rates

Residential Service

<u>All Meter Sizes</u>	\$16.17
Charge Per 1,000 gallons – Residential 10,000 gallon cap	\$3.51

General Service

Base Facility Charge by Meter Size

5/8" x 3/4"	\$16.17
3/4"	\$24.26
1"	\$40.43
1-1/2"	\$80.85
2"	\$129.36
3"	\$258.72
4"	\$404.25
6"	\$808.50

Charge Per 1,000 gallons – General Service	\$4.20
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Initial Customer Deposits

Residential Service and General Service

5/8" x 3/4"	\$50.00
All over 5/8" x 3/4"	2x Average Estimated Bill

Service Availability Charges

Main Extension Charge	
Residential per ERC (350 GPD)	\$385.00
All others per gallon	\$1.10
Plant Capacity Charge	
Residential per ERC (350 GPD)	\$315.00
All others per gallon	\$0.90