

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Application for increase in water and )  
wastewater rates in Brevard, Citrus, Duval, ) DOCKET NO. 20250052-WS  
Highlands, Marion, and Volusia Counties by )  
CSWR-Florida Utility Operating Company, LLC. )

**REBUTTAL TESTIMONY OF**

**JOSIAH COX**

**on behalf of**

**CSWR-Florida Utility Operating Company, LLC**

**April 17, 2026**

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Josiah Cox, and my business address is 1630 Des Peres Rd., Suite  
4 140, St. Louis, Missouri 63131. I am the President of the applicant, CSWR-  
5 Florida Utility Operating Company, LLC (“CSWR-Florida” or “Company”).

6 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY IN THIS CASE?**

7 A. Yes. I have previously presented direct testimony in this case on behalf of  
8 CSWR-Florida.

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 A. The purpose of my rebuttal testimony is three-fold. First, I will introduce the  
11 witnesses that will be responsible for providing the Company’s response to the  
12 various issues raised by: (a) OPC’s direct testimony filed March 20, 2026 (“OPC  
13 Direct”), (b) the direct testimony filed by Staff witness Mouring on March 27,  
14 2026 (“Mouring Direct”), (c) the direct testimony filed by Staff witness Plescow  
15 on March 27, 2026 (“Plescow Direct”), (d) the complaint and compliance data  
16 from the Florida Department of Environmental Protection (“DEP”) that was  
17 submitted into the docket file by Staff on March 10, 2026 (“DEP Report”), and  
18 (e) testimony provided by customers at the service hearings (“Service  
19 Hearings”).

20 Second, I will provide general comments regarding the information  
21 elicited during the Service Hearings. My testimony in this regard is  
22 complimented by testimony provided by Mr. Aaron Silas, who comments on

1 specific customer testimony from the Service Hearings and steps taken to  
2 address the customer concerns.

3 Third, I will respond to issues raised in OPC Direct, and why OPC's  
4 positions fail to recognize or address the fundamental problem prevalent in  
5 Florida, and the United States, regarding distressed water and wastewater  
6 systems.

7 **II. WITNESS IDENTIFICATION**

8 **Q. HAS THE COMPANY REVIEWED THE ISSUES RAISED IN THE OPC**  
9 **DIRECT, MOURING DIRECT, PLESCOW DIRECT, DEP REPORT,**  
10 **AND SERVICE HEARINGS?**

11 A. Yes. The Company has reviewed those issues closely.

12 **Q. PLEASE IDENTIFY THE WITNESSES THAT WILL ADDRESS EACH**  
13 **OF THE ISSUES.**

14 A. I will respond to OPC and Staff's recommendation to exclude acquisition  
15 adjustments from the revenue requirement. In addition, I will generally address  
16 some of the themes raised in the customer testimony made at the Service  
17 Hearings. Other Company witnesses on rebuttal are as follows:

18 • Brent Thies: CSWR, LLC's ("CSWR") Vice President and Corporate  
19 Controller, who testifies regarding most of Staff's audit findings, other than the  
20 exclusion of acquisition adjustments (Audit Finding 6). This includes Audit  
21 Findings related to plant additions (Audit Finding 1), plant retirements (Audit  
22 Finding 2), land and land rights values (Audit Finding 3), Contributions in Aid  
23 of Construction (Audit Finding 4), depreciation rates (Audit Finding 5), cash

1 working capital (Audit Finding 7), return on equity (Audit Finding 8), operating  
2 revenues (Audit Finding 9), operations and maintenance expense (Audit Finding  
3 10), and Taxes other than Income Taxes (Audit Finding 11). In addition, Mr.  
4 Thies responds to three adjustments raised by Mr. Smith on behalf of OPC:  
5 return on equity, utilization of past net operating losses as a deduction to income  
6 tax expense, and the elimination of a portion of the membership dues paid by the  
7 Company to the American Water Works Association (“AWWA”) and National  
8 Association of Water Companies (“NAWC”).

9 • Aaron Silas: CSWR’s Assistant Vice President of Customer  
10 Experience & Regulatory Operations, testifies regarding customer service issues  
11 raised in Mr. Plescow’s Direct and at the Service Hearings.

12 • Todd Thomas: CSWR Senior Vice President, testifies regarding the  
13 information contained in Attachments A and B in the DEP Report.

14 • Jacob Freeman: CSWR’s Director of Engineering, responds to the  
15 remainder of the DEP Report, specifically past compliance issues at the  
16 following systems acquired by the Company: (1) Aquarina, (2) CFAT, (3) North  
17 Peninsula, (4) Rolling Oaks, (5) Sebring Ridge, (6) TKCB, (7) Tradewinds, and  
18 (8) Tymber Creek

19 **III. CUSTOMER COMMENTS**

20 **Q. DID YOU ATTEND THE SERVING HEARINGS CONDUCTED BY THE**  
21 **COMMISSION IN THIS MATTER?**

22 A. Yes. The Commission conducted four service hearings in this case. The  
23 Commission held live customer service hearings in Lecanto and Ocala on March

1 5, 2026, and in Daytona Beach on March 25, 2026. The Commission also held  
2 a virtual service hearing on March 31, 2026. I personally attended and  
3 participated in all three live service hearings. I was unable to attend the virtual  
4 service hearing, but I have read the transcript from that virtual hearing.

5 **Q. WHY DO YOU ATTEND CUSTOMER SERVICE HEARINGS?**

6 A. I recognize that customer hearings can often be inconvenient for customers to  
7 attend as it involves time away from the multitude of other items demanding the  
8 customers' attention, including family and work. Additionally, I understand that  
9 a customer hearing can be intimidating to customers as it involves a process that  
10 is typically unfamiliar to customers including taking an oath, testifying on utility  
11 service matters, and possibly being subjected to questions from attorneys and  
12 Commissioners. These hearings are one of the best methods for understanding  
13 the concerns of our customers.

14 Therefore, as a matter of respect for the efforts made by the customers as  
15 well as my desire to understand what improvements can be made by the  
16 Company, I endeavor to attend such customer hearings in person. When my  
17 attendance is not possible, I will always send senior executives to participate in  
18 these hearings. In this case, several CSWR senior managers were in attendance  
19 for the service hearings conducted by the Commission.

20 **Q. WERE THE SERVICE HEARINGS THE ONLY METHOD BY WHICH**  
21 **THE COMMISSION SOUGHT COMMENTS FROM THE COMPANY'S**  
22 **CUSTOMERS?**

1 A. No. In addition to the four service hearings, customers were given notice they  
2 could write or email the Clerk of the Commission, submit comments to the  
3 Commission's Office of Consumer Assistance, and contact the Office of Public  
4 Counsel.

5 **Q. HAVE CUSTOMERS PROVIDED COMMENTS BEYOND THE**  
6 **SERVICE HEARING TESTIMONY?**

7 A. Yes. The docket sheet shows several comments directly from customers.  
8 However, as of April 12, 2026, while CSWR-Florida has approximately 13,700  
9 customers, the Commission has received fewer than 50 discrete customer  
10 comments.<sup>1</sup>

11 **Q. HAVE YOU READ THE CUSTOMER COMMENTS SUBMITTED TO**  
12 **THE COMMISSION AND FILED IN THIS DOCKET?**

13 A. Yes. I have read the customer comments filed in this docket through April 12,  
14 2026.

15 **Q. DOES THE COMPANY HAVE ANY RESPONSE TO THE CUSTOMER**  
16 **TESTIMONY GIVEN AT THE SERVICE HEARINGS AND**  
17 **COMMENTS FILED IN THE DOCKET?**

18 A. Yes. While I will provide some general thoughts, Mr. Silas will provide more  
19 specific details.

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<sup>1</sup> An accurate count of the number of comments filed with the Commission is subject to caveats as some customers filed numerous comments and other customer comments were submitted multiple times in identical form as they were routed to the Clerk in different ways. For instance, Mr. Wolfgram had his comments entered into the docket system twice, and he also appeared at the virtual service hearing. Mr. Athey's comments appeared in the docket system seven times as they were routed by different Commissioners separately. Ms. Roberts, Ms. Bratcher, Mr. Curtin, Mr. Dennison, and Mr. Moore also saw their comments filed multiple times.

1 **Q. DID THE NUMBER AND THE NATURE OF THE CUSTOMER**  
2 **COMMENTS SURPRISE YOU?**

3 A. No. While there are some issues that were unique to Florida that required the  
4 attention of Mr. Silas and his department, most of the comments are consistent  
5 with those seen by CSWR in other jurisdictions.

6 **Q. PLEASE EXPLAIN.**

7 A. The mission of CSWR, and its affiliate group operating in eleven states, is to  
8 bring safe, reliable, and environmentally responsible water resources to every  
9 community in the United States. In December 2022, CSWR became the single  
10 largest owner of individual domestic wastewater treatment plants and one of the  
11 largest owners of individual drinking water systems in the United States and has  
12 continued to add systems since that date. In fact, CSWR believes that its  
13 subsidiaries have brought more domestic water and wastewater systems out of  
14 noncompliance with the Clean Water Act (“CWA”) than any other single entity  
15 since the CWA’s passage in 1972.

16 CSWR and its affiliates strive to meet this goal by acquiring and investing  
17 in distressed, community-based water and wastewater systems. CSWR then  
18 invests in these systems and operates them in a manner that allows them to  
19 comply with applicable health, safety, and environmental laws.

20 The operations of CSWR-Florida are consistent with this overall mission  
21 statement. Since acquiring its first system in May 2022, CSWR-Florida has  
22 acquired a total of 38 distressed water and wastewater systems. As Mr. Freeman  
23 describes in his Direct Testimony, these systems all generally exhibit the same

1 deteriorated condition as well as a chronic history of non-compliance with  
2 applicable health, safety, and environmental regulations.

3 This is relevant as the customers of these distressed systems have suffered  
4 for years, if not decades, from substandard utility service. Therefore, customers  
5 are generally less receptive to a rate increase when they have grown accustomed  
6 to poor utility and customer service. In this regard, the comments expressed in  
7 this rate case, CSWR-Florida's first, echo the comments expressed by customers  
8 in CSWR's first rates cases in several other states.

9 **Q. DO YOU HAVE ANY OTHER GENERAL COMMENTS REGARDING**  
10 **THE CUSTOMER COMMENTS IN THIS CASE?**

11 A. Yes. Many of the comments in this docket complain about the percentage  
12 increase requested by the Company. Again, this did not surprise me. As  
13 described by the National Regulatory Research Institute, and from my own  
14 experience, the failure to seek rate increases is symptomatic of small, distressed  
15 water and wastewater systems.

16 ***[O]ften times the smaller companies fail to ask the Commission***  
17 ***for sufficient rate increases or do not ask at all because of the***  
18 ***time and complexity, either real or perceived, involved in a rate***  
19 ***case filing***; the small plants may be older, less efficient, and  
20 insufficiently maintained; management may not be skilled in  
21 properly running a water and sewer utility; and the smaller  
22 customer base means economies of scale are not at the same level  
23 as the larger companies. Also, it cannot be overlooked that the  
24 accuracy of the bookkeeping of smaller companies is often in  
25 question due to poor recordkeeping, uncertain cost allocation  
26 between personal and business expenses, and improper accounting  
27 procedures.<sup>2</sup>  
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<sup>2</sup> *Viability Policies and Assessment Methods for Small Water Utilities*, National Regulatory Research Institute, June 1992, at pages 3-4.

1           The distressed systems acquired by the Company reflect this unfortunate  
2 characteristic. Of the 38 systems acquired by CSWR-Florida, 31 have gone  
3 more than 14 years without a rate case. The Sebring Ridge system has not had  
4 a rate increase since 1996.

5           The failure to seek a rate increase in thirty years generally leads to several  
6 irrefutable conclusions. **First**, given its failure to seek rate increases, the utility  
7 management is failing to invest in the system. Therefore, most of the plant assets  
8 have likely reached the end of their useful lives. Thus, as Mr. Freeman  
9 described, it is not surprising that the Sebring Ridge system, after 30 years  
10 without a rate increase or capital reinvestment, would display a litany of system  
11 problems.<sup>3</sup>

12           **Second**, the failure to seek a rate increase in 30 years also leads to the  
13 undeniable conclusion that the adopted rates were no longer compensatory.  
14 Through simple inflation in the costs of electricity, chemicals, labor, and  
15 insurance, one would expect that rates would have been increased to capture  
16 these cost increases. The failure to seek rate increases for such an extended  
17 period means that rates no longer cover the basic costs of operating the system.  
18 Given this, when a rate increase is eventually sought to cover these costs, the  
19 increase will be more significant than if the utility had sought regular increases.

20           **Third**, and most relevant to this discussion, the failure to seek regular rate  
21 increases for an extended period typically means that customers become

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<sup>3</sup> See, Direct Testimony of Jacob Freeman, Docket No. 20250052-WS, filed May 30, 2025, pages 22-23.

1 accustomed to a deflated utility rate and when a rate increase is eventually sought  
2 customers will be more outspoken.

3 It is not surprising that a disproportionate number of customer comments  
4 have been received from consumers at the Sebring Ridge system. The last rate  
5 increase for Sebring Ridge occurred in July 1996. It is not surprising then that  
6 when the previous wastewater base rate of \$16.17 / month was increased by the  
7 Commission on an interim basis to \$59.43, that customers would be unhappy.  
8 That increase does not include the volumetric component of the rate. Of the 30  
9 discrete written customer comments, eleven were from customers of Sebring  
10 Ridge.

11 **Q. DO YOU HAVE ANY OTHER SPECIFIC THOUGHTS REGARDING**  
12 **OTHER CUSTOMER COMMENTS?**

13 A. Yes. In at least four separate comments, customers expressed concerns with the  
14 Company's proposal to consolidate rates across its Florida systems.<sup>4</sup>

15 **Q. PLEASE EXPLAIN THE COMPANY'S RATIONALE FOR**  
16 **CONSOLIDATED RATES?**

17 A. Consolidation of rates is a method for mitigating rate impacts for customers  
18 compared to rates set on a system-specific basis. Ultimately, all the systems  
19 acquired by CSWR-Florida will require capital investment to ensure that the  
20 treatment and distribution systems can meet environmental standards. Thus, for  
21 example, given the capital investment made at Aquarina, absent consolidation,

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<sup>4</sup> See, written comment of Joe LaCognata, filed January 23, 2026; written comment of Julie Bratcher, filed February 24, 2026; oral comments of Jeff Buckwald, service hearing of March 25, 2026 (pages 19-23); oral comments of Tommy White, service hearing of March 25, 2026 (pages 32-33).

1 stand-alone rates would be \$80.18. Through consolidation, however, the  
2 revenue requirement impact is spread across a larger number of customers, and  
3 the monthly rate is reduced to \$38.81.

4 Consolidation provides similar rate mitigating benefits to wastewater  
5 operations. Given the capital improvements made at BFF, an average standalone  
6 bill would be \$94.54. As a result of consolidation, however, the average monthly  
7 bill would be reduced to \$38.75.

8 **Q. DO YOU HAVE ANY CLOSING THOUGHTS REGARDING THE**  
9 **CUSTOMER COMMENTS?**

10 A. It is certainly not my intention to minimize the concerns of customers. Given  
11 the affordability concerns that are constantly discussed in the news, customers  
12 have a right to express such concerns. That said, in this case, many of the  
13 customers have suffered for years, if not decades, from inferior utility service.  
14 For most, this is the first time in over a decade that they have had an opportunity  
15 to complain about such service. My hope is that these customers, once they  
16 realize the tremendous improvements that are being made to their utility service,  
17 as well as the professional customer service and corporate communications  
18 brought by the Company, will become more satisfied with these benefits and  
19 that they are receiving real value for the increase in rates.

20 **IV. RESPONSE TO OPC**

21 **Q. WHAT DID THE COMPANY ORIGINALLY PROPOSE WITH**  
22 **REGARDS TO THE RECOVERY OF ACQUISITION ADJUSTMENTS.**

1 A. In its filing MFRs, CSWR-Florida requested recovery of acquisition adjustments  
2 associated with the acquisition of the Aquarina, North Peninsula, and Sunshine  
3 Utilities systems. As we explain in great detail in the separate acquisition  
4 adjustment dockets opened for these three systems,<sup>5</sup> these acquisitions more than  
5 meet the standards for granting acquisition adjustments under the Commission’s  
6 revised acquisition adjustments rule. In each situation, the acquired system was  
7 “non-viable” as a result of: (1) its failure to comply with federal, state, or local  
8 regulations governing primary or secondary water quality or other health, safety,  
9 or environmental standard or had a history of violations of such regulations or  
10 standards, and (2) a record of insufficient investment, repair or maintenance of  
11 assets or an inability to acquire and maintain adequate managerial, operational,  
12 financial, or technical capabilities to ensure safe and reliable service to its  
13 customer.<sup>6</sup> In addition, and consistent with the Commission’s rule, both North  
14 Peninsula and Aquarina were non-viable because each was insolvent.<sup>7</sup>

15 Additionally, each of these systems was acquired through an arm’s length  
16 transaction in that CSWR-Florida was not affiliated in any manner with the  
17 acquired company of its owners. Finally, consistent with the rule, the acquisition

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<sup>5</sup> Aquarina (Docket No. 20250043), North Peninsula (Docket No. 20250038), and Sunshine Utilities (Docket No. 20250047).

<sup>6</sup> See, Direct Testimony of Jacob Freeman, Docket No. 20250052, filed May 30, 2025 (“Freeman Direct”), at pages 137-139 for a discussion of the history of compliance issues at Aquarina wastewater system; pages 152-153 for a discussion of the history of compliance issues at Aquarina water system; pages 7-11 for a discussion of the history of compliance issues at North Peninsula wastewater system; and pages 48-50 for a discussion of the history of compliance issues at the Sunshine Utilities water systems.

<sup>7</sup> See, Direct Testimony of Josiah Cox, Docket No. 20250052, filed May 30, 2025 (“Cox Direct”), at page 24 for a discussion of the insolvent nature of Aquarina. See, Cox Direct, pages 23-24 for a discussion of the insolvent nature of North Peninsula.

1 of the non-viable company provides tangible benefits to the acquired entity's  
2 customers.<sup>8</sup>

3 **Q. DOES THE COMPANY STILL PROPOSE TO INCLUDE THE**  
4 **REVENUE REQUIREMENT EFFECTS OF THESE THREE**  
5 **ACQUISITION ADJUSTMENTS IN THIS RATE CASE?**

6 A. Yes, if circumstances allow, meaning that acquisition adjustments have been  
7 granted by the Commission in one or more of the three separate acquisition  
8 adjustment dockets before a final order is issued in this rate case. As  
9 demonstrated in its acquisition adjustment petitions, Aquarina, North Peninsula,  
10 and Sunshine Utilities were each non-viable. The acquisition of those systems  
11 has led to discernible benefits for the customers of those systems. These tangible  
12 benefits are ubiquitous. Of greatest impact, customers have benefitted from the  
13 availability of the Company's financial resources. As Mr. Freeman has  
14 explained, CSWR-Florida has invested tremendously in each system to assess  
15 the existing assets and make improvements to ensure that each system can  
16 operate at its utmost. Moreover, as Mr. Thomas discusses, the Company has  
17 also dedicated tremendous operational resources to ensure that the systems are  
18 operated professionally.<sup>9</sup> In addition, the Company has deployed a professional  
19 Environmental, Health, and Safety staff to ensure that monitoring and  
20 compliance tasks are performed in a timely fashion.<sup>10</sup> Finally, as Mr. Silas

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<sup>8</sup> See, Freeman Direct, pages 139-142 for a discussion of the improvements made by CSWR-Florida at Aquarina wastewater; pages 153-158 for a discussion of the improvements made by CSWR-Florida at Aquarina water; pages 13-20 for a discussion of the improvements made by CSWR-Florida at North Peninsula wastewater; and pages 50-63 for a discussion of the improvements made by CSWR-Florida at the Sunshine water systems.

<sup>9</sup> See, Thomas Direct, Docket No. 20250052, filed May 30, 2025 ("Thomas Direct"), pages 4-16.

<sup>10</sup> *Id.* at pages 16-22.

1 discusses, the Company has also included these systems within its larger  
2 umbrella of companies nationwide that allows the Company to achieve the  
3 critical mass necessary to provide professional customer service and corporate  
4 communications functions for its customers.<sup>11</sup> These three acquisitions  
5 have produced unquestioned benefits to the Company’s Florida customers.  
6 Specifically, the rate effects of the revenue requirement in this case are mitigated  
7 by the increased customer counts resulting from these acquisitions. It would  
8 seem inequitable for these benefits to flow through rates in this case but then  
9 deny the Company recovery of the very acquisition adjustments that produced  
10 these benefits.

11 Thus, it is disappointing that the acquisition adjustment dockets could not  
12 be processed in a more expeditious manner to give the Commission an  
13 opportunity to consider the recovery of those adjustments in this rate case.

14 **Q. DOES OPC AGREE WITH THE COMPANY’S REQUEST TO**  
15 **RECOVER THE AQUARINA, NORTH PENINSULA, AND SUNSHINE**  
16 **UTILITIES ACQUISITION ADJUSTMENTS?**

17 A. No. In his testimony on behalf of OPC, Mr. Smith makes broadbrush claims,  
18 without specific reference to the standards contained in the Commission’s rule  
19 or to any specific evidence, that CSWR-Florida has “failed to demonstrate the  
20 circumstances necessary to support the inclusion of a positive acquisition  
21 adjustment.”<sup>12</sup> Mr. Smith continues to note, again without any regard to the

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<sup>11</sup> See, Silas Direct, Docket No. 20250052, filed May 30, 2025 (“Silas Direct”), pages 3-12.

<sup>12</sup> Smith Direct, Docket No. 20250052, filed March 20, 2025 (“Smith Direct”), page 12.

1 standards contained in the Commission’s rule, that “the inclusion of those  
2 positive acquisition adjustments in rate base would harm customers by  
3 increasing the revenue requirement of CSWR Florida.”<sup>13</sup> Finally, Mr. Smith  
4 asserts that having ratepayers pay for those positive acquisition adjustments  
5 would essentially require the customers to pay “duplicatively and excessively  
6 for the same pre-acquisition utility plant as a result of the ownership change.”<sup>14</sup>

7 **Q. DID STAFF RECOMMEND RECOVERY OF THESE ACQUISITION**  
8 **ADJUSTMENTS IN ITS AUDIT?**

9 A. No. In Audit Finding 6, Staff simply pointed out that “these acquisition  
10 adjustments have not been approved by this Commission as of the date of this  
11 audit report and should not be included in the respective rate base  
12 calculations.”<sup>15</sup>

13 **Q. DO YOU AGREE WITH OPC’S ASSERTION THAT CSWR-FLORIDA**  
14 **HAS “FAILED TO DEMONSTRATE THE CIRCUMSTANCES**  
15 **NECESSARY TO SUPPORT THE INCLUSION OF A POSITIVE**  
16 **ACQUISITION ADJUSTMENT”?**

17 A. No. As thoroughly presented by CSWR-Florida in the separate acquisition  
18 adjustment dockets, each of the acquired companies were non-viable, acquired  
19 through an arm’s length transaction, and because of the financial, technical, and  
20 managerial resources that CSWR-Florida has dedicated to these non-viable

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<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> Mouring Direct, Docket No. 20250052, filed March 27, 2026, Exhibit CM-1, page 21 of 91.

1 systems, customers unquestionably benefit from the acquisitions. The  
2 “circumstances necessary” are more than present.

3 **Q. DO YOU AGREE WITH MR. SMITH’S ASSERTION THAT “THE**  
4 **INCLUSION OF THESE POSITIVE ACQUISITION ADJUSTMENTS**  
5 **WOULD HARM RATEPAYERS BY INCREASING THE REVENUE**  
6 **REQUIREMENT”?**

7 A. Absolutely not. OPC makes this assertion by taking an incomplete view of the  
8 regulatory paradigm. It is often said that the purpose of regulation is to ensure  
9 the provision of safe and adequate service at just and reasonable rates. Here,  
10 OPC, like many other consumer advocates, neglects to ever consider the need  
11 for safe and adequate service, and I would add reliable and environmentally  
12 responsible service, and, instead, remains laser-focused on rates. Given the  
13 assertion that the acquisition adjustment essentially requires “the customers to  
14 pay duplicatively and excessively for the same pre-acquisition utility plant as a  
15 result of the ownership change,” it is apparent that Mr. Smith never even  
16 considers the operational benefits possible through an acquisition adjustment  
17 and, instead, focuses entirely on the rates portion of the regulatory paradigm.

18 Contrary to Mr. Smith’s assertion, and because of the forethought  
19 underlying its revised acquisition adjustment rule, the Commission has ensured  
20 that ratepayers would not be “harmed” by the acquisition adjustment. The  
21 Commission’s rule specifically looks to whether “customers from the acquired  
22 utility will benefit from the acquisition.” Customers must be found to benefit  
23 from the acquisition for the Commission to grant an acquisition adjustment.

1 **Q. DO YOU AGREE WITH MR. SMITH’S ASSERTION THAT AN**  
2 **ACQUISITION ADJUSTMENT REQUIRES “CUSTOMERS TO PAY**  
3 **DUPLICATIVELY AND EXCESSIVELY FOR THE SAME PRE-**  
4 **ACQUISITION UTILITY PLANT AS A RESULT OF THE OWNERSHIP**  
5 **CHANGE”?**

6 A. No. Owners of small water and wastewater systems typically refuse to sell for  
7 net book value. This refusal is typically premised on two perceptions. *First*, the  
8 owner of the small, distressed system may perceive that a system provides an  
9 opportunity for increased revenue and profits over and above what the utility  
10 currently receives. This would particularly be the case for a system that may be  
11 capable of organic growth. Therefore, the current owner perceives that future  
12 revenues justify a sales price in excess of net book value.

13 *Second*, in many situations, the owner of the small, distressed system is  
14 also the primary operator. When established, rates will “typically include not  
15 only a return on invested capital but also recovery of operating expenses.  
16 Operating expenses include salaries of employees that operate the systems, but  
17 also those that handle billing, regulatory, bookkeeping and management  
18 functions. Therefore, an owner that is also an employee responsible for  
19 operations, billing, and other functions may also receive recovery in rates a  
20 salary for all those activities.”<sup>16</sup> Oftentimes then, the sale price not only includes  
21 the net book value of the assets, but also the owner’s perceived growth in  
22 revenues, and the loss of the income stream as the primary operator of the

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<sup>16</sup> *Id.*

1 system. “As such, a premium above net book value must be paid to incentivize  
2 the owner to sell the small, distressed water or wastewater system. Given this  
3 reality, it would be inequitable to expect an acquiring company to pay this  
4 premium to acquire the system but then disallow it in the calculation of post-  
5 acquisition rates.”<sup>17</sup>

6 **Q. DID MR. SMITH PROVIDE ANY POLICY SUPPORT FOR HIS VIEW**  
7 **OF ACQUISITION ADJUSTMENTS?**

8 A. No. Mr. Smith simply states that his disallowance is “based upon [his]  
9 experience as an accountant addressing issues of acquisition adjustments.”<sup>18</sup>

10 **Q. HAVE YOU PROVIDED POLICY SUPPORT FOR THE COMPANY’S**  
11 **REQUEST TO RECOVER THESE THREE ACQUISITION**  
12 **ADJUSTMENTS?**

13 A. Yes. CSWR-Florida has provided voluminous documentation, in both the  
14 acquisition cases and in this rate case, justifying recovery of the requested  
15 acquisition adjustments. For example, in my Direct Testimony in this case I  
16 pointed out that various utility regulatory groups “have recognized the need to  
17 encourage the acquisition of small water systems by larger, better managed and  
18 well capitalized water companies. Oftentimes, this has focused on the need to  
19 allow recovery of some acquisition price above net book value.”<sup>19</sup>

20 For instance, the National Regulatory Research Institute has pointed out  
21 that, in regards to the owners of small, distressed water and wastewater systems,

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<sup>17</sup> *Id.*

<sup>18</sup> *Smith Direct*, page 12.

<sup>19</sup> *Cox Direct*, page 14.

1            “[s]ometimes the best option is to get the existing owner / operator out of the  
2            water business, using whatever means are available under the commission’s  
3            authority.”<sup>20</sup> The report then concludes that one of the best “means” available  
4            under a commission’s authority is the recovery of an acquisition adjustment.

5            Moreover, dispelling Mr. Smith’s assertions, the report then posits that,  
6            “over the long-term, as consolidation occurs, fixed costs and associated rates if  
7            the acquiring system decline on a unit basis as they are spread over a larger  
8            customer base.”<sup>21</sup>

9            The policy views of the National Regulatory Research Institute have  
10           taken hold in numerous states. As my Direct Testimony indicates, just among  
11           the states in which CSWR operates, policies for the recovery of acquisition  
12           adjustments have been implemented by Florida, Texas, and Tennessee.

13    **Q.    DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

14    A.    Yes.

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<sup>20</sup> *The Small Water Company Dilemma: Processes and Techniques for Elective Regulation*, published October 2011, at page 16.

<sup>21</sup> *Id.*

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Application for increase in water and wastewater rates in Brevard, Citrus, Duval, Highlands, Marion, and Volusia Counties by CSWR-Florida Utility Operating Company.

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DOCKET NO. 20250052-WS

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing rebuttal testimony of

Josiah Cox has been served via e-mail on this 17th day of April, 2026, to the following:

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