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.
_______________________________________/

Docket No.: 20250052-WS

CSWR-FLORIDA'S MOTION TO STRIKE FINAL AUDIT REPORT REVISED FINDING 3 RELATING TO LAND & LAND RIGHTS OR, IN THE ALTERNATIVE, REQUEST TO FILE SUPPLEMENTAL REBUTTAL

Pursuant to Rule 28-106.204, Florida Administrative Code, CSWR-Florida Utility Operating Company, LLC ("CSWR-Florida"), moves to strike Staff's final audit report Revised Finding 3 relating to Land & Land Rights that was filed on May 28, 2026 (Document No. 03178-2026). Revised Finding 3 seeks a 92.8% reduction to CSWR-Florida's Land & Land Rights values as filed in the MFRs, from $6,382,412.00 to $461,779.00. Revised Finding 3 was served by Staff as an apparent errata to the direct testimony of Staff witness Curt Mouring. It was served on May 28, 2026, more than four months after Staff's final audit report was issued, twenty days after Mr. Mouring was deposed, after the deadlines for discovery and rebuttal testimony have long passed, and just over a week before the final hearing is set to start. This close to the hearing CSWR-Florida cannot without leave get discovery on Revised Finding 3 or file rebuttal testimony to Revised Finding 3, as those deadlines have long since passed. This type of ambush violates the Order Establishing Procedure, Commission rules and precedent, and CSWR-Florida's due process rights. By this Motion, CSWR-Florida requests that Revised Finding 3 be struck from this docket and excluded from the upcoming hearing and record of this proceeding. In the alternative, CSWR-Florida requests that it be allowed to file the Supplemental Rebuttal Testimony of Mr. Brent Thies attached to this Motion. In support, CSWR-Florida states:

1. On March 20, 2025, CSWR-Florida initiated this rate case, which is scheduled for hearing next week, starting on June 8, 2026.

2. On August 12, 2025, the Office of Auditing & Performance Analysis initiated a comprehensive audit of CSWR-Florida (Document No. 07838-2025).

3. On January 22, 2026, the final audit report was issued (Document No. 00560-2026). Audit Finding 3 relates to Land & Land Rights. An excerpt of the final audit report (the portion relating to Audit Finding 3) is attached as Exhibit A. This original Audit Finding 3 made minor adjustments to the land balances for four (4) of the systems, the net of which was a slight increase to CSWR-Florida's Land Balances:

> The Land Balances should change as following: Sunshine PP QR should decrease $32,768, Tymber Creek Water should increase $10,696 ($34,763-$24,067= $10,696), Tymber Creek Wastewater should increase $11,908 ($38,702-$26,794 = $11,908), and Rolling Oaks Water should increase $11,068 ($2,455,055 - $2,443,987 = $11,068).

See Exhibit A at *3 (page 11 of the final audit report).

4. On March 27, 2026, on the deadline to do so, Staff filed the Direct Testimony of Curt Mouring, the Director of the Office of Auditing and Performance Analysis (Document No. 01808-2026). The purpose of Mr. Mouring's testimony was to sponsor the January 22, 2026, final audit report. The final audit report was filed with Mr. Mouring's testimony as its Exhibit CM-1.

5. On April 17, 2026, on the deadline to do so, CSWR-Florida filed the rebuttal testimony of Brent Thies (Document No. 02244-2026). Among other purposes, Mr. Thies in his Rebuttal Testimony responded to the Staff final audit report, specifically Exhibit CM-1 to Mr. Mouring's Direct Testimony. Mr. Thies' briefly responded to the minor adjustments of Audit Finding 3:

> While I agree with Staff's finding regarding the Tymber Creek, Rolling Oaks, and Sebring Ridge systems, I disagree with its finding regarding land and land rights values for the Ponderosa Pines, and Quail Run systems of the Sunshine Utilities acquisition.

> . . .
> In its acquisition decision for the Sunshine utilities transaction, the Commission did not break down land and land rights values between the individual Sunshine systems. Based on that decision, the Company recorded a total value of $173,304 for the Sunshine transaction. The Company then split this amount among the 23 service areas acquired in the Sunshine acquisition. Recognizing that these costs were associated with land and land rights for the Ponderosa Pines and Qual[sic] Run systems and are consistent with the values recognized in the Commission's acquisition decision, the Commission should reject Audit Finding No. 3.

(Document No. 02244-2026, pp. 2-3).

6. On May 8, 2026, Mr. Mouring was deposed. Mr. Mouring testified that Audit Finding 5 (Depreciation Expenses) and Audit Finding 11 (Taxes Other Than Income) would subsequently be revised. See excerpt attached as Exhibit B. There was no indication of any forthcoming revision to Audit Finding 3 (Land & Land Rights).

7. May 13, 2026, was the discovery deadline. The prehearing conference was held on May 14, 2026 and the Prehearing Order was issued on May 26, 2026 (Document No. 03099-2026).

8. On May 28, 2026, Staff filed in the docket a Memorandum with Revised Finding 3 to the January 22, 2026, final audit report (Document 03178-2026). The Staff service email refers to it as an Errata to Exhibit CM-1 to Mr. Mouring's direct testimony. Attached as Exhibit C is the service email and memorandum with Revised Finding 3.

9. Despite its claim to be an Errata, Revised Finding 3 represents a radical departure in Staff's position with regard to the quantification of land and land rights. Revised Finding 3 proposes a 92.8% reduction (from $6,382,412.00 to $461,779) to the land and land rights values of the CSWR-Florida systems. There is no narrative, analysis, or explanation provided in support of Revised Finding 3, nor were audit workpapers provided relating to Revised Finding 3.

10. If the May 28, 2026, filing of Revised Finding 3 was in fact the filing of an errata to Exhibit CM-1 of Mr. Mouring's Direct Testimony (where only the service email referred to it as

an errata but the docket filing did not), it should be struck from this proceeding because of the prejudicial effect to CSWR-Florida.

11. There is no Commission rule that allows for errata sheets to prefiled direct testimony, nor does the Order Establishing Procedure issued in this case provide for them.

12. When a witness wants to revise their prefiled direct testimony, Commission precedent considers whether an errata sheet is sufficient or whether there should instead be a motion to amend the prefiled direct testimony. An errata sheet is appropriate to correct minor errors such as transcription, typographical and other types of clerical errors. Where more substantive revisions are involved, a motion to amend the prefiled direct testimony is appropriate. *See, e.g., In re Nuclear Cost Recovery Clause*, Docket No. 100009-EI, Order No. PSC-10-0537-PCO-EI, 2010 WL 3372235, at *1 (Fla. Pub. Serv. Comm'n Aug. 20, 2010) ("[the utility] contends that the corrections needed to be made pursuant to Rule 28-106.204, F.A.C, to insure that the record is accurate. In addition, [the utility] has made revisions to comply with the Prehearing Order regarding its witnesses' corrected prefiled testimony. Upon consideration, [the utility's] Motion for Leave to Revise Testimony, Exhibits and Appendices to Correct Errors and Reflect Accurate Information is granted."); *In re Review of Replacement Fuel Costs*, Docket No. 090505-EI, Document No. 01628, Prehearing Conference Transcript at 4 (Fla. Pub. Serv. Comm'n Mar. 10, 2010) ("In staff's opinion, it is a little bit more than an errata sheet, and so I have talked with the counsel and asked that they file a written motion for leave to amend . . . .").

13. A Commission decision on a motion to amend prefiled testimony turns on whether the amendment prejudices any party. *See In re Application for Increase in Water & Wastewater Rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties*, Docket No. 20240068-WS, Order No. PSC-2025-0045-PCO-WS (Fla. Pub. Serv.

Comm'n Feb. 7, 2025) ("Since staff's Motion is unopposed and it appears the requested amendment of staff's testimony does not prejudice any party to this proceeding, the Motion is hereby granted."); *In re Nuclear Cost Recovery Clause*, Docket No. 130009-EI, Order No. PSC-13-0346-PCO-EI (Fla. Pub. Serv. Comm'n Aug. 1, 2013) ("The scheduled time for filing testimony is not a jurisdictional deadline and there is no evidence or assertion that any party would be harmed by granting [OPC's Motion For Leave To File Amended Testimony].").

14. Revised Finding 3 would constitute a substantial revision to the final audit report incorporated into Mr. Mouring's Direct Testimony as its Exhibit CM-1. It advocates for a deduction of 92.8%, almost $6 million, to CSWR-Florida's land balances, with no reasoning, explanation, or supporting workpapers. Had this finding been reflected in the final audit report when it was issued more than four months ago in January, 2026, or even a month ago, CSWR-Florida would have had time to conduct discovery to fully understand audit staff's position. The Company also would have had time to properly prepare rebuttal testimony to thoroughly respond to the finding. Instead, Revised Finding 3 was served on May 28, 2026, just over a week before the final hearing is set to begin on June 8, 2026. The prejudice to CSWR-Florida is high.

15. To properly address Revised Finding 3, CSWR-Florida would need discovery reopened to receive and review any related workpapers and potentially reopen the deposition of Mr. Mouring. Following such a filing the Office of Public Counsel may wish to reopen Mr. Thies' deposition on that supplemental or revised rebuttal. With the hearing set to start in a week, putting the appropriate process in place would involve rescheduling the hearing, which also prejudices CSWR-Florida.

16. At this late date, given that there was no motion filed by Staff to amend Mr. Mouring's testimony, nor that Revised Finding 3 is properly reflected in an errata to Exhibit CM-

1 of Mr. Mouring's testimony, CSWR-Florida requests that Revised Finding 3 be struck from this docket and excluded from the hearing and record and from serving as the basis of any finding or conclusion in this case.

17. In the alternative, so that the long-scheduled June 8, 2026, hearing date is not lost or postponed, CSWR-Florida requests leave to file supplemental testimony from Mr. Thies in response to Revised Finding 3. The proposed supplemental testimony from Mr. Thies is attached to this motion as Exhibit D.

18. On May 29, 2026, the undersigned gave counsel for OPC and Staff notice that this motion was forthcoming. On June 1, 2026, the undersigned spoke with Austin Watrous, counsel for OPC, to confer on this motion. OPC has no position on this motion and will not be filing a written response.

CONCLUSION

WHEREFORE, CSWR-Florida requests that this Motion be GRANTED and that Revised Finding 3 be fully struck from this docket and case, or that in the alternative the attached Supplemental Rebuttal Testimony of Mr. Thies be deemed filed and included for all purposes of this proceeding along with the Rebuttal Testimony of Mr. Thies filed on April 17, 2026.

Respectfully submitted this 1st day of June, 2026.

/s/ Thomas A. Crabb
Susan F. Clark, FBN 179580
Thomas A. Crabb, FBN 25846
Jordann Wilhelm, FBN 1003182
Radey Law Firm
301 South Bronough Street, Suite 200
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Attorneys for CSWR-Florida

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via e-mail on this 1st day of June, 2026, to the following:

Walt Trierweiler
Austin Watrous
Bart Fletcher
Charles Rehwinkel
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/s/ Thomas A. Crabb
Thomas A. Crabb

EXHIBIT A

FILED 1/22/2026
DOCUMENT NO. 00560-2026
FPSC - COMMISSION CLERK

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: January 22, 2026

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Lynn Deamer, Bureau Chief, Office of Auditing & Performance Analysis KG

RE: Docket No.: 20250052-WS
Company Name: CSWR-Florida Utility Operating Company, LLC
Company Code: WS985
Audit Purpose: A1a: File & Suspend Rate Case
Audit Control No.: 2025-224-1-1

Attached is the final audit report for the Utility stated above, I am sending the Utility a copy of this memo and the audit report. If the Utility desires to file a response to the audit report, it should send a response to the Office of the Commission Clerk. There are no confidential work papers associated with this audit.

Attachment: Audit Report

Cc: Office of Auditing & Performance Analysis

UPIS as of January 31, 2025, and 5) Where plant additions were allocated from the corporate offices, the basis of the allocation was reviewed.

Procedures: We recalculated the UPIS balances from February 1, 2022, to January 31, 2025, and reconciled to MFR Schedules A-4 and A-6 and general ledger by company and by system. We also reconciled the beginning balances to the Commission Orders by company and by system. We judgmentally sampled plant additions from February 1, 2022, to January 31, 2025, and traced to the supporting documentation. We judgmentally sampled plant retirements and transfers for the historical test year ended January 31, 2025, and traced to the supporting documentation. We also recalculated the salvage values of Accounts 341, 345, 346, 391, 395 and 396. See Findings 1 and 2.

Land & Land Rights

Objectives: The objectives were to determine whether the Utility land was recorded at original cost, is used for utility operations, and was owned or secured under a long-term lease for the historical test year ended January 31, 2025.

Procedures: We obtained and reviewed the original transfer, Grandfather certificates, land deeds, and land lease agreements by company. We verified the ownership of the land by reconciling the land descriptions per land deeds and land lease agreements to the property tax bills. We also recalculated the land balances from the general ledger, and traced to MFR Schedules A-1 and A-2. See Finding 3.

Accumulated Depreciation

Objectives: The objectives were to determine whether: 1) Accruals to accumulated depreciation are properly recorded in compliance with Commission rules and the NARUC USoA, 2) Depreciation accruals are calculated using the Commission's authorized rates and that retirements are properly recorded, 3) Adjustments required in the prior Commission Orders were recorded in its books and records, and 4) Where accruals to accumulated depreciation were allocated from the corporate offices, the basis of the allocation is reviewed.

Procedures: We verified the Class of Water and Wastewater by company. We recalculated the salvage values for the Accounts 341, 345, 346, 391, 395 and 396. We also recalculated the accumulated depreciation for the historical test year ended January 31, 2025, to the general ledger and MFR Schedules A-8 and A-9. See Finding 5.

Contributions-in-Aid-of-Construction

Objectives: The objectives were to determine whether utility Contributions in Aid of Construction (CIAC) balances are properly stated, are reflective of the service availability charges authorized in the Utility's Commission-approved tariffs, and the adjustments required in the prior Commission Orders were recorded in its books and records.

Procedures: We verified the ending balances of CIAC as of January 31, 2025. We recalculated the CIAC balances from the general ledger and traced to MFR Schedule A-12 by company and by system. We also judgmentally selected the sample of CIAC, by company, and traced to the supporting documentation. See Finding 4.

Finding 3: Land & Land Rights

Audit Analysis: Audit staff verified the Land balances and observed variances while tracing to MFR Schedule A-5. See the details as below.

- Sunshine PP QR

The Commission Order No. PSC-2022-0120-PAA-WU has only the Land balances for Sunshine Utilities of Central Florida, but not for Sunshine PP QR. However, the Utility included Land in the amount of $32,768 for Sunshine PP QR in MFR Schedule A-5, and audit staff decided to removed it from the test year plant balance.

- Tymber Creek

Water:

Audit staff verified the Land balance of Tymber Creek Water in the amount of $34,763, but the Utility reflected on Land balance in the amount of $24,067 in MFR Schedule A-5. Based on the Commission Order No. PSC-2023-0305-PAA-WS, and the supporting documentation, the Land balances of Tymber Creek Water should increase by $ 10,696.

Wastewater:

Audit staff recalculated the Land balance of Tymber Creek Wastewater with the amount of $38,702, but the Utility filed the Land balance with the amount of $26,794. Based on the Commission Order No. PSC-2023-0305-PAA-WS and the supporting documentation, the Land balances of Tymber Creek Water should increase by $11,908.

- Rolling Oaks

Water:

Audit staff recalculated the Land balance of Rolling Oaks Water with the amount of $2,455,055, but the Utility filed the Land balance with the amount of $2,443,987 in MFR Schedule A-5. Based on the supporting documentation, the Land balances of Tymber Creek Water should increase by $11,068.

- Sebring

Audit staff noted the Utility only has the easement for the Wastewater Land of Sebring, but no ownership.

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: The Land Balances should change as following: Sunshine PP QR should decrease $32,768, Tymber Creek Water should increase $10,696 ($34,763- $24,067 = $10,696), Tymber Creek Wastewater should increase $11,908 ($38,702 - $26,794 = $11,908), and Rolling Oaks Water should increase $11,068 ($2,455,055 - $2,443,987 = $11,068).

EXHIBIT B

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: DOCKET NO. 20250052-WS

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

DEPOSITION OF: CURT MOURING

DATE: May 8, 2026

TIME: Commenced: 10:00 a.m.

PLACE: Microsoft Teams

REPORTED BY: DEBRA R. KRICK
Court Reporter

PREMIER REPORTING
TALLAHASSEE, FLORIDA
(850) 894-0828

APPEARANCES:

TOM A. CRABB, ESQUIRE, Radey Law Firm, 301 South Bronough Street, Tallahassee, Florida 32301; appearing on behalf of CSWR-Florida

PATRICIA CHRISTENSEN, ESQUIRE, OFFICE OF PUBLIC COUNSEL, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, FL 32399-1400, appearing on behalf of the Citizens of the State of Florida.

DANIEL DOSE, ZACHARY BLOOM and JENNIFER CRAWFORD, ESQUIRES, FPSC General Counsel's Office, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850, appearing on behalf of the Florida Public Service Commission.

ALSO APPEARING: VARIOUS CONSULTANTS & STAFF MEMBERS OF THE PARTIES.

complete whatever response you have to any pending questions. And I think with that, we can go ahead and get started.

Mr. Mouring, did you file prefiled testimony in this docket on March 27th, 2006?

A 2026?

Q '26, correct.

A Yes, I did.

Q Okay. And that testimony consisted of what, two pages?

A Two pages and an exhibit.

Q Okay. Do you have any changes to the written portion of your prefiled testimony as we sit here today?

A You are referring to the two pages?

Q Correct.

A No.

Q Okay. And then you said -- you mentioned an exhibit. That would be your CM-1, is that correct?

A That is correct.

Q And do you have any changes to CM-1 that you are aware of as we sit here today?

A Yes.

Q Okay. Can you please let me know what the change is or changes are?

A So finding number four was reissued as an errata, and findings five and 11 will be revised.

Q Okay. And when you say those will be revised, does that mean you will be providing a written filing that will become an addendum to the audit report?

A They will be revised in the same manner as finding four. That was through an errata sheet.

Q Okay. As we are talking today, do you know what those revisions are for number five and 11?

A Number five, there is an issue with the net salvage value portion being applied to the depreciation expense calculation.

Q Okay.

A There may be some additional issues in terms of flow-through. We are going to work that out.

And finding 11, there are -- there is an issue both in the presentation and there may be a small mathematical error in the calculation of property tax.

Q Okay. All right. And we may get to some of that later in the deposition and flesh some of that out, but let me go ahead and ask you and think about it a little more fundamentally. Can you just give me a brief overview of your educational background?

A My formal education is a Bachelor of Science Degree in Finance from Florida State University. And I have also attended a number of training exercises from

EXHIBIT C

Tom Crabb

From: Danyel Sims <DSims@psc.state.fl.us>
Sent: Thursday, May 28, 2026 4:19 PM
To: Aaron Silas; Austin Watrous; CSWR-Florida Utility Operating Company; Jordann Wilhelm; Patty Christensen; Suzanne Turner; Susan Clark; Tom Crabb; Walt Trierweiler
Cc: Amber Norris; Anya Byrne; Brianna York; Dale Buys; Daniel Dose; Danyel Sims; Devlin Higgins; Elisabeth Draper; Garret Kelley; Jennifer Crawford; Joshua Cohn; Justin Sewards; Kate McClelland; Laura King; Marissa Ramos; Matthew Sibley; Matthew Vogel; Penny Buys; Ranika Rashawn; Rebecca Bardin; Robert Chambliss; Scott Quigley; Shannon Hudson; Sherwin D'Sa; Sonica Bruce; Terence Bethea
Subject: Docket No. 20250052-WS - Application for increase in water and wastewater rates in Brevard, Citrus, Duval, Highlands, Marion, and Volusia Counties by CSWR-Florida Utility Operating Company.
Attachments: CM-1 ERRATA Memo (5.28.26).pdf

Good Afternoon,

On behalf of Zachary Bloom, please find attached the following document filed today (5.28.26) in Docket No. 20250052-WS - Application for increase in water and wastewater rates in Brevard, Citrus, Duval, Highlands, Marion, and Volusia Counties by CSWR-Florida Utility Operating Company.

Staff's Errata-Memo to Curt Mouring's Exhibit CM-1 – withdrawing Audit Finding 2 and Revised Finding 3 of the Audit Report

If you have any questions, you may contact Mr. Bloom at 850-413-6524 or zbloom@psc.state.fl.us.

Thank you,

Danyel Sims
Senior Legal Assistant
Office of the General Counsel
Florida Public Service Commission
(850) 413-6471
DSims@psc.state.fl.us

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: May 28, 2026

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis LMD

RE: Docket No.: 20250052-WS
Company Name: CSWR-Florida Utility Operating Company, LLC
Company Code: WS985
Audit Purpose: A1a: File & Suspend Rate Case
Audit Control No.: 2025-224-1-1

By this memorandum, the Bureau of Auditing withdraws Audit Finding 2 of the audit report filed in Docket 20250052-WS on January 22, 2026. (Document number 00560-2026).

Attached is Revised Finding 3 of the audit report filed in Docket 20250052-WS on January 22, 2026. (Document number 00560-2026).

attachment

Finding 3: Land & Land Rights

Audit Analysis: Audit staff verified the Land balances and observed variances while tracing to MFR Schedule A-5. See the details as below.

- **Aquarina**

Water:

Audit staff verified the Land balance of the Aquarina Potable Water system in the amount of $37,582, but the Utility reflected a Land balance in the amount of $83,093 in its MFRs. Based on the Commission Order No. PSC-2022-0115-PAA-WS, and the supporting documentation, the Land balance of the Aquarina Potable Water system should be decreased by $45,511.

Non-Potable Water:

Audit staff verified the Land balance of the Aquarina Non-Potable Water system in the amount of $24,498, but the Utility reflected a Land balance in the amount of $27,487 in its MFRs. Based on the Commission Order No. PSC-2022-0115-PAA-WS, and the supporting documentation, the Land balance of the Aquarina Non-Potable Water system should be decreased by $2,989.

Wastewater:

Audit staff verified the Land balance of the Aquarina Wastewater system in the amount of $33,680, but the Utility reflected a Land balance in the amount of $67,076 in its MFRs. Based on the Commission Order No. PSC-2022-0115-PAA-WS, and the supporting documentation, the Land balance of the Aquarina Wastewater system should be decreased by $33,396.

- **Sunshine**

Audit staff verified the Land balance of the Sunshine Water system in the amount of $70,777, but the Utility reflected a Land balance in the amount of $475,568 in its MFRs. Based on the Commission Order No. PSC-2012-0357-PAA-WU, and the supporting documentation, the Land balances of the Sunshine Water system should be decreased by $404,791.

- **Sunshine PP QR**

Audit staff verified the Land balance of the Sunshine PP QR Water system in the amount of $10,000, but the Utility reflected a Land balance in the amount of $32,768 in its MFRs. Based on the Commission Order No. PSC-2012-0357-PAA-WU, and the supporting documentation, the Land balances of the Sunshine PP QR Water system should be decreased by $22,768.

- **North Peninsula**

Audit staff verified the Land balance of the North Peninsula Wastewater system in the amount of $46,800, but the Utility reflected a Land balance in the amount of $93,203 in its MFRs. Based on the Commission Order No. PSC-2022-0116-PAA-SU, and the supporting documentation, the Land balance of the North Peninsula Wastewater system should be decreased by $46,403.

- **Neighborhood**

Audit staff verified the Land balance of the Neighborhood Water system in the amount of $1,000, but the Utility reflected a Land balance in the amount of $39,628 in its MFRs. Based on the Commission Order No. PSC-2022-0364-PAA-WU, and the supporting documentation, the Land balance of the Neighborhood Water system should be decreased by $38,628.

- **BFF**

Audit staff verified the Land balance of the BFF Wastewater system in the amount of $1,579, but the Utility reflected a Land balance in the amount of $34,751 in its MFRs. Based on the Commission Order No. PSC-2023-0257-PAA-SU, and the supporting documentation, the Land balance of the BFF Wastewater system should be decreased by $33,172.

- **C.F.A.T. H20**

Water:

Audit staff verified the Land balance of the C.F.A.T. H20 Water system in the amount of $19,500, but the Utility reflected a Land balance in the amount of $54,295 in its MFRs. Based on the Commission Order No. PSC-2023-0266-PAA-WS, and the supporting documentation, the Land balance of the C.F.A.T. H20 Water system should be decreased by $34,795.

Wastewater:

Audit staff verified the Land balance of the C.F.A.T. H20 Wastewater system in the amount of $39,000, but the Utility reflected a Land balance in the amount of $55,948 in its MFRs. Based on the Commission Order No. PSC-2023-0266-PAA-WS, and the supporting documentation, the Land balance of the C.F.A.T. H20 Wastewater system should be decreased by $16,948.

- **Tradewinds**

Water:

Audit staff verified the Land balance of the Tradewinds Water system in the amount of $70,000, but the Utility reflected a Land balance in the amount of $119,988 in its MFRs. Based on the Commission Order No. PSC-2023-0245-PAA-WS, and the supporting documentation, the Land balance of the Tradewinds Water system should be decreased by $49,988.

Wastewater:

Audit staff verified the Land balance of the Tradewinds Wastewater system in the amount of $0, but the Utility reflected a Land balance in the amount of $33,938 in its MFRs. Based on the Commission Order No. PSC-2023-0245-PAA-WS, and the supporting documentation, the Land balance of the Tradewinds Wastewater system should be decreased by $33,938.

- **Tymber Creek**

Water:

Audit staff verified the Land balance of the Tymber Creek Water system in the amount of $1,131, but the Utility reflected a Land balance in the amount of $24,067 in its MFRs. Based on the Commission Order No. PSC-2023-0305-PAA-WS, and the supporting documentation, the Land balance of the Tymber Creek Water system should be decreased by $22,936.

Wastewater:

Audit staff verified the Land balance of the Tymber Creek Wastewater system in the amount of $4,524, but the Utility reflected a Land balance in the amount of $26,794 in its MFRs. Based on the Commission Order No. PSC-2023-0305-PAA-WS, and the supporting documentation, the Land balance of the Tymber Creek Wastewater system should be decreased by $22,270.

- **Sebring Ridge**

Audit staff verified the Land balance of the Sebring Ridge Wastewater system in the amount of $45,716, but the Utility reflected a Land balance in the amount of $103,019 in its MFRs. Based on the Commission Order No. PSC-2023-0216-PAA-SU, and the supporting documentation, the Land balance of the Sebring Ridge Wastewater system should be decreased by $57,303.

- **TKCB**

Audit staff verified the Land balance of the TKCB Wastewater system in the amount of $36,203, but the Utility reflected a Land balance in the amount of $83,755 in its MFRs. Based on the Commission Order No. PSC-2023-0359-PAA-SU, and the supporting documentation, the Land balance of the TKCB Wastewater system should be decreased by $47,552.

- **Rolling Oaks**

Water:

Audit staff verified the Land balance of the Rolling Oaks Water system in the amount of $9,928, but the Utility reflected a Land balance in the amount of $2,443,987 in its MFRs. Based on the supporting documentation, the Land balance of the Rolling Oaks Water system should be decreased by $2,434,059.

Wastewater:

Audit staff verified the Land balance of the Rolling Oaks Wastewater system in the amount of $9,861, but the Utility reflected a Land balance in the amount of $2,694,945 in its MFRs. Based on the supporting documentation, the Land balance of the Rolling Oaks Wastewater system should be decreased by $2,685,084.

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Technical staff should evaluate the adjustments to the Land Balances described above.

EXHIBIT D

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, LLC.	))))	DOCKET NO. 20250052-WS

SUPPLEMENTAL REBUTTAL TESTIMONY OF

BRENT THIES

on behalf of

CSWR-Florida Utility Operating Company, LLC

JUNE 1, 2026

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Brent G. Thies, and my business address is 1630 Des Peres Rd., Suite 140, St. Louis, Missouri 63131.

Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY IN THIS CASE?

A. Yes. I have previously presented direct and rebuttal testimony on behalf of CSWR-Florida Utility Operating Company, LLC. ("CSWR-Florida" or "Company").

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL REBUTTAL TESTIMONY?

A. The purpose of my supplemental rebuttal testimony is to respond to the Revised Audit Report filed by the Public Service Commission Staff ("Staff") on May 28, 2026.

II. TIMING

Q. PLEASE DISCUSS THE TIMING CONCERNS ASSOCIATED WITH STAFF'S REVISED AUDIT REPORT.

A. CSWR-Florida filed its Petition, testimony, and associated minimum filing requirements in this case on May 28, 2025. The Company subsequently submitted additional information to correct deficiencies identified by Staff. Ultimately, the Company's filing was accepted as complete, and the requested rates were suspended by the Commission on August 5, 2025.

On December 16, 2025, the Commission issued its Order Establishing Procedure. That procedural order established a deadline for Staff's testimony and exhibits of March 27, 2026. Beyond that, the procedural order provided a deadline for the filing of the Company's rebuttal testimony of April 17, 2026, and a discovery deadline of May 13, 2026. Thus, Staff's Revised Audit Report was filed: (1) after Staff had approximately 10 months to review the Company's filing, (2) two months after its deadline for filing its testimony, (3) six weeks after the Company's opportunity for rebuttal testimony, and (4) two weeks after the discovery deadline. Given this, absent this supplemental rebuttal testimony, Staff has effectively precluded the Company from any opportunity to respond to the audit findings in the Staff's Revised Audit Report.

III. SCOPE OF STAFF'S REVISED AUDIT REPORT

Q. WHAT CHANGED AS A RESULT OF STAFF'S REVISED AUDIT REPORT?

A. On the cover page of its Revised Audit Report, Staff indicates that it: (1) withdraws Audit Finding 2 contained in its initial audit report filed January 22, 2026, related to plant retirements, and (2) revises Audit Finding 3 contained in that same audit report related to land and land values.

Q. PLEASE EXPLAIN STAFF'S AUDIT FINDING NO. 2.

A. In its initial audit report, Staff reviewed the plant retirements made by the Company at its various systems. In this finding, Staff noted that the Company failed to reduce retirements for the proscribed net salvage value for the various accounts. Given this, Staff recommended a total plant reduction of $65,857. Through the Revised Audit Report, however, Staff now withdraws Audit

Finding 2 related to plant retirements. Staff provides no rationale for its withdrawal of Audit Finding 2.

Q. PLEASE EXPLAIN STAFF'S REVISED AUDIT FINDING NO. 3.

A. Audit Finding No. 3 relates to Land & Land Rights accounts. In the Revised Audit Report, Staff reduces the amounts contained in Account 303 related to several of the Company's water and wastewater systems. Specifically, it appears that Staff reduced its rate base recommended amount to the recorded amount as of the date that the Company acquired the specific system. The net impact of Staff's Revised Audit Finding No. 3 is to reduce the Company's water rate base by $2,944,567 and wastewater rate base by $2,976,066.

System	Type	Initial	Revised	Difference
Aquarina	Potable Water	$83,093	$37,582	$(45,511)
	Non-Potable Water	$27,487	$24,498	$(2,989)
	Wastewater	$67,076	$33,680	$(33,396)
Sunshine	Water	$363,670	$70,777	$(292,893)
Sunshine PP/QR	Water	$32,768	$10,000	$(22,768)
North Peninsula	Wastewater	$93,203	$46,800	$(46,403)
Neighborhood	Water	$39,628	$1,000	$(38,628)
BFF	Wastewater	$34,751	$1,579	$(33,172)
CFAT	Water	$54,295	$19,500	$(34,795)
	Wastewater	$55,948	$39,000	$(16,948)
Tradewinds	Water	$119,988	$70,000	$(49,988)
	Wastewater	$33,938	$0	$(33,938)
Tymber Creek	Water	$24,067	$1,131	$(22,936)
	Wastewater	$26,794	$4,524	$(22,270)
Sebring Ridge	Wastewater	$103,019	$45,716	$(57,303)
TKCB	Wastewater	$83,755	$36,203	$(47,552)
Rolling Oaks	Water	$2,443,987	$9,928	$2,434,059
	Wastewater	$2,694,945	$9,861	$2,685,084
TOTAL	Water	$3,188,983	$244,416	$(2,944,567)
	Wastewater	$3,193,429	$217,363	$(2,976,066)

In its Revised Audit Report, Staff indicated that the Sunshine MFR amount was $475,568. The Sunshine Land and Land Rights Account in the MFR was actually $363,670. Therefore, I have utilized the correct amounts in this table and replaced Staff's erroneous calculation.

IV. COMPANY'S RESPONSE

Q. DO YOU AGREE WITH STAFF'S WITHDRAWAL OF AUDIT FINDING 2?

A. Staff withdrew Audit Finding 2 without any explanation of the underlying rationale. In my rebuttal testimony, I indicated my acceptance of Staff's original Audit Finding 2. Accordingly, since Staff's withdrawal of Audit Finding 2 increases the Company's rate base by $65,857, I am willing to accept the withdrawal of this audit finding.

Q. DO YOU UNDERSTAND THE RATIONALE UNDERLYING STAFF'S REVISED AUDIT FINDING NO. 3?

A. No. Staff failed to provide parties with any testimony or workpapers to explain Revised Audit Finding No. 3 beyond what is simply stated in the Audit Report. Therefore, it is not clear whether Staff conducted an itemized review of the costs booked to Account 303 and made specific cost disallowances or whether Staff simply made a wholesale disallowance of all incremental costs included in that Account since the time the system was acquired.

From the brief description in the Revised Audit Report, it appears that Staff took the latter approach and simply made a comparison of the amount booked by the Company to Account 303 for each system as of the test year and compared that amount to the Commission's land value finding in each system's acquisition docket.

For instance, regarding North Peninsula, Staff's Revised Audit Report states:

> Audit staff verified the Land balance of the North Peninsula Wastewater system in the amount of $46,800, but the Utility reflected a Land balance in the amount of $93,203 in its MFRs. Based on the Commission Order No. PSC-2022-0116-PAA-SU, and the supporting documentation, the Land balance of the North Peninsula Wastewater system should be decreased by $46,403.

The referenced Commission acquisition decision of March 17, 2022, states:

> The Utility's general ledger reflected a land balance of $46,800 as of July 31, 2021. There have been no additions to land since May 30, 2018. Therefore, there will be no adjustments to the Utility's land balance.[1]

It appears that Staff made no review of the specific costs recorded in Account 303 and simply made a wholesale disallowance of any incremental costs that were booked to the Account since the Commission's order over four years ago.

Q. DO YOU AGREE WITH STAFF'S REVISED AUDIT FINDING NO. 3?

A. No. Staff's revised audit finding seems to be based upon the incorrect premise that the balance in the land and land rights account should be a static figure. It appears Staff believes that the land and land rights balance should be the same in this rate case as it was on the seller's books at the time of the original acquisition docket for that system.

The Uniform System of Accounts, however, does not limit the account solely to the initial value of the land, nor does it preclude the booking of additional costs after a certain date. Rather, Account 303 provides for the

[1] *Order No. PSC-2022-0116-PAA-SU*, issued March 17, 2022, at page 6.

<u>continued</u> recording of costs related to surveys, closing costs, title costs, easements, and other land rights.

> This account shall include the cost of land and land rights used in connection with source of supply, pumping, water treatment plant, transmission and distribution, and general plant accounts (See Accounting Instruction 24). A sample of items to be included in this account are listed below:
>
> 11. Surveys in connection with the acquisition, but not amounts paid for topographical surveys and maps where such costs are attributable to structures or plant equipment erected or to be erected or installed on such land.
> 12. Taxes assumed, accrued to date of transfer or title.
> 13. Title, examining, clearing, insuring and registering in connection with the acquisition and defending against claims related to the period prior to the acquisition.
> 14. Appraisals prior to closing title.

Moreover, Accounting Instruction 24, expressly referenced within Account 303 provides for the recording of the cost of easements to Account 303. "The accounts for land and land rights include the cost of land owned in fee by the utility and rights, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights or way, and other like interests in land." Similar accounting instructions and definitions are included in the NARUC Uniform System of Accounts for Sewer related to account 353. Thus, the Uniform System of Accounts clearly contemplates that additional entries can and should be made to these accounts as additional costs are incurred.

Q. WHAT COSTS DID CSWR-FLORIDA BOOK TO ACCOUNT 303 (LAND AND LAND RIGHTS) THAT CAUSED THE AMOUNT IN THESE ACCOUNTS TO INCREASE?

A. Consistent with the Uniform System of Accounts, CSWR-Florida has properly booked the costs of easements, land rights, surveys, appraisals, and closing costs. This causes, contrary to Staff's misplaced assumption, the value in Account 303 to increase.

Q. CAN YOU PROVIDE A SPECIFIC EXAMPLE OF THE COSTS DISALLOWED BY STAFF IN ACCOUNT 303?

A. Yes. While Staff did not provide workpapers supporting its Revised Audit Finding No. 3, the Company believes that it can exactly identify the nature of the disallowed costs for many systems. For example, in its Revised Audit Report, Staff made the following finding with regards to Sebring Ridge:

> Audit staff verified the Land balance of the Sebring Ridge Wastewater system in the amount of $45,716, but the Utility reflected a Land balance in the amount of $103,019 in its MFRs. Based on the Commission Order No. PSC-2023-0216-PAA-SU, and the supporting documentation, the Land balance of the Sebring Ridge Wastewater system should be decreased by $57,303.

I confirmed that the referenced Commission Order finds "a total land balance of $45,716 ***<u>as of August 31, 2022</u>***."[2] Since that date, however, the Company has booked an additional $57,303.31 of costs to Account 303 for Sebring Ridge.

On August 29, 2023, the Company booked $14,104.12 of closing costs:

Closing fee to Trow & Dobbins	$7,250.00
Title Insurance	$5,120.00
Municipal Lien Search	$134.00
Recording Fees – Deed of Easement	$52.50
Recording Fees – General Assignment	$52.50
Recording Fees – Affidavit re: Exception #9	$52.50
Deed State Tax / Stamps	$1,750.00
Overnight Fees to Trow & Dobbins	$96.37

[2] Order No. PSC-2021-0216-PAA-SU, issued July 27, 2023, at page 6 (emphasis added).

Certificate of Good Standing	$13.75
Prepayment of Title Search	$(375.00)
Total Closing Costs:	$14,104.12

Subsequently, the Company booked an additional $43,199.19 of easement, survey, mapping, and title costs.

Easement & Access	$2,940.00
Easement & Access Legal Work	$1,006.80
GIS Mapping	$1,638.75
Survey	$31,947.34
Title Work	$5,666.30
Total Easement / Survey / GIS Costs:	$43,199.19

Q. WERE THESE COSTS RELATED TO SEBRING RIDGE PROPERLY BOOKED TO ACCOUNT 303?

A. Yes. Account 303 allows for the continued recording of costs to this Account and provides a "sample of items to be included in this account" including:

5. Conveyancers' and other notaries' fees
6. Fees, commissions, and salaries to brokers, agents, and others in connection with the acquisition of the land or land rights.
11. Surveys in connection with the acquisition. . .
13. Title, examining, clearing, insuring and registering in connection with the acquisition. . .
16. Filing satisfaction of mortgage
17. Documentary stamps

Thus, it appears that, Staff has disallowed all these closing, easement, survey, and title costs that were properly recorded pursuant to the unambiguous directions of Account 303.

Q. PLEASE EXPLAIN WHY THESE DISALLOWED COSTS ARE NECESSARY TO THE PROVISION OF WATER AND WASTEWATER SERVICE AND BENEFICIAL TO CUSTOMERS.

A. A prime example of the need to incur costs that are subsequently booked to Account 353 occurred at Tymber Creek.[3] There, after the closing of the acquisition, and given the uncertainty of the seller's asset records, CSWR-Florida incurred costs related to a survey. As a result of that survey, the Company was able to identify a lift station that, while tied the Tymber Creek wastewater system, was not owned by the utility. Instead, the lift station, connected to a swimming pool and other community assets, was owned by the Homeowners' Association. Given the condition of the lift station, the Homeowners' Association insisted that it was owned by the utility. As a result of the survey, however, CSWR-Florida was able to determine that the lift station was not an acquired asset. Given this, the Company was able to avoid the capital and operating costs associated with this third-party lift station. Clearly then, as a result of this post-acquisition cost, that was recorded in Account 303, the Company was able to minimize costs to all Florida ratepayers.

Q. ARE THE COSTS DISALLOWED BY STAFF IN REVISED AUDIT FINDING NO. 3 MATERIAL AND SIGNIFICANT?

A. Yes. As reflected in the table shown earlier in my testimony, Staff proposes to disallow approximately $6.38 million of rate base through its Land and Land Rights disallowance. This has a significant impact on the Company's proposed revenue requirement. Specifically, Staff's misplaced adjustment would reduce

[3] As mentioned, Account 353 is wastewater account for land and land rights, and is therefore the analog to Account 303 which is applicable to water utilities.

the Company's proposed water revenue requirement by $327,552 (5.91%) and wastewater revenue requirement by $331,056 (10.21%).

Q. HAS CSWR PREVIOUSLY ENCOUNTERED THIS ISSUE IN ANOTHER JURISDICTION?

A. Yes. In a recent Tennessee rate case, the Consumer Advocate Division of the Tennessee Attorney General suggested, as Staff has here, that the amount of costs booked to Account 303 had improperly increased beyond that previously reported. Without attempting to understand the nature of the increase in this account, the Consumer Advocate wrongly suggested that the increased amount was effectively "an acquisition adjustment" and recommended a disallowance of the increased amount. The Tennessee Commission explained the Consumer Advocate's proposed adjustment as follows:

> The Consumer Advocate disagreed with the Company's valuation of the water-related portion of UPIS that specifically pertained to land and land rights. Mr. Kaml asserted that Limestone's proposed values in this account are higher than those reported in other sources and cited two reasons for disallowing the values that Limestone used. First, he stated that a fundamental premise of the rate base rate of return methodology is the use of original (historical) cost, limiting rate base to the cost of acquiring assets less depreciation, rather than current market value or replacement cost. Mr. Kaml emphasized that this method is straightforward and transparent, ensuring that customers pay for costs incurred by a service provider only once and in the amount of the actual costs.
>
> Second, Mr. Kaml stated that the Company did not provide any information suggesting alternative uses for its land other than operating the utility and argued that, in the absence of an alternative use, there is no basis for increasing its land values above their acquired book values. Mr. Kaml states that the Company's entries to increase its land values represent "a writeup without any actual capital investment, in which case there should not be an increase in value." Consequently, Mr. Kaml

> recommended lowering the Company's water-related land and land rights account valuation, resulting in a recommended $1,555,361 adjusted gross UPIS.[4]

As here, the Company informed the Commission that the increased amounts in Account 303 represented "costs for surveys, easements, and other land rights."[5]

> Mr. Thies noted that the valuation of the Company's land and land rights account does not remain static, and that the USOA specifically allows recording of various costs to land accounts, such as those associated with surveys, titles, easements, and other land rights, to USOA water account 303, Land and Land Rights. Mr. Thies explained that the Company has recorded legitimate transactions expressly provided for by USOA instructions and concluded by attesting that any resulting increases are not inappropriate, as suggested by the Consumer Advocate.[6]

The Tennessee Commission reviewed the increased costs in this Account and found that they include "expenses for closing, titling, property appraisals, engineering surveys, mapping/drafting reports, and easements."[7] Ultimately, the Commission treated these as transaction costs related to the acquisition of the utility and allowed recovery as they "will result in substantial benefits to customers."[8]

Q. ARE THERE POLICY CONCERNS IMPLICATED BY STAFF'S WHOLESALE DISALLOWANCE OF COSTS BOOKED TO ACCOUNT 303?

A. Absolutely. As Mr. Freeman discusses, the systems acquired by CSWR-Florida were all in various states of disrepair and most displayed a chronic history of

[4] *Order Setting Utility Rates*, Docket No. 24-00044, issued July 10, 2025, at page 44.
[5] *Id.*, page 45.
[6] *Id.*
[7] *Id.*
[8] *Id.*, pages 45-46 and 50.

non-compliance with environmental regulations. Many states are issuing policy statements designed to encourage the acquisition of these distressed systems by well-capitalized private entities that can devote technical, financial, and managerial expertise and resources to these distressed systems. In fact, in recent years, the Florida Commission has issued rules providing for: (1) the recovering of acquisition adjustments associated with the acquisition of non-viable utilities (25-30.0371 F.A.C. – effective June 17, 2024) and (2) the establishment of rate base value utilizing appraisal valuations (25-30.0372 F.A.C. – effective May 15, 2024).

While the Commission is taking steps designed to incentivize the acquisition of non-viable systems, Staff's position would appear to undermine these policy goals by disallowing the costs necessary to acquire those distressed systems. Therefore, this adjustment would appear to discourage the acquisition of the distressed systems.

V. RECOMMENDATION

Q. WHAT IS YOUR RECOMMENDATION?

A. The amount in Account 303 for Land and Land Values is not a static amount. Rather, Instruction 24 to the Uniform Systems of Accounts specifically contemplates the booking of costs associated with the acquisition of easements, rights of way, and other like interests in lands. Beyond this, the description of Account 303 also recognize the appropriateness of costs associated with surveys, appraisals, and closing costs.

By relying on amounts booked to that account at the time of a system's acquisition by CSWR-Florida and not recognizing that the balance in this account can change over time, Staff has inappropriately disallowed a vast amount of costs that were necessary in the provision of safe and adequate service. For this reason, I recommend that the Commission reject Staff's Revised Audit Finding No. 3.

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL REBUTTAL TESTIMONY?

A. Yes.