FILED 10/29/2026
DOCUMENT NO. 07607-2026
FPSC - COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for an acquisition adjustment for the non-viable utility Aquarina Utilities, Inc., by CSWR-Florida Utility Operating Company, LLC.	DOCKET NO. 20250043-WS ORDER NO. PSC-2026-0393-PAA-WS ISSUED: October 29, 2026

The following Commissioners participated in the disposition of this matter:

GABRIELLA PASSIDOMO SMITH, Chairman
GARY F. CLARK
MIKE LA ROSA
BOBBY PAYNE
ANA ORTEGA

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING PETITION FOR AN ACQUISITION ADJUSTMENT FOR THE NON-VIABLE UTILITY AQUARINA UTILITIES, INC. BY CSWR-FLORIDA UTILITY OPERATING COMPANY, LLC.

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

Aquarina Utilities, Inc. (Aquarina) is a water and wastewater utility operating in Brevard County, serving approximately 442 water and 346 wastewater customers as of year-end 2024. We approved the transfer of Aquarina to CSWR-Florida Utility Operating Company (CSWR-Florida or Utility) in 2022 by Order No. PSC-2022-0115-PAA-WS.[1] As part of the transfer proceeding, we determined that Aquarina's net book value (NBV) at the time of acquisition was $624,513, with a purchase price of $2,500,000. As part of the transfer docket, CSWR-Florida requested that we approve a positive acquisition adjustment under Rule 25-30.0371, F.A.C.

[1] Order No. PSC-2022-0115-PAA-WS, issued on 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.*

There is no specific statutory provision addressing acquisition adjustments in Chapter 367, Florida Statutes (F.S.). The criteria of the rule must be read in conjunction with the statutes it implements, to prescribe fair and reasonable rates and charges under Section 367.121(1)(a), F.S., and to fix rates that are just, reasonable, compensatory, and not unfairly discriminatory under Section 367.081, F.S.

Pursuant to the rule, a positive acquisition adjustment may occur when the purchase price of a utility is greater than the NBV of the acquired utility's assets. If approved, a positive acquisition adjustment increases rate base. The rule in effect at the time of the Aquarina transfer proceeding required a showing of extraordinary circumstances to be entitled to a positive acquisition adjustment, with utilities requesting the acquisition adjustment at the time of transfer. In determining whether extraordinary circumstances have been demonstrated, the rule provided that we consider evidence 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. We denied CSWR-Florida's request for a positive acquisition adjustment, as the Utility did not demonstrate extraordinary circumstances.

Rule 25-30.0371, F.A.C., was amended on June 17, 2024. The amended version of the rule allows utilities to seek approval of the acquisition adjustment either at the time of transfer or within three years of our order approving the transfer. The amendments to the rule provide greater regulatory certainty and clarity to the acquisition adjustment process, including establishing separate regulatory pathways for utilities to seek approval of a positive acquisition adjustment that are dependent upon the condition of the utility to be acquired. Regulatory requirements for a "non-viable" utility reflect the traditional purpose of the rule, to incentivize the acquisition of "troubled systems" that are in financial distress or unable to provide safe service. In addition, the amended rule provides a pathway for a positive acquisition adjustment if a utility seeks to acquire a "viable" system that is otherwise providing safe service and is in a financially healthy position if the acquisition results in net economic and quality of service benefits to customers. In either case, we may allow a full or partial positive acquisition adjustment upon an adequate demonstration by the utility that its request meets the criteria of the rule.

On March 14, 2025, CSWR-Florida petitioned for a positive acquisition adjustment for acquisition of a non-viable system under the amended rule, requesting an acquisition adjustment of $1,875,487.[2] On April 17, 2025, the Office of Public Counsel (OPC) filed a Motion to Dismiss CSWR-Florida's acquisition adjustment petition, arguing that the doctrine of administrative finality precludes CSWR-Florida from obtaining a positive acquisition adjustment as the Utility was previously denied a positive acquisition adjustment by us at the time Aquarina

[2] Document No. 01788-2025.

was transferred to CSWR-Florida.[3] We denied OPC's motion on June 25, 2025, by Order No. PSC-2025-0250-PCO-WS.[4]

This order addresses CSWR-Florida's request for a positive acquisition adjustment with respect to its acquisition of the Aquarina system. The discussion regarding projects completed and proposed by CSWR-Florida are for the purposes of illustrating the severity of the plant's condition and is not intended to prejudge the prudence or appropriateness for cost recovery of those items. We have jurisdiction over this matter pursuant to Sections 367.071, 367.081, and 367.121, F.S.

Decision

In evaluating a utility's request for a positive acquisition adjustment involving a non-viable utility, Rule 25-30.0371, F.A.C., requires us to make several determinations. First, we must determine whether the acquired utility qualifies as non-viable under the rule's definition.[5] Second, we examine whether the acquisition of the utility resulted from an arm's-length transaction.[6] Third, we assess whether customers will benefit from anticipated improvements in quality of service resulting from the acquisition.[7] If we find that the acquired utility is non-viable, that the acquisition resulted from an arm's-length transaction, and that customers will benefit from anticipated improvements in quality of service, we may then determine what amount, if any, of the requested acquisition adjustment shall be approved.[8] We will also determine the period over which any approved acquisition adjustment shall be amortized.[9]

I. Non-Viability

A utility that acquires a non-viable utility may petition us for a positive acquisition adjustment pursuant to Rule 25-30.0371(3), F.A.C. Rule 25-30.0371(1)(e), F.A.C., provides the definition of a non-viable utility for the purposes of an acquisition adjustment. Under the rule, a utility is considered non-viable if it falls within either of two specified categories.

First, a utility is considered non-viable when it is "unable to provide and maintain safe, adequate, and reliable service and facilities to its customers over the 5-year period following the date of acquisition."[10] The rule further sets forth the criteria used to determine whether a utility

[3] Document No. 02955-2025.
[4] Order No. PSC-2025-0250-PCO-WS, issued on June 25, 2025, in Docket No. 20250043-WS, *In re: Petition for an acquisition adjustment for the non-viable utility Aquarina Utilities, Inc., by CSWR-Florida Utility Operating Company, LLC.*
[5] Rule 25-30.0371(1)(e)1., F.A.C.
[6] Rule 25-30.0371(3)(a), F.A.C.
[7] *Id*.
[8] Rule 25-30.0371(3), F.A.C.
[9] Rule 25-30.0371(5), F.A.C.
[10] Rule 25-30.0371(1)(e)(1), F.A.C. It is important to note that a plain reading of the rule directs decision makers to consider only the 5-year period following an acquisition adjustment when evaluating whether a utility can provide safe, adequate, and reliable service. A more reasonable interpretation of the rule would require a comparison of the conditions existing prior to acquisition with the improvements achieved after acquisition in assessing non-viability.

has failed to maintain safe, adequate, and reliable services and facilities. These criteria are as follows:

a. Failure to comply with or history of enforcement or compliance actions by federal, state, or local regulatory agencies based on violations of primary or exceedance of secondary water quality standards or other health, safety, and environmental standards; and

b. Insufficient investment, repair, maintenance of assets or an inability to acquire and maintain adequate managerial, operational, financial, or technical capabilities to ensure safe and reliable service to its customers.[11]

Second, a utility is considered non-viable if it is insolvent, meaning the utility cannot pay its debts.[12] A utility qualifies as non-viable if it falls within either of the two categories described in the rule.

If we find that a utility does not fall under the definition of non-viable, the utility is ineligible for an acquisition adjustment under Rule 25-30.0371(3), F.A.C. This determination would not automatically entitle a utility to a positive acquisition adjustment for viable utilities as set out under Rule 25-30.0371(4), F.A.C. The utility would still need to meet certain different criteria set out in subsection (4) of the rule.[13]

A. Maintenance of Safe, Adequate, and Reliable Services

Pursuant to Rule 25-30.0371(3)(b)8., F.A.C., CSWR-Florida submitted any notices of violation, consent decrees or other regulatory actions issued by a federal, state, regional, or local agency regarding the provision of Aquarina's water and wastewater service for the 5 years prior to the date of acquisition. Our staff reviewed this information along with Florida Department of Environmental Protection (DEP) records and our prior orders.

On December 29, 2016, in Aquarina's last staff-assisted rate case, prior to its acquisition by CSWR-Florida, we determined that Aquarina's quality of service was marginal based on the following issues: fire flow (including no or low water pressure for fire suppression, and irrigation use disrupting water availability for fire suppression); water leaks; untimely repairs; debris in the line after repair; failure to issue boil water notices; failure to follow appropriate safety procedures after repairs; missing utility equipment; operation of the plant by a non-licensed operator; appropriate cost allocation of salaries, equipment, and machinery among owners' entities; communications with customers; and maintenance of complaint logs.[14] We further ordered a management audit to be completed, which identified deficiencies in management

[11] *Id*.
[12] Rule 25-30.0371(1)(e)(2), F.A.C.
[13] *See* Rule 25-30.0371(4), F.A.C.
[14] Order No. PSC-2016-0583-PAA-WS, issued December 29, 2016, in Docket No. 20150010-WS, *In re: Application for staff-assisted rate case in Brevard County by Aquarina Utilities, Inc*. The system condition and compliance with DEP standards were not individually addressed.

oversight, customer communications, maintenance planning, recordkeeping, and regulatory compliance processes and recommended the Utility to implement more formalized management practices to mitigate these issues.[15]

From 2017 through 2022, prior to CSWR-Florida's acquisition of Aquarina on May 16, 2022, the system was subject to several compliance-related issues with DEP. For the water system, these issues included deficiencies in the system's cross-connection control plan, a missing power-failure alarm, missed monthly bacteriological sampling, and failure to monitor for lead and copper. For the wastewater system, these issues included failure to annually verify chlorine monitoring equipment, use of expired pH calibration solution, transcription errors in Discharge Monitoring Reports, overdue flow meter calibration, and failure to timely report a Total Suspended Solids exceedance. A more detailed description is provided in Attachment A, which is incorporated and attached to this order.[16]

Based on the above, the primary compliance issues affecting Aquarina were aging infrastructure and deferred maintenance. Following CSWR-Florida's acquisition, between July 2022 and November 2025, Aquarina's water system experienced compliance issues with DEP related to late sampling reporting, failure to monitor for lead and copper, secondary odor threshold exceedances, and multiple max day capacity exceedances. In March 2025, Aquarina's wastewater system was issued a warning letter for effluent exceedances. In May 2025, a DEP short form Consent Order was executed for both Aquarina's water and wastewater systems due to the following: (1) failure to distribute public education following a lead action level exceedance in September 2024; (2) failure to collect two sets of water quality parameter samples and timely submit them to DEP; and (3) failure to meet permit limits for Total Nitrogen at the wastewater facility.[17] Each of these issues has been resolved, and Aquarina's water and wastewater systems are now in compliance with DEP.[18]

Aquarina has experienced compliance issues both before and after acquisition. We find that these violations demonstrate a level of regulatory non-compliance such that the Utility was not providing safe and reliable service, and it lacked the ability to achieve and maintain compliance. Specifically, Aquarina's history of inadequate fire flow, deferred maintenance, unlicensed operations, failures to issue boil water notices, and tank leaks supports our finding that Aquarina is a non-viable utility.

Based on Aquarina's inability to maintain safe, adequate, and reliable services, we find that Aquarina shall be considered a non-viable utility.

B. Insolvency

While Aquarina has reported having a negative net income in prior years, there is no evidence that the utility has been insolvent. Specifically, no evidence indicates that Aquarina has

[15] Document No. 04181-2019.
[16] Document No. 01788-2025, Exhibits 3-7.
[17] Document No. 01474-2026.
[18] Document No. 02982-2026.

been unable to meet its debt obligations or otherwise satisfy its financial liabilities as they become due. Accordingly, we find that Aquarina does not meet the non-viability criterion based on insolvency.

C. Conclusion

We find that Aquarina meets the criteria of non-viability set forth in Rule 25-30.0371(1)(e)1., F.A.C., for a utility that has failed to maintain safe, adequate, and reliable service and facilities. Specifically, Aquarina has been the subject of enforcement and compliance actions by DEP arising from its historical noncompliance with health, safety, and environmental standards. It has also historically failed to adequately invest, repair, and maintain its facilities, and additionally has lacked adequate managerial and operational capabilities. Therefore, we find that Aquarina meets the definition of a non-viable utility under Rule 25-30.0371, F.A.C.

II. Arms-length transaction

Rule 25-30.0371(3)(a), F.A.C., indicates, amongst other criteria, that we may allow a positive acquisition adjustment if the acquisition is part of an "arms-length transaction." While the rule does not specifically define an arms-length transaction, we find in simple terms it can be defined as a transaction where the buyer and seller act independently and have no pre-existing relationship, with each party acting in their own self-interest to reach a mutually agreed upon price. Typically, for a transaction to be considered arms length, buyers and sellers act independently to attain the most beneficial outcome for themselves; buyers negotiate to pay the lowest possible price, while sellers attempt to achieve the highest possible price.

In its petition, CSWR-Florida asserts that the acquisition of the Aquarina water and wastewater system satisfies the requirements of an arms-length transaction. The Utility states that the purchase price and terms of sale were determined through negotiations between representatives of CSWR-Florida and Aquarina. CSWR-Florida further claims that there was no prior relationship or influence between it and the seller. The parties entered into a purchase and sale agreement, dated January 18, 2021, which includes a purchase price of $2,500,000 for all assets used by the seller to provide water and wastewater service to customers in Brevard County. The transaction closed in May 2022.[19]

Upon review of the filing, we find that the Utility has filed the required documentation under Rule 25-30.0371(3)(a), F.A.C., including the contract of sale and a calculation of the NBV of the acquired utility. As indicated above, the transaction involves two distinct corporate entities - CSWR-Florida and Aquarina - with no documented shared board members or parent company. Therefore, we find the acquisition is an arms-length transaction as required by Rule 25-30.0371(3)(a), F.A.C.

[19] Document No. 01788-2025, page 3.

We note however that this is not a "check the box" rule. We have discretion to weigh the evidence on the arms-length transaction requirement. We also have discretion to infuse our policy on this matter if it is unclear from the record whether a utility acted fairly to the customers by paying a price that appears to be higher than necessary in lieu of performing more due diligence to evaluate an actual fair market value. By establishing a purchase price based on the anticipation of consumer-funded recovery, the transaction may not wholly be at arms-length because both buyer and seller have an impetus to seek a higher than necessary sale price. The price paid may be inflated by a perception or expectation of a guaranteed regulatory recovery upon our approving the full acquisition adjustment. This interaction creates a concept referred to as regulatory circularity, or more precisely, purchase-price/rate-base circularity. This form of regulatory circularity occurs when the purchase price of a regulated asset or utility is used to establish the rate base, while the regulated revenues generated from that rate base are themselves an important determinant of the asset's economic value and hence of the purchase price. In this scenario, a utility's market value depends on its potential earnings, and its earnings are decided by the rates the regulator allows. Including a potentially higher-than-necessary acquisition adjustment in the rate base to establish consumer rates has the potential to create a flawed, self-justifying loop; because here, the price premium is fundamentally detached from the NBV of the assets.

In this case, the Utility obtained an Asset Valuation Report dated December 24, 2021, that estimated the original installation cost of the water system and wastewater system assets at $3,034,683 and $1,069,743, respectively. The report also estimated a hypothetical installation cost in 2021 of $8,057,837 for the water system, and $3,468,100 for the wastewater system. The estimated depreciated book value in the report for both water and wastewater system assets was $1,289,765.[20] CSWR-Florida also obtained an engineering evaluation conducted by Woodard & Curran, dated July 2021, to assess the condition of the wastewater treatment plant and recommendations for repair or improvements.[21]

In response to Staff's First Data Request, No. 1, CSWR-Florida explained it evaluates potential utility acquisitions by conducting site visits to assess the system's condition, in addition to reviewing our annual reports and other publicly available information from health and environmental regulators. Purchase prices are negotiated at arm's length, with CSWR-Florida seeking the lowest price acceptable to the seller. CSWR-Florida stated that utility owners generally have financial incentives to retain their systems, making sales at NBV uncommon except in extraordinary circumstances. The Utility's Florida acquisitions have therefore been completed at prices above NBV. The company also asserted that NBV can significantly understate a small utility's actual economic value because regulatory practices may discourage adequate capitalization of infrastructure investments. As a result, CSWR-Florida does not rely on NBV alone when determining acquisition prices. Instead, it considers the system's physical condition, operational risks, required capital investments, and negotiated market value. A final purchase price is determined through arms-length negotiations between the parties, with CSWR-Florida's ultimate objective being to pay the least amount that a utility/seller will accept. CSWR-

[20] Document No. 01162-2026, page 14.
[21] *Id.*

Florida undertook no additional due diligence to determine the fair market value of the acquired utility.[22]

CSWR-Florida requested approval of a positive acquisition adjustment of $1,875,487 to recover the premium it paid to purchase the assets of Aquarina.[23] The price premium will be included in Aquarina's rate base and ultimately increase the rates paid by customers. The bill impact associated with the Utility's request when formulated through the latest assumed customer and cost data filed in the docket and amortized over 30 years is $0.79 per water customer and $0.79 per wastewater customer per month consolidated with the other systems owned by CSWR-Florida.[24]

Upon review of the filing, we find that the Utility has filed the required documentation under Rule 25-30.0371(3)(a), F.A.C., including the contract of sale and a calculation of the NBV of the acquired utility. As indicated above, the transaction involves two distinct corporate entities - CSWR-Florida and Aquarina - with no documented shared board members or parent company. The Utility has also provided an explanation in support of its requested positive acquisition adjustment amount of $1,875,487 above book value. Therefore, we find the acquisition is an arms-length transaction as required by Rule 25-30.0371(3)(a), F.A.C.

III. Customer Benefits

Pursuant to Rule 25-30.0371(3)(a), F.A.C., in determining whether an acquisition benefits the acquired utility's customers, we shall consider (1) anticipated improvements in service quality; (2) anticipated improvements in water or wastewater regulatory compliance; (3) impacts on the cost of service over the 5 year period following acquisition; (4) potential cost efficiencies, including economies of scale; (5) the ability to attract capital at a reasonable cost; and (6) the acquiring utility's professional and experienced managerial, financial, technical, and operational resources.

A. Quality of Service

Rule 25-30.0371(3)(a)1., F.A.C., requires that in determining the appropriateness of a positive acquisition adjustment for a non-viable utility, we will consider if the acquired utility's customers will benefit from anticipated improvements in quality of service as a result of the acquisition. A utility's quality of service considers the quality of its product (water) and its attempt to address customer satisfaction (water and wastewater), pursuant to Rule 25-30.433(1), F.A.C.

A review of Aquarina's historical chemical analyses, both before and after the acquisition (2020 through 2026), indicated that the system was in compliance with DEP's primary and secondary standards in all years except 2024. Primary standards protect public health while

[22] *Id.*
[23] Document No. 01788-2025, page 3.
[24] Document No. 03772-2026 and our staff's calculations.

secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. Aquarina's overall regulatory compliance is discussed in greater detail below.

Pursuant to Rule 25-30.0371(3)(b)10., F.A.C., CSWR-Florida listed the actual and expected improvements in the quality of service provided to Aquarina's customers as a result of the acquisition.[25] These improvements are described below.

1. Infrastructure upgrades and preventative maintenance program investments to reduce the risk of system failures, and ensure a safe and reliable water and wastewater system, while minimizing disruptions and protecting the public's health and environment.

2. Having appropriate staffing levels by qualified operations and maintenance (O&M) personnel that will make a minimum of three weekly site visits, perform weekly inspections of the facilities, complete all routinely scheduled work orders, prepare and file necessary regulatory reports, and ensure personnel are on call for emergencies.

3. Computerized work order-based maintenance management system that uses GPS and radio frequency identification technology to provide faster work order processing by O&M personnel.

4. Remote system monitoring implementation allowing operators to identify and remedy system malfunctions before they affect customer service.

5. Environmental Management Information System implementation providing improved real-time regulatory and permit compliance information, helping to ensure the system complies with applicable laws and permit limits.

6. Multiple modes of communication, such as periodic letters, postcards, Quick Response (QR) codes on bills, and a Florida-specific website to improve information delivery to customers regarding system operations and planned and completed system improvements.

7. Third-party call center that provides around-the-clock access for customers.

8. Cloud-based customer information and billing system which provides customers with electronic access to usage, billing, and payment information, as well as work-order management.

[25] Document No. 01788-2025.

9. Customer service response monitoring system that tracks customer service metrics, such as speed of answer, dropped calls, and call length, which allows CSWR-Florida to remedy issues quickly and improve quality of service. This system also offers a voluntary survey to customers who call to gauge their satisfaction.[26]

Additionally, our staff reviewed the complaints received by DEP and our Consumer Activity Tracking System from January 2020 through February 2026.[27] This includes complaints filed prior to CSWR-Florida's acquisition on May 16, 2022. Under the prior owner, DEP received no complaints, and we received two water pressure complaints in 2021. While under CSWR-Florida's ownership, DEP received one boil water notice complaint in 2023, and we received one quality of service complaint in 2023, one improper billing complaint in 2024, and one incorrect billing complaint in 2025.

Our staff also analyzed the complaints received by CSWR-Florida from July 2022 to June 2026; however, complaints filed with the Utility prior to acquisition are unavailable. Table 1 shows the total number of complaints by category that CSWR-Florida reported.[28] For reference, Aquarina serves approximately 788 customers.

Table 1
Number of Utility Post-Acquisition Complaints by Category

Year	Billing	Customer Service	Wastewater Odor/Quality Issues	Water Product Quality	Service Interruptions	Total
2022	20	1	-	-	5	**26**
2023	27	3	-	-	26	**56**
2024	40	7	1	4	11	**63**
2025	22	3	1	4	65	**95**
2026	3	3	2	1	38	**47**
Total	**112**	**17**	**4**	**9**	**145**	**287**

Source: Document No. 05207-2026.

The complaints range from billing/payment disputes to having no water to general inquiries. Based on the provided complaint log,[29] CSWR-Florida has been responsive to these customer complaints.[30] In order to resolve the complaints, the Utility: (1) assisted customers with payment methodologies and provided payment plans; (2) restored service, repaired lines, and corrected the water pressure; and (3) answered questions about billing and boil water notices.

[26] *See id*.
[27] Document No. 01474-2026.
[28] In response to Staff's Tenth Data Request, CSWR-Florida explained that it does not separately track information requests and complaints; therefore, the figures in Table 1 may overstate the actual number of customer complaints.
[29] For each customer contact, the complaint log provided by CSWR-Florida identified the customer's name and account number, the date and time the customer contact was received and resolved, the applicable system, the category of the contact, and a description of the contact and its resolution.
[30] CSWR-Florida's response to Staff's Third Set of Interrogatories, No. 85 in Docket No. 20250052-WS.

The identified customer concerns should be further mitigated by the distribution line repair and remote monitoring projects, which will be discussed further below. In addition, it appears that CSWR-Florida has been responsive to billing/payment disputes as they arise. CSWR-Florida identified improvements such as a third-party call center and cloud-based billing system aimed at improving the customer's experience.

Based on the above, we find that Aquarina's customers will benefit from the acquisition through anticipated improvements in quality of service. CSWR-Florida has identified and, in some cases, already implemented the above improvements aimed at system reliability, regulatory compliance, responsiveness, and overall customer experience. We find these improvements will enhance the quality of service provided to Aquarina's customers.

B. Regulatory Compliance

Rule 25-30.0371(3)(a)2., F.A.C., requires that in determining the appropriateness of a positive acquisition adjustment for a non-viable utility, we will consider if the acquired utility's customers will benefit from anticipated improvements in regulatory compliance as a result of the acquisition. Pursuant to Rule 25-30.433(2), F.A.C., in determining a utility's regulatory compliance, we will consider whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. Rule 25-30.225(2), F.A.C., requires each water and wastewater utility to maintain and operate its plant and facilities by employing qualified operators in accordance with the rules of DEP. To determine whether Aquarina's customers will benefit from anticipated improvements in regulatory compliance, as a result of CSWR-Florida's acquisition, staff reviewed Aquarina's compliance history for the 5 years preceding the date of the acquisition, as well as its compliance history post-acquisition.

As discussed above in Part I of this order, CSWR-Florida submitted any notices of violation, consent decrees or other regulatory actions issued during the 5 years prior to the date of acquisition, pursuant to Rule 25-30.0371(3)(b)8., F.A.C., which our staff reviewed along with DEP records and our prior orders. Our analysis considers the pre-acquisition compliance history, as detailed in Attachment A, as well as our determination regarding Aquarina's compliance in its last rate case prior to CSWR-Florida's acquisition, the system's compliance following the Utility's acquisition, and any improvements that the Utility identified pursuant to Rule 25-30.0371(3)(b)10., F.A.C., that may improve compliance with environmental regulations.

Prior to acquisition, Aquarina had water and wastewater operational and compliance issues, as disscussed above in Part I of this order. In the order issued on December 29, 2016, in Aquarina's last staff-assisted rate case before the system was acquired by CSWR-Florida, we determined that Aquarina's quality of service was marginal based on issues involving fire flow and water pressure, leaks and repairs, boil water notices and post-repair safety procedures, utility equipment, operator licensing, customer communications, complaint logs, and cost allocation.[31] We also ordered a management audit, which identified deficiencies in management oversight,

[31] Order No. PSC-2016-0583-PAA-WS, issued December 29, 2016, in Docket No. 20150010-WS, *In re: Application for staff-assisted rate case in Brevard County by Aquarina Utilities, Inc*. The system condition and compliance with DEP standards were not individually addressed.

customer communications, maintenance planning, recordkeeping, and regulatory compliance processes.[32] From 2017 through 2022, Aquarina had additional compliance-related issues with DEP involving water system monitoring and reporting, cross-connection control, and required power-failure alarms, as well as wastewater monitoring, calibration, and reporting.[33] Following CSWR-Florida's acquisition on May 16, 2022, Aquarina's water and wastewater systems experienced additional DEP compliance issues involving monitoring and reporting, water quality, capacity, odors, and wastewater effluent limits. In May 2025, DEP executed a short form Consent Order addressing these violations.[34] These compliance issues have been resolved, and Aquarina's water and wastewater systems are now in compliance with DEP.[35]

As part of its petition, CSWR-Florida included a third-party engineering report from Woodard & Curran, dated July 2021, which evaluated the water and wastewater systems and identified 10 projects deemed necessary for the water system and their associated costs of $270,500, and 11 projects deemed necessary for the wastewater system and their associated costs of $325,000. In addition, CSWR-Florida identified 5 additional projects for water, and six additional projects for wastewater necessary for completion based on its own system assessments following the acquisition.[36] The projects that have been completed by CSWR-Florida total approximately $2,849,707. Below are the projects that have been completed for the water system.

1. Disinfection System – Resolved issues related to inadequate chemical containment and installation of continuous chlorine monitoring to verify residual chlorine. These projects were completed May 31, 2023, through August 1, 2024. The total cost of the projects is $7,863.

2. Distribution System – Installed, repaired, or replaced isolation valves, out of service flushing hydrants, and damaged mains. These projects were completed May 31, 2023, through January 1, 2026. The total cost of the projects is $622,820.

3. Electrical and Monitoring Systems – Installed remote monitoring, including various sensors, meters, and transmitters. These projects were completed May 31, 2023, February 1, 2024, and June 1, 2025. The total cost is $215,678.

4. Flow Meters – Flow meters were installed on each well. These projects were completed May 31, 2023, and January 1, 2025. The total cost is $47,482.

[32] Document No. 04181-2019.
[33] Document No. 01788-2025, Exhibits 3-7.
[34] Document No. 01474-2026.
[35] Document No. 02982-2026.
[36] We note that the total number of projects identified in the engineering and Utility assessments does not match the total number of projects listed due to some project categories being combined.

5. Tanks – Tanks were recoated and inspected. The hydropneumatic tank was found to have leaks and removed from service. A temporary tank was installed followed by the permanent tank. These projects were completed April 1, 2024, and August 1, 2024. The total cost for the projects is $45,443.

6. Structures and Piping – All exposed structures, steel piping, and associated equipment were cleaned and repainted to reduce corrosion. These projects were completed May 31, 2023, and August 1, 2024. The total cost for the projects is $92,937.

7. Site Improvements – Removed nuisance vegetation, replaced fencing, and improved access roads. These projects were completed August 1, 2024, through March 1, 2025. The total cost for the projects is $132,917.

8. Safety Equipment – Installed chemical shower, eye wash station, fire extinguishers, and warning signs. These projects were completed May 31, 2023, and August 1, 2024. The total amount for these projects is $3,840.

Below are the projects that have been completed for the wastewater system.

1. Aeration System – Installed a shade structure over the blowers, and repaired aeration piping, drop legs, and diffusers. These projects were completed May 31, 2023, through August 1, 2024. The total cost of the projects is $117,174.

2. Electrical and Monitoring Systems – Installation of remote monitoring equipment at the plant and lift stations, replaced electrical feed powering the clarifier sludge pumps. These projects were completed May 31, 2023, through February 2, 2025. The total cost for the projects is $80,710.

3. Lift Stations – Pumps were replaced due to poor performance and age. These projects were completed April 1, 2024, through January 1, 2026. The total cost for the projects is $169,326.

4. Sludge Pumps – Sludge pumps, piping, fittings, and valves were replaced to improve solids handling. These projects were completed May 31, 2023, through January 1, 2026. The total cost for these projects is $341,364.

5. Tanks, Piping, and Walkways – These items have been cleaned and painted to reduce corrosion. These projects were completed May 31, 2022, through January 1, 2026. The total cost for the projects is $829,037.

6. Site Improvements – Removed nuisance vegetation, replaced fencing, and improved access roads. This project was completed on August 1, 2024, and cost $119,817.

7. Safety Equipment – Installed chemical shower, eye wash station, fire extinguishers, and warning signs. These projects were completed on May 31, 2023, and April 1, 2024. The total cost of the projects is $4,283.

8. Irrigation Pumping – Rehabilitated irrigation pumping, which included pumps and pipes to ensure proper function and halt issues with ponding in the drain field area. This project was completed April 1, 2024, and cost $11,153.

9. Disinfection System – Reconstructed the disinfection system as the system that was in service did not match the 2018 permit renewal. This project was completed May 31, 2023, April 1, 2024, and August 1, 2024, and cost $7,863.[37]

In addition to the projects above, and as discussed in Part III(A) of this order, CSWR-Florida has also implemented an Environmental Management Information System which provides real-time regulatory and permit compliance information and helps to ensure the system complies with applicable laws and permit limits.

For the planned water system projects, CSWR-Florida originally identified distribution system and hydropneumatic tank projects. These projects were completed during the course of this docket and are included in the water project listings above (Nos. 2 and 5, respectively).

Below are the projects that are planned for the wastewater system. The total cost for these projects is approximately $1,207,500 at this time.

1. New Monitoring Well – A new well will be installed in the drain field area to comply with sampling and monitoring requirements. This project is planned to be completed by August 30, 2027, and will cost approximately $7,500.

2. Safety Grating and Catwalks – Damaged grating will be addressed, and a catwalk system will be installed over the clarifier to ensure safety. This project is planned to be completed by August 30, 2027, and will cost approximately $750,000.

3. Shade Structure – A shade structure will be installed over the return active sludge and waste active sludge pumping equipment to prevent overheating. See No. 5 below for estimated in-service date and cost.

4. New Headworks – New headworks, including a hydrosieve (screen) to capture and divert nuisance solids will be installed to eliminate nuisance solids from entering the facility. See No. 5 below for estimated in-service date and cost.

5. Blowers and Aeration Piping – The blowers and aeration piping will be replaced as they are approaching the end of their useful lives. This project along with the shade structure and new headworks projects are planned to be completed at one time by

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1. 37 Document Nos. 01788-2025, 01734-2026, and 02201-2026.

August 30, 2028. The total estimated cost for all three projects is approximately $450,000.

6. Sand Filter – The old sand filter system was removed from service prior to CSWR-Florida's acquisition and was never properly decommissioned. CSWR-Florida will remove the remaining equipment. This project is still in the planning phase, so there are no estimated in-service dates or costs at this time.

Overall, Aquarina experienced varying compliance issues with DEP both before and after acquisition. Some of the compliance issues identified during CSWR-Florida's ownership may have been a continuation of conditions that existed under the prior owner and required time to fully identify and resolve. However, we find that CSWR-Florida's completed projects and continued investments demonstrate meaningful improvements that will contribute to continued regulatory compliance. Additionally, the resolution of the compliance issues encountered under CSWR-Florida's ownership demonstrate the Utility's ability to address non-compliance issues as they arise. Therefore, we find that Aquarina's customers will benefit from the anticipated improvements in regulatory compliance as a result of CSWR-Florida's acquisition and that this criterion for a positive acquisition adjustment has been met.

C. Cost Efficiencies and Cost of Providing Service

Pursuant to Rule 25-30.0371(3) and 25-30.0371(4), F.A.C., in determining whether the acquired utility customers benefit from the acquisition, we will consider the anticipated impacts on the cost of providing service over the next 5-year period from the date of acquisition, as well as anticipated cost efficiencies, including any economies of scale. Economies of scale means that an entity is able to reduce its overall fixed costs of operations by spreading those costs over additional production units, or customers, while maintaining its fixed cost structure.[38]

According to the Utility's petition, CSWR, LLC (CSWR's parent company) and CSWR-Florida are part of an affiliate group that currently owns and operates water and wastewater systems serving approximately 434,000 customers.[39] The affiliate group owns and operates more than 940 water and wastewater plants in 11 states, with 38 of them being in Florida. As a result, the Utility is positioned to achieve cost efficiencies through economies of scale by sharing administrative functions, operational personnel, technical expertise, and other resources across multiple systems. These arrangements may improve operational efficiency, reduce duplicate costs, and help moderate future increases in the cost of providing service.

In addition, CSWR, LLC's operation of multiple utility systems may increase its bargaining power for materials, equipment, and contracted services. By procuring these goods and services on a larger scale, the Utility may achieve lower per-unit costs and reduce expenses that would otherwise be borne by individual systems. Furthermore, the allocation of fixed costs

[38] *See* Order No. PSC-2001-2501-FOF-WU, filed December 21, 2001, in Docket No. 19991666-WU, *Application for amendment of Certificate No. 106-W to add territory in Lake County by Florida Water Services Corporation.*
[39] Document No. 01788-2025.

across a larger customer base may improve overall cost efficiency and contribute to long-term rate stability.

In 2021, the final year of operation prior to acquisition by CSWR-Florida, Aquarina's O&M expense was $559,534. Aquarina's average O&M expense during the 5-year period preceding the acquisition was $492,990.

CSWR-Florida acquired Aquarina on May 16, 2022. In response to Staff's First Data Request, CSWR-Florida projected an average O&M expense of $435,695 during the first 5 years following the acquisition.[40] Table 2 summarizes Aquarina's historical and projected O&M expenses.

Table 2
Aquarina's Actual and Projected O&M Expenses Pre- and Post-Acquisition

Year	O&M Expense	Difference from Previous Year (%)
2017 (actual)	$476,615	
2018 (actual)	$477,946	0.28%
2019 (actual)	$447,201	-6.43%
2020 (actual)	$503,653	12.62%
2021 (actual)	$559,534	11.10%
Pre-Acquisition Average	**$492,990**	
2022 (projected)	$406,245	
2023 (projected)	$420,464	3.50%
2024 (projected)	$435,180	3.50%
2025 (projected)	$450,411	3.50%
2026 (projected)	$466,176	3.50%
Projected Post-Acquisition Average	**$435,695**	

Source: Document Nos. 01788-2025 and 01162-2026.

The Utility provided the following (post-acquisition) actual operating expenses for the first three years of operations under CSWR-Florida: $604,112, $478,108, and $502,743 respectively.[41] The average actual O&M expense for the first three years of operations was $528,321.

The Utility explained that actual O&M expenses exceeded the post-acquisition pro forma estimates due to unforeseen maintenance and repair expenditures associated with the aging infrastructure, including leaks and equipment failures that were not anticipated at the time the pro forma was prepared.[42] The Utility further states that certain administrative and operational expenses incurred at the CSWR-Florida level are allocated among systems based on customer

[40] Document No. 01162-2026.
[41] Document No. 03004-2026.
[42] Document No. 03368-2026.

count. According to the Utility, these shared costs support managerial, technical, operational, and financial services that are provided across multiple systems and would otherwise need to be incurred independently by a stand-alone utility. As a result, CSWR-Florida believes that, through economies of scale, costs incurred by Aquarina will be less than if they were incurred by the utility on a stand-alone basis.[43]

Although the actual post-acquisition O&M expenses initially exceeded the Utility's projections, expenses show a declining trend following the acquisition. Actual post-acquisition O&M expenses decreased by 20.9 percent and increased by 5.2 percent respectively between the first three years. By 2025, Aquarina's O&M expense had decreased to $502,743, approximately 10.1 percent below the pre-acquisition expense level of $559,534 recorded in 2021.

We recognize that a portion of post-acquisition expenses are necessary to address aging infrastructure and improve system operations. We also note that Aquarina benefits from access to shared managerial, technical, and administrative resources that are distributed across a substantially larger customer base. Based on the Utility's operational structure, anticipated economies of scale, and the declining trend in O&M expenses, we find customers are anticipated to benefit from cost efficiencies and anticipated improvements in the cost of providing service.

D. Ability to Attract Capital

Pursuant to Rule 25-30.0371(3)(a)5., F.A.C., we will consider the utility's ability to attract capital at reasonable costs. The rule requires an explanation of how the acquiring utility has greater access to capital than the acquired utility. Aquarina benefits from being part of a substantially larger utility that operates numerous water and wastewater systems across multiple states. These economies of scale improve operational efficiencies and increase Aquarina's ability to attract third-party funding.

As demonstrated in its petition, CSWR-Florida has greater access to capital than Aquarina through its affiliation with its parent company CSWR, LLC, which has obtained private placement financing through Brookfield Asset Management, Ltd (Brookfield). CSWR-Florida explained that CSWR, LLC secured a $325 million debt facility from Brookfield. For that reason, CSWR-Florida has greater access to debt and equity capital necessary to fund improvements compared to Aquarina prior to the acquisition. CSWR-Florida's greater access to capital has enabled it to make the necessary utility improvements in establishing compliance status with DEP requirements. CSWR-Florida explained that although it currently lacks sufficient independent net operating income to directly obtain commercial debt financing using its own creditworthiness, CSWR-Florida anticipates generating sufficient net income to support debt service as well as obtain commercial debt financing upon conclusion of its pending rate case.[44] CSWR-Florida's goal is to achieve a more balanced capital structure of approximately 50 percent equity and 50 percent debt through the use of non-affiliated commercial debt financing.

[43] *Id.*
[44] *Id.*

Based on its analysis, we find that CSWR-Florida has demonstrated the customers of Aquarina will benefit from the acquisition through anticipated improvements in the ability to attract capital.

E. Professional and Experienced Managerial, Financial, Technical, and Operational Resources

CSWR, LLC currently owns and operates numerous water and wastewater systems serving thousands of customers. The petition indicates that CSWR-Florida benefits from its affiliation with CSWR, LLC, which is a large multi-state utility organization. CSWR, LLC or its affiliates have received regulatory approvals for utility-related matters in Missouri, Kentucky, Louisiana, Texas, Tennessee, Mississippi, Florida, North Carolina, South Carolina, and Arizona. CSWR, LLC has received more than 290 separate orders from regulators in each of those states that determined it, or its affiliates have the technical, managerial, and financial qualifications necessary to acquire, own, and operate water and/or wastewater systems. We have made a similar determination when we authorized CSWR-Florida to operate several systems in Florida, including Aquarina.[45]

We find that CSWR-Florida, in conjunction with its parent company, continues to demonstrate that it has the managerial, financial, technical, and operational resources to provide water and wastewater services in Florida.

F. Conclusion

We find the customers of Aquarina will benefit from the acquisition by CSWR-Florida through actual experienced and anticipated improvements in quality of service, regulatory compliance, cost efficiencies, cost of providing service, the ability to attract capital, and the provision of professional and experienced managerial, financial, technical, and operational resources.

IV. Appropriate Amount of Positive Acquisition Adjustment

CSWR-Florida requests we approve a positive acquisition adjustment of $1,875,487 related to its 2022 purchase of the Aquarina water and wastewater systems and allow that acquisition adjustment to be amortized over 30 years. The total purchase price for Aquarina was $2,500,000 for assets with a NBV of $624,513. The purchase price also included $81,896 attributable to land; however, we voted at our September 10, 2026, Agenda Conference to allowCSWR-Florida to recover through its land and land rights accounts in Docket No. 20250052-WS (2025 Rate Case). Deducting the land value recovered by CSWR-Florida in its 2025 Rate Case, the resulting positive acquisition adjustment would be $1,793,581. This information, as well as the percentage difference between the purchase price and NBV and the purchase price as a multiple of NBV are shown in Table 3.

[45] 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*.

Table 3
Acquisition Adjustment Summary

Acquired Utility	Purchase Price	Net Book Value	Requested Acquisition Adjustment	Requested Acquisition Adjustment Minus Land Value
Aquarina	$2,500,000	$624,513	$1,875,487	$1,793,581

Source: Document No. 01788-2025 and our staff's calculations.

An acquisition premium (or discount) in utility regulation is the difference between what a utility pays to acquire another utility and its assets and depreciated original book cost of those assets. When the utility seeks to include that difference in its cost of service, or rate base, it will do so by seeking an acquisition adjustment. Concerning the instant request, the question before us is whether customers or utility investors shall pay for any of the price above NBV, and if so, what amount?

In general, our regulatory practice starts with a presumption against including acquisition premiums in rates; however, Rule 25-30.0371, F.A.C., affords an exception where clear, measurable ratepayer benefits can be demonstrated as a result of the acquisition.[46] The purpose for this exception was historically to encourage large, sophisticated companies to buy and operate smaller, troubled utilities, to facilitate better quality of service to the utility's customers and improved operation, investment, and maintenance of the utility. Rule 25-30.0371, F.A.C., allows us to grant a full, partial, or no acquisition adjustment.

The information filed in the docket supports a finding that CSWR-Florida shall recover $1,793,581 through a positive acquisition adjustment. First, the Aquarina water and wastewater system was a non-viable utility at the time of acquisition. Under its previous ownership, Aquarina was unable to provide safe, adequate, and reliable service, as evidenced by inadequate fire flow, deferred maintenance, unlicensed operations, failures to issue boil notices, and tank leaks. Under both its previous owners and CSWR-Florida, Aquarina experienced enforcement actions and compliance deficiencies by government regulators.

The transaction to acquire Aquarina was conducted as an arm's-length purchase between unaffiliated entities, and there is no evidence suggesting the purchase price was influenced by affiliate relationships or other improper considerations. Moreover, the record demonstrates that customers have benefited and should continue to benefit from the acquisition by CSWR-Florida. Benefits include improved system reliability, enhanced compliance with environmental regulations, staffing and operational expertise, implementation of modern monitoring and management technologies, and improved customer service capabilities. These improvements are

[46] *See*, *e.g.*, 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*.

both immediate and ongoing, and they directly address certain deficiencies that negatively impacted service quality.

Lastly, the acquisition is consistent with our understanding of the policy objective underlying Rule 25-30.0371, F.A.C., which is to encourage the consolidation of small, particularly troubled, water and wastewater systems into larger utility organizations. Approval of a full acquisition adjustment, minus the land value already recovered, is consistent with this objective and will further encourage the acquisition and consolidation of such systems.

Based on the foregoing, we approve a positive acquisition adjustment of $1,793,581 for CSWR-Florida's acquisition of the Aquarina water and wastewater system. This amount represents CSWR-Florida's full requested acquisition adjustment, minus the land value recovered by the Utility in the 2025 Rate Case.[47] The land value will be excluded from the positive acquisition adjustment to avoid double recovery.

We emphasize that future recovery of any unamortized acquisition adjustment remains subject to our review if anticipated customer benefits do not materialize. Rule 25-30.0371(6), F.A.C., states: "[n]othing herein removes the Commission's existing authority to review a positive acquisition adjustment if the Commission finds that customer benefits did not materialize or subsequently improve within 5 years of the date of the order approving the positive acquisition adjustment." Accordingly, if the projected customer benefits are not realized, we retain the authority to re-evaluate the acquisition adjustment and, if warranted, rescind recovery of any remaining unamortized amount.

V. Appropriate Amortization Period

Under Rule 25-30.0371(5), F.A.C., we determine the amortization period for all acquisition adjustments. In this instance, and pursuant to Rule 25-30.0371(5), F.A.C., amortization will begin on the date of issuance of the order approving the acquisition adjustment or on the date the sale closes, whichever occurs last. In its petition, the Utility requested an amortization period of 30 years. This amortization period was formulated based on the Utility's belief that 30 years aligns with the average lifespan of water and wastewater systems. Further, spreading the acquisition over a longer period will lessen the rate impact relative to a shorter period. We concur in this assessment, and thus, find that the 30-year amortization period is reasonable. Pursuant to Rule 25-30.0371(5), F.A.C., the amortization period shall begin on the date of issuance of the final order approving the acquisition adjustment.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that CSWR-Florida Utility Operating Company, LLC's petition for an acquisition adjustment for its acquisition of Aquarina Utilities, Inc. is approved as set forth above. It is further

[47] This issue was heard and voted on at the September 10, 2026, Commission Agenda Conference. The order is still pending.

ORDERED that the Utility's full requested acquisition adjustment (minus the amount CSWR-Florida recovered from land value in the 2025 Rate Case) of $1,793,581, is approved. Further, we reserve the right to exercise our existing authority under Rule 25-30.0371(6), F.A.C., to revisit the Aquarina acquisition adjustment if we find that customer benefits did not materialize or subsequently improve within 5 years of this order. It is further

ORDERED that the amortization period for the positive acquisition adjustment shall be 30 years. This period shall begin on the date of issuance of the order approving the acquisition adjustment. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the final order, this docket shall be closed upon the issuance of a consummating order.

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 29th day of October, 2026.

ADAM TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

ZB

DISSENT

Chairman Smith respectfully dissents with the Commission's decision to approve CSWR-Florida's acquisition adjustment.

CHAIRMAN SMITH, dissenting with a separate opinion, as follows:

Consistent with the dissent in Order No. PSC-2025-0250-PCO-WS, the Commission should not have approved CSWR-Florida's requested acquisition adjustment for Aquarina Utilities, Inc.

The Commission approved the transfer of Aquarina to CSWR-Florida, but denied the requested positive acquisition adjustment in 2022.[48] The Commission denied the positive acquisition adjustment based on a previous version of Rule 25-30.0371, Florida Administrative Code (F.A.C.), in effect at the time of the transfer. The rule subsequently was amended on June 17, 2024, several years after CSWR-Florida initially came before the Commission with its transfer application. CSWR-Florida is asking the Commission to apply the amended version of Rule 25-30.0371, F.A.C., to a system transfer that became final in 2022. Neither the current

[48] Order No. PSC-2022-0115-PAA-WS, issued on 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.*

version of Rule 25-30.0371, F.A.C., nor the Florida Statutes, contain express language indicating that the rule should be applied retroactively.

The Commission does not have the authority to apply the newly amended version of Rule 25-30.0371, F.A.C., to CSWR-Florida's petitions. Florida statute and case law, in addition to federal case law, demonstrate that government agency rules generally apply prospectively, not retroactively.[49] Section 120.54(1)(f), Florida Statutes (F.S.), states "an agency may not adopt retroactive rules, including retroactive rules intended to clarify existing law, unless that power is expressly authorized by statute." Florida and federal case law expand upon this principle, opining that new or edited rules that clarify an existing rule must not establish new substantive requirements.[50] Absent statutory authority, new or amended rules apply retroactively only when they effect a change in legal procedure.[51] Accordingly, new or revised rules do not apply to legal matters arising before the rule change unless retroactive application is expressly authorized by the enabling statute or the changes effectuated by the rule are merely procedural. Because the amendments to the existing rule were substantive rather than procedural, they cannot be applied retroactively on the basis that they constitute procedural changes. Further, no statute contains express language allowing for the retroactive application of this rule. For these reasons, the current version of Rule 25-30.0371, F.A.C., should not be applied retroactively to the Aquarina acquisition adjustments. Instead, the prior version of Rule 25-30.0371, F.A.C., should have been applied to this petition, under which the Commission previously determined that CSWR-Florida was ineligible for an acquisition adjustment.

Moreover, Aquarina should not be classified as a non-viable utility and, therefore, should not qualify for an acquisition adjustment on that basis. CSWR-Florida petitioned for a positive acquisition adjustment on the premise that Aquarina should be classified as a non-viable utility as required under Rule 25-30.0371(3), F.A.C. Accordingly, if Aquarina does not meet the rule's definition of a non-viable utility, it would be ineligible for an acquisition adjustment under that framework. The record reflects that Aquarina's compliance issues primarily involved reporting deficiencies, non-compliance with monitoring and sampling requirements, permit exceedances, and operational issues that were subsequently addressed through corrective actions. These instances do not establish an ongoing pattern of deficiencies demonstrating that Aquarina is incapable of providing safe, adequate, and reliable service. Rather, Aquarina's response to these issues reflects its managerial, technical, operational, and financial ability to recognize compliance deficiencies, undertake necessary corrective measures, and bring the system into compliance. For these reasons, Aquarina should not be classified as a non-viable utility and, therefore, should be ineligible for an acquisition adjustment under Rule 25-30.0371(3), F.A.C.

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[49] *See*, *e.g.*, Section 120.54(f), F.S.; *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204 (1988); *Jordan v. Dept. of Prof. Reg.*, 522 So. 2d 450, 453 (Fla. 1st DCA 1988).
[50] *See*, *e.g.*, *Smiley v. Citibank (S. Dakota), N.A.*, 517 U.S. 735 (1996); *Envtl. Trust v. Dept, of Envtl. Prot.*, 714 So. 2d 493, 500 (Fla. 1st DCA 1998).
[51] *See*, *e.g.*, *Landgraf v. USI Film Products*, 511 U.S. 244, 275 (1994); *Jordan v. Dept. of Prof. Reg.* at 454 (citing *Upjohn Healthcare Services v. Dept. of Health and Rehabilitative Services*, 496 So.2d 147 (Fla. 1st DCA 1986)).

Nothing herein should be construed as a lack of support for the Commission's amendments to Rule 25-30.0371, F.A.C. The previous version of the rule required utilities to overcome steep hurdles in requesting positive acquisition adjustments, necessitating a utility company to make its application at the time of transfer and demonstrating extraordinary circumstances in support of its request. The amended version of the rule provides greater flexibility in allowing a utility to request a positive acquisition adjustment either at the time of transfer or within 3 years of the order approving the transfer. Further, the amended rule provides greater clarity to a utility regarding the kind of information it needs to present in support of its request for a positive acquisition adjustment. The Commission approved the current version of Rule 25-30.0371, F.A.C., to encourage utility companies to acquire and repair non-viable water and wastewater utilities.

Specifically, this dissent from the majority decision is based on legal grounds, not policy grounds. Applications that were not previously filed and denied by the Commission under the prior version of Rule 25-30.0371, F.A.C., will be evaluated under the current version of the rule, consistent with the Commission's policy of encouraging the acquisition and consolidation of utilities.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 19, 2026.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Attachment A
Aquarina's Compliance History (2016 – 2022)

A chronology and summary of Aquarina's compliance history is provided below.[52]

1. December 29, 2016 – In Aquarina's last staff-assisted rate case, before the system was acquired by CSWR-Florida, the Commission determined that Aquarina's quality of service was marginal based on the following issues: fire flow (including no or low water pressure for fire suppression, and irrigation use disrupting water availability for fire suppression); water leaks; untimely repairs; debris in the line after repair; failure to issue boil water notices; failure to follow appropriate safety procedures after repairs; missing utility equipment; operation of the plant by a non-licensed operator; appropriate cost allocation of salaries, equipment, and machinery among owners' entities; communications with customers; and maintenance of complaint logs.[53] The Commission further ordered a management audit to be completed, which identified deficiencies in management oversight, customer communications, maintenance planning, recordkeeping, and regulatory compliance processes and recommended the Utility to implement more formalized management practices to mitigate these issues.[54]

2. August 28, 2017 – DEP Compliance Assistance Offer resulting from July 26, 2017, Inspection.[55]

    a. Water

        i. Inadequate cross-connection control plan (CCCP) on file.

        ii. No audio-visual alarm for power failure at site where standby power is required.

    b. Wastewater

        i. Handheld Hach chlorine meter and associated standards had not been annually verified against reference standards.

        ii. #10 pH buffer solution used to check the calibration of the pH meter was in use beyond its expiration date.

        iii. Several transcription errors were noted for Fecal Coliform, Carbonaceous Biochemical Oxygen Demand (CBOD), and Total Suspended Solids (TSS) for the Discharge Monitoring Report (DMR) review period.

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[52] Document No. 01788-2025, Exhibits 3-7.
[53] Order No. PSC-2016-0583-PAA-WS, issued December 29, 206, in Docket No. 20150010-WS, *In re: Application for staff-assisted rate case in Brevard County by Aquarina Utilities, Inc*. The system condition and compliance with DEP standards were not individually addressed.
[54] *Id.*
[55] Document No. 01788-2025.

iv. Flow meter calibration was overdue.

v. TSS Monthly Maximum result reported on the DMR for September 2016 exceeded the monthly maximum limit of 10.0 milligrams per liter (mg/L) (12.5 mg/L) and was not reported to DEP within 24 hours as required.

3. September 10, 2021 – DEP Compliance Assistance Offer – File Review – Missed monthly bacteriological sampling for water.[56]

4. December 11, 2021 – DEP Public Notice of Violation – Failure to monitor for lead and copper.[57]

5. May 16, 2022 – CSWR-Florida acquired Aquarina.

[56] Document No. 01788-2025.
[57] *Id*.