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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for an acquisition adjustment for the non-viable utility Sunshine Utilities of Central Florida, Inc., by CSWR-Florida Utility Operating Company, LLC.	DOCKET NO. 20250047-WS ORDER NO. PSC-2026-0394-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 SUNSHINE UTILITIES OF CENTRAL FLORIDA, 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

Sunshine Utilities of Central Florida, Inc. (Sunshine) is a water utility, comprised of 23 separate systems, operating in Marion County, serving approximately 4,158 water customers as of year-end 2024. We approved the transfer of Sunshine to CSWR-Florida Utility Operating Company (CSWR-Florida or Utility) in 2022 by Order No. PSC-2022-0120-PAA-WU.[1] As part of the transfer proceeding, we determined that Sunshine's net book value (NBV) at the time of acquisition was $248,089, with a purchase value of $6,000,000. 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-2022-0120-PAA-WU, issued on March 18, 2022, in Docket No. 20210095-WU, *In re: Application for transfer of water facilities of Sunshine Utilities of Central Florida, Inc. and water Certificate No. 363-W to CSWR-Florida Utility Operating Company, LLC, in Marion County.*

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 Sunshine 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 18, 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 $5,751,911.[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 Sunshine

[2] Document No. 01877-2025.

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 Sunshine 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. 20250047-WS, *In re: Petition for an acquisition adjustment for the non-viable utility Sunshine Utilities of Central Florida, 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] It is important to note that 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 notices of violation, consent decrees or other regulatory actions issued by a federal, state, regional, or local agency regarding the provision of water service for the 5 years prior to the date of acquisition. Our staff reviewed this information along with the Florida Department of Environmental Protection (DEP) records and our prior orders.

From 2017 through 2022, prior to CSWR-Florida's acquisition of Sunshine on May 24, 2022, the Sunshine water systems had recurring compliance issues with DEP, as well as violations documented in the Federal Safe Drinking Water Information System (SDWIS).[14] These issues primarily involved deficiencies in monitoring, sampling, and reporting, including repeated failures to monitor for and timely report sampling results for disinfection byproducts. They also included failures to meet monitoring requirements for synthetic organic and radiological contaminants, the Ground Water Rule, the Revised Total Coliform Rule, and synthetic secondary foaming agents. DEP issued multiple Compliance Assistance Offers, public

[11] *Id*.
[12] Rule 25-30.0371(1)(e)2., F.A.C.
[13] *See* Rule 25-30.0371(4), F.A.C.
[14] CSWR-Florida provided a workbook listing all violations for the Sunshine water systems documented in the Environmental Protection Agency's SDWIS database for the 5 years prior to acquisition; however, no detailed documentation exists in the database. As such, there may be some overlap with the SDWIS and DEP compliance issues listed.

notices, warning letters, and other regulatory actions addressing these deficiencies. In January 2022, Sunshine entered into a Consent Order for Sun Ray Estates for failure to monitor for disinfection byproducts, which included a $1,150 civil penalty. Other identified deficiencies included a malfunctioning check valve at one of the Ocklawaha Water Works water treatment plants (WTPs) and deficiencies involving flow meter calibration and a late hydropneumatic tank inspection at Sunlight Acres. Three of the 23 Sunshine systems, Hilltop at Lake Weir, Oak Hurst, and Ponderosa Pines (2 WTPs) were in compliance with DEP during the specified time period. A more detailed description is provided in Attachment A, which is incorporated and attached to this order.[15]

Following CSWR-Florida's acquisition, from January 2023 through January 2026, Sunshine's water systems experienced recurring compliance issues with DEP across multiple systems. These issues included missed or late monitoring and reporting requirements, sanitary survey deficiencies, failure to provide public notices, failure to maintain monitoring records, and operational deficiencies such as damaged or leaking tanks, unauthorized tank replacements, failure to conduct required tank inspections by a licensed engineer, failure to maintain well pads, failure to calibrate flow meters, and deficiencies related to isolation valves and chlorine residuals. DEP also issued multiple Consent Orders addressing these violations during this timeframe, which included damaged tanks, missed monitoring and reporting, and infrastructure and operational deficiencies. Several systems also received warning letters or Compliance Assistance Offer letters during 2025 and 2026 for continued non-compliance. While a number of individual Consent Orders were subsequently closed after corrective actions were completed, multiple Sunshine water systems are currently out of compliance with DEP and continue to have open enforcement actions or Consent Orders. In response to our staff's data request, CSWR-Florida indicated that Sunshine currently has four open Consent Orders involving 12[16] of the 23 water systems, and that two additional systems, Emil Mar and Ocala Heights, are out of compliance due to missed bacteriological sampling occurrences in October 2025.[17] CSWR-Florida indicated that corrective actions have been completed for the latter two systems; however, the Utility is awaiting issuance of a short form Consent Order from DEP to achieve full compliance. The four open Consent Orders will remain open until all corrective actions have been resolved to DEP's satisfaction.

Sunshine 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. In particular, the photographs of Sunshine's systems submitted by CSWR-Florida with its petition provide compelling visual evidence of the poor condition of the Utility's infrastructure and reinforce our finding that Sunshine is a non-viable utility.

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

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[15] Document No. 01877-2025, Exhibits 3 through 29.
[16] Our staff obtained the executed Consent Orders from DEP's database so this value may not match the total number of systems included in the Consent Order listing below.
[17] Document No. 02955-2026.

B. Insolvency

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

C. Conclusion

We find that Sunshine 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, Sunshine 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 Sunshine 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 Sunshine water 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 Sunshine. 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 June 9, 2020, which includes a purchase price of $6,000,000 for all assets used by the seller to provide water service to customers in Marion County. The transaction closed in May 2022.[18]

We note however this is not a "check the box" rule. We have the discretion to weigh the evidence on the arms-length transaction requirement. We also have the discretion to infuse our policy on this matter if it is unclear from the record whether CSWR-Florida acted fairly to the customers by paying a price that appears to be higher than necessary in lieu of performing more

[18] Document No. 01877-2025, page 3.

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. 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 self-justifying loop, because the price premium is fundamentally detached from the NBV of the assets.

In this case, the Utility obtained an Appraisal Report by Valbride Property Advisers, dated June 7, 2021, that estimated the market value of the parcel of land owned by Sunshine Utilities at $1,559,000 as of May 12, 2021.[19] CSWR-Florida also obtained an engineering evaluation conducted by Woodard & Curran, dated July 2021, to assess the condition of the WTPs and systems and recommendations for repair or improvements.[20]

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-Florida undertook no additional due diligence to determine the fair market value of the acquired utility.[21]

CSWR-Florida requested approval of a positive acquisition adjustment of $5,751,911 to recover the premium it paid to purchase the assets of Sunshine.[22] The price premium will be included in Sunshine'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

[19] Document No. 01164-2026, page 17.
[20] *Id.*
[21] *Id.*
[22] Document No. 01877-2025, page 2.

customer and cost data filed in the docket and amortized over 30 years is $2.38 per water customer consolidated with the other systems owned by CSWR-Florida.[23]

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 Sunshine - 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 $5,751,911 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 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 Sunshine's historical chemical analyses, both before and after the acquisition (2020 through 2026), indicated that all systems were in compliance with DEP's primary and secondary standards, with the exception of Oak Hurst in 2024 for a water color maximum contaminant level exceedance. Primary standards protect public health while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. Sunshine'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 its actual and expected improvements in the quality of service provided to Sunshine's customers as a result of the acquisition.[24] These improvements are described below.

[23] Document No. 03772-2026 and our staff's calculations.
[24] Document No. 01877-2025.

1. Infrastructure upgrades and preventative maintenance program investments to reduce the risk of system failures, and ensure safe and reliable water 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 that allows operators to identify and remedy system malfunctions before they affect customer service.

5. Environmental Management Information System implementation that provides improved real-time regulatory and permit compliance information, helping to ensure the systems comply 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.

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.[25]

Additionally, our staff reviewed the complaints received by DEP and our Consumer Activity Tracking System from January 2020 through February 2026.[26] These included complaints filed prior to CSWR-Florida's acquisition on May 24, 2022. Under the prior owner, DEP did not receive any complaints, and we received one service outage complaint and one quality of service complaint in 2021. While under CSWR-Florida's ownership, DEP received 12

[25] *Id*.
[26] Document No. 01474-2026.

complaints: one odor, two color, and four boil water notice complaints in 2023; one water pressure, one color, and one boil water notice complaints in 2024; and two boil water notice complaints in 2025. We received approximately 101 complaints following CSWR-Florida's acquisition: four billing and three quality of service complaints in 2022; seven quality of service, two water pressure, two service repair, one delay in connection and one billing complaints in 2023; 20 service outage, eight water pressure, four quality of service, and one billing complaints in 2024; 22 water pressure, nine service outage, two service repair, and two delay in connection complaints in 2025; and eight water pressure, three service outage, one quality of service, and one billing complaints in 2026.[27]

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 for all 23 water systems.[28] For reference, Sunshine serves approximately 4,158 customers.

Table 1
Number of Utility Post-Acquisition Complaints by Category

Year	Billing	Customer Service	Water Product Quality	Service Interruptions	Total
2022	239	26	12	279	**556**
2023	340	95	90	1,199	**1,724**
2024	271	91	63	420	**845**
2025	184	48	69	1,599	**1,900**
2026	63	56	34	823	**976**
Total	**1,097**	**316**	**268**	**4,320**	**6,001**

Source: Document No. 05208-2026.

The complaints range from billing/payment disputes to service outages/boil water notices 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) repaired line breaks and other distribution system failures; (2) investigated secondary water quality complaints and advised customers to flush their lines; (3) assisted customers with payment methodologies and provided payment plans; and (4) answered questions about billing, boil water notices, service outages, and anticipated service restoration.

[27] Because our complaints are categorized by utility rather than by the individual systems that comprise a utility, our staff manually determined which Marion County complaints were specific to the 23 CSWR-Florida Sunshine systems.
[28] In response to Staff's Eighth Data Request, CSWR-Florida explained that it does not separately track information requests and complaints; therefore, the figures in Table 3-1 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 remote monitoring and distribution system improvement projects, which will be discussed further below. In addition, it appears that CSWR-Florida has been responsive to billing 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 Sunshine'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 Sunshine'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 Sunshine's customers will benefit from anticipated improvements in regulatory compliance, as a result of CSWR-Florida's acquisition, our staff reviewed Sunshine'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 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 in this section considers this pre-acquisition compliance history, as detailed in Attachment A, as well as our determination regarding Sunshine'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.

By Order issued July 10, 2012, in Sunshine's last rate case before the system was acquired by CSWR-Florida, we determined that Sunshine's quality of service was satisfactory and that the water quality and operating condition of the facilities were in compliance with DEP standards.[31] As addressed in Part I of this order, from 2017 to 2022, prior to acquisition, the Sunshine water systems experienced recurring compliance issues primarily involving monitoring, sampling, and reporting, including a Consent Order for the Sun Ray system.[32] The

[31] Order No. PSC-12-0357-PAA-WU, issued July 10, 2012, in Docket No. 20100048-WU, *In re: Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.*
[32] See Document No. 01877-2025, Exhibits 3 through 29.

Hilltop at Lake Weir, Oak Hurst, and Ponderosa Pines (2 WTPs) systems were in compliance with DEP during this time period. Following CSWR-Florida's acquisition on May 24, 2022, the systems experienced additional compliance issues involving monitoring and reporting and operational and infrastructure deficiencies. Although several Consent Orders were issued following acquisition and subsequently closed upon completion of corrective actions, four Consent Orders remain open involving 12[33] of the 23 Sunshine water systems. Two additional systems, Emil Mar and Ocala Heights, are also out of compliance due to missed bacteriological sampling, and CSWR-Florida has indicated that corrective actions for these systems have been completed; however, the Utility is awaiting issuance of a short form Consent Order from DEP for these systems to achieve full compliance.[34] The four open Consent Orders will remain open until all corrective actions have been resolved to DEP's satisfaction. The Consent Order violations and CSWR-Florida's corrective actions for each Consent Order are discussed below.

1. OGC Case No. 24-1941, executed on October 4, 2024, for six systems: Emil Mar, Fore Oaks Estates, Oakcrest Villas/Sun Resorts, Ocklawaha Water Works, Sun Ray Estates, and Whispering Sands. The Consent Order violations, as well as CSWR-Florida's corrective actions, are listed below for each relevant water system:

    a. Emil Mar – Inadequate free chlorine residual and missing isolation valve exercise records were noted during the October 2023 Sanitary Survey Inspection (SSI). Corrective actions for this system have been completed.

    b. Fore Oaks – Missing auxiliary power and isolation valve exercise records, missing Monthly Operating Report (MOR) for September 2022, and failure to have at least two wells connected to the water system were noted during the October 2023 SSI, and failure to monitor for disinfection byproducts in 2023 was noted in DEP's file review in October 2023. CSWR-Florida indicated in response to our staff's data request that this system is currently in compliance with DEP.

    c. Oakcrest Villas/Sun Resorts – Failure to perform required testing for inorganic nitrate in the third quarter of 2023 was noted in DEP's file review in October 2023. Corrective actions for this system have been completed.

    d. Ocklawaha Water Works – Failure to timely submit disinfection byproduct sampling reports in October 2023 was noted in DEP's file review in October 2023. Corrective actions for this system have been completed.

    e. Sun Ray Estates – Missing auxiliary power and replaced finished-drinking water flow meter calibration records, violation for threaded tap on influent piping, and failure to have at least two wells connected to the water system were noted during the October 2023 SSI. Corrective actions for this system have been completed for all violations except the well connection violation, which CSWR-Florida

[33] We obtained the executed Consent Orders from DEP's database so this value may not match the total number of systems included in the Consent Order listing below.
[34] Document No. 02955-2026.

indicated is the reason the Consent Order remains open. CSWR-Florida stated that the second well was removed from service due to recurring bacteriological detections during routine monthly sampling, and that the Utility has been working diligently to install a second well to achieve compliance.

f. Whispering Sands – Failure to monitor for bacteriological contaminants in October 2023 was noted in DEP's file review in November 2023. Corrective actions for this system have been completed.

2. OGC Case No. 24-1674, executed on October 22, 2024, for one system: Ocklawaha Water Works. The Consent Order violations were regarding failure to provide isolation valve records, maintain a bacteriological sampling plan as required for positive total coliform detections, conduct a tank inspection performed by a licensed professional engineer and provide the resulting report, submit MORs for May 2021 (pre-acquisition) and September 2022, and submit a source/treatment/storage capacity analysis report following permitted maximum-day capacity exceedances. Corrective actions for this system have been completed for all violations except the tank inspection violation. In response to our staff's data request, CSWR-Florida stated that it is working to establish an interconnection with the City of Ocala and once complete, all assets will be removed from service and the Consent Order will be closed.[35]

3. OGC Case No. 24-0272, executed on December 9, 2025, for eight systems: Ashley Heights, Country Walk, Eleven Oaks, Oak Haven, Oakcrest Villas/Sun Resorts, Ponderosa Pines (2 WTPs)[36], Sunlight Acres, and Winding Waters. The Consent Order violations, as well as CSWR-Florida's corrective actions, are listed below for each relevant water system:

a. Ashley Heights – Failure to conduct repairs for compromised finished-drinking hydropneumatic storage tank, failure to provide record of calibration of the finished-drinking water flow meter, and failure to maintain the structural integrity of the well pad were noted during the January 2023 SSI. In response to our staff's data request, CSWR-Florida stated that all corrective actions have been completed for this system.

b. Country Walk, Eleven Oaks, Oakcrest Villas/Sun Resorts, and Ponderosa Pines (2 WTPs) – Failure to provide notification or obtain construction permits prior to replacing existing drinking-water storage tanks of different design or capacity at the existing facilities was noted in DEP's file review in August 2023. In response to our staff's data request, CSWR-Florida stated that corrective actions have been

[35] Document No. 02955-2026.
[36] In response to Staff's Fourth Data Request, CSWR-Florida indicated that Ponderosa Pines 1 and 2 were removed from this Consent Order through an amendment issued by DEP on January 16, 2026, and the system is currently in compliance. Ocklawaha Water Works WTP No. 2 was originally included in this Consent Order as well and was subsequently removed as it was already included in other open Consent Orders.

completed at each of the listed systems except for Eleven Oaks. CSWR-Florida stated that permanent tank replacement work is currently in progress at this facility as design plans have been submitted and approved, permits have been issued, and construction is scheduled for the fourth quarter of 2026. CSWR-Florida expects construction to be complete by the first quarter of 2027 and stated that construction completion will satisfy all requirements of this Consent Order violation.

c. Oak Haven – Failure to provide required MORs from October 2022 through June 2023, failure to provide records for valve exercising, and failure to provide tank inspection report performed by a licensed professional engineer were noted during the February 2024 SSI. Corrective actions for this system have been completed for all violations except the tank inspection report violation. In response to our staff's data request, CSWR-Florida stated that a Wholesale Water Agreement with the City of Ocala is currently under negotiation, and this violation will be satisfied once the agreement is executed, and interconnection construction is complete.

d. Sunlight Acres – Failure to conduct repairs for compromised finished-drinking hydropneumatic storage tank was noted during the March 2023 SSI. Corrective actions for this system have been completed.

e. Winding Waters – Failure to provide Operation & Maintenance Manual and Emergency Preparedness/Response Plan upon request, failure to provide valve exercising and flushing records, failure to provide Cross Connect Control Program, Cross Connection Control Plan, and Backflow Prevention Assemblies testing records, failure to provide tank inspection report performed by a licensed professional engineer, failure to obtain construction permits prior to replacing finished-drinking water storage tanks, failure to properly exercise auxiliary power, and failure to submit MORs for January (pre-acquisition), September, October and November 2022 were noted during the July 2023 SSI. In DEP's file review in August 2022, failure to collect upstream and downstream bacteriological samples following a total coliform event was noted. In response to our staff's data request, CSWR-Florida stated that all corrective actions have been completed for this system.

4. OGC Case No. 25-0447, executed on January 27, 2026, for two systems: Florida Heights and Floyd Clark. During the June 2024 SSI, DEP noted failure to conduct tank inspections by a licensed engineering within the required time period for these systems, which resulted in this Consent Order violation. Corrective actions have been completed for Florida Heights. In response to our staff's data request, CSWR-Florida stated that permanent tank replacement work is currently in progress at Floyd Clark as design plans have been submitted and approved, permits have been issued, and construction began in May 2026. CSWR-Florida expects construction to be complete

by the third quarter of 2026 and stated that construction completion will satisfy all requirements of this Consent Order violation.

As part of its petition, CSWR-Florida included a third-party engineering report from Woodard & Curran, dated July 2021, which evaluated each of the Sunshine water systems and identified a total of approximately 235 projects deemed necessary and their associated costs of approximately $2,970,600. In addition, CSWR-Florida identified 54 additional projects necessary for completion for the water systems based on its own system assessments following the acquisition.[37] The total cost for all the completed projects is approximately $6,478,067. Below are the projects that have been completed for the water systems.

1. Disinfection System Improvements – At all 23 systems, installed continuous chlorine monitoring to ensure proper disinfection, installed proper containers to prevent environmental damage from leaks of sodium hypochlorite solution, and built shade structures over sodium hypochlorite tanks to protect chemical and dosage equipment. These projects were completed between May 2023 and August 2024, at a total cost of $277,459.

2. Distribution System Improvements – At all 23 systems, improvements will be made to harden distribution systems against leaks and breaks that would lead to service outages. These projects were completed between May 2023 and January 2026, at a total cost of $1,978,320.

3. Electrical Systems – At all 23 systems, repaired and upgraded electrical systems, including the replacement or repair of emergency generators to minimize service interruptions. These repairs and improvements include work on hydropneumatic tanks or booster pumps for pressurization. These projects were completed between April 2024, and October 2025, at a total cost of $1,799,155.

4. Remote Monitoring – At all 23 systems, installed monitoring equipment to alert Utility Personnel of abnormal operating conditions remotely, which allows for quick responses to abnormal conditions at the WTPs to minimize service interruptions. These projects were completed between May 2023 and January 2025, at a total cost of $165,802.

5. Site Improvements – At all 23 systems, repaired structures, cleared vegetation and debris, and repaired, replaced, or installed fencing, including site grading to address flooding and erosion where required. These projects were completed between May 2023 and August 2025, at a cost of $701,690.

6. Tanks – At all 23 systems, CSWR-Florida evaluated, repaired, or replaced hydropneumatic tanks. At present, four hydropneumatic tanks have been replaced.

[37] The total number of projects identified in the engineering and Utility assessments do not match the total number of projects listed due to some project categories being combined.

These projects were completed between May 2023 and September 2025, at a cost of $1,223,326.

7. Wells – At all 23 systems, CSWR-Florida evaluated wells, and made required improvements. Improvements included cleanup and recoating of above ground piping, replacement of pumps and motors, chemical treatment of well columns, repairing well casings, and installation of new wells. These projects were completed between May 2023 and September 2025, at a cost of $332,315.

In addition to the projects above, and as discussed in the Quality of Service section, CSWR-Florida has also implemented an Environmental Management Information System which provides real-time regulatory and permit compliance information and helps to ensure the systems comply with applicable laws and permit limits.

Below are the projects that are planned for the water systems. The total cost for these projects is approximately $5,154,832.

1. New Wells – After evaluation of operations at all 23 systems, CSWR-Florida determined that three systems, Eleven Oaks, Little Lake Weir, and Sun Ray Estates, needed new wells to improve service. This project should address the remaining violation for Sun Ray Estates, as identified in Consent Order violation listing No. 1(e) above. These projects are planned for completion by April 2027, at an estimated total cost of $700,000.

2. New Hydropneumatic Tanks – At 12 of the 23 systems, CSWR-Florida plans to install remaining hydropneumatic tank replacements, which includes the permanent tank replacements discussed in the Consent Order violations for Eleven Oaks and Floyd Clark (Nos. 3(b) and 4, respectively, in the Consent Order violation listing above). These projects are planned for completion by January 2028, at an estimated total cost of $3,834,332.

3. Generator Replacements – Plans have been made to replace the generators at the Ocala Heights and Winding Waters systems by December 2026, at an estimated total cost of $157,000.

4. Generator Platform Construction – The construction of a platform to prevent flooding of the generator at the Ocala Gardens system is planned for completion by July 2027, at an estimated total cost of $75,000.

5. Online Chlorine Residual Analyzer Hardware Upgrades – At 16 of the 23 systems, plans have been made to upgrade online chlorine residual analyzer hardware to mitigate obsolescence. These projects are planned for completion by August 2026, at an estimated total cost of $71,500.

6. Remote Monitoring Hardware Upgrades – At nine of the 23 systems, plans have been made to upgrade the existing remote monitoring equipment. These projects are scheduled for completion by June 2027, at an estimated total cost of $17,000.

In addition to the planned projects identified above, and as indicated in the Consent Order violation/corrective action listing above, CSWR-Florida intends to connect the Oak Haven water system to the City of Ocala Water System. This project is currently in the negotiation stage but is expected to be complete by October 2026, at an estimated total cost of $300,000.

Overall, Sunshine has experienced compliance issues both before and after the acquisition. However, the pre-acquisition violations do not demonstrate a level of regulatory non-compliance that will, on a standalone basis, establish that Sunshine lacked the ability to achieve and maintain compliance. The identified violations in the compliance history in Attachment A primarily involve monitoring, sampling, and reporting deficiencies that were addressed through corrective actions. While these matters are important, they are the types of compliance issues that utilities may periodically encounter and resolve through appropriate management attention and operational adjustments. In addition, Sunshine is currently under four DEP Consent Orders, which were issued following the acquisition by CSWR-Florida. While CSWR-Florida has indicated that the corrective actions for these facilities have been completed or are pending completion, we find that CSWR-Florida has yet to demonstrate that Sunshine's customers will benefit from anticipated improvements in regulatory compliance as a result of the acquisition since the same type of monitoring, sampling, and reporting deficiencies have continued to occur.

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.

[38] Document No. 15916-2001, filed in Docket No. 99-1666-WU.
[39] Document No. 01877-2025.

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 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, Sunshine's O&M expense was $978,605. Sunshine's average O&M expense during the 5-year period preceding the acquisition was $966,576.

CSWR-Florida acquired Sunshine on May 24, 2022. In response to Staff's First Data Request, CSWR-Florida projected an average O&M expense of $1,334,354 during the first 5 years following the acquisition.[40] Table 2 summarizes Sunshine's historical and projected O&M expenses.

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

Year	O&M Expense	Difference from Previous Year (%)
2017 (actual)	$960,069	
2018 (actual)	$981,531	2.24%
2019 (actual)	$967,893	-1.39%
2020 (actual)	$944,780	-2.39%
2021 (actual)	$978,605	3.58%
Pre-Acquisition Average	**$966,576**	
2022 (projected)	$1,244,161	
2023 (projected)	$1,287,706	3.50%
2024 (projected)	$1,332,776	3.50%
2025 (projected)	$1,379,423	3.50%
2026 (projected)	$1,427,703	3.50%
Projected Post-Acquisition Average	**$1,334,354**	

Source: Document Nos. 01877-2025 and 01164-2026.

The Utility provided the following (post-acquisition) actual operating expenses for the first three years of operations under CSWR-Florida: $1,825,020, $1,769,518, and $1,650,377 respectively.[41] The average actual O&M expense for the first three years of operations was $1,748,305, 80.9 percent above the pre-acquisition average O&M expense and 31.0 percent above the Utility's projected average O&M expense during the first 5 years following the acquisition.

[40] Document No. 01164-2026.
[41] Document No. 03003-2026.

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 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 Sunshine will be less than if they were incurred by Sunshine 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 each year following the acquisition. Actual post-acquisition O&M expenses decreased by 3.0 percent and 6.7 percent respectively between the first three years. By 2025, Sunshine's O&M expense had decreased from CSWR-Florida's first year of operations to $1,650,377, approximately 68.6 percent above the pre-acquisition expense level of $978,605 recorded in 2021.

In response to Staff's Fifth Data Request, the Utility stated that it anticipates operating expenses to remain generally consistent with those reflected in its first three years of actual operations. Given the ongoing improvements to operations, the Utility explained it would be inconsistent to anticipate a reduction in O&M expenses in the future; however, it does not anticipate large increases in O&M expenses absent unanticipated issues arising.[44]

We recognize that a portion of post-acquisition expenses are necessary to address aging infrastructure and improve system operations. We also note that Sunshine benefits from access to shared managerial, technical, and administrative resources that are distributed across a substantially larger customer base. However, the Utility's actual O&M expenses during its first three years of operation exceed pre-acquisition O&M expense levels, which may reduce the extent to which customers benefit from anticipated efficiencies in the cost of providing service.

D. Ability to Attract Capital

Rule 25-30.0371(3)(a)5., F.A.C., provides that in determining whether to grant a full or partial positive acquisition adjustment for the acquisition of a non-viable system, we will consider the acquiring utility's ability to attract capital at reasonable costs. Subsection 25-30.0371(3)(b)13., F.A.C., of the rule requires an explanation of how the acquiring utility has greater access to capital than the acquired utility, if applicable. As discussed below, we find that Sunshine 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 Sunshine's ability to attract third-party funding.

[42] Document No. 03370-2026.
[43] *Id.*
[44] *Id.*

As demonstrated in its petition, CSWR-Florida has greater access to capital than Sunshine 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 than did Sunshine 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.[45] 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.

Based on our analysis, we find that CSWR-Florida has demonstrated the customers of Sunshine 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 Sunshine.[46]

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

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[45] Docket No. 20250052-WS, *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.* Staff notes that the administrative hearing has concluded with respect to the rate case, but a post-hearing vote on CSWR-Florida's rate request has not occurred as of the filing of this recommendation.

[46] Order No. PSC-2022-0120-PAA-WU, issued March 18, 2022, in Docket No. 20210095-WU, *In re: Application for transfer of water facilities of Sunshine Utilities of Central Florida, Inc. and water Certificate No. 363-W to CSWR-Florida Utility Operating Company, LLC, in Marion County*.

F. Conclusion

We find that the customers of Sunshine will benefit from the acquisition through anticipated improvements in quality of service, the ability to attract capital, and the professional and experienced managerial, financial, technical, and operational resources, but not through anticipated improvements in regulatory compliance.

IV. Appropriate Amount of Positive Acquisition Adjustment

CSWR-Florida requests we approve a positive acquisition adjustment of $5,751,911 related to its 2022 purchase of Sunshine's water systems and allow that acquisition adjustment to be amortized over 30 years. The total purchase price was $6,000,000 for assets with a NBV of $248,089. The purchase price also included $315,661 attributable to land; however, we voted at our September 10, 2026 Agenda Conference to allow CSWR-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 $5,436,250. 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 below.

Table 3
Acquisition Adjustment Summary

Acquired Utility	Purchase Price	Net Book Value	Requested Acquisition Adjustment	Requested Acquisition Adjustment Minus Land Value
Sunshine	$6,000,000	$248,089	$5,751,911	$5,436,250

Source: Document No. 01877-2025 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, by 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.[47] The purpose for this exception was historically to encourage large, sophisticated companies to buy and

[47] *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*.

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 $5,436,250 through a positive acquisition adjustment. First, the Sunshine water system should be classified as a non-viable utility. Sunshine has been unable to provide safe, adequate, and reliable service. The photographs of Sunshine's systems submitted by CSWR-Florida with its petition provide compelling visual evidence of the poor condition of the Utility's infrastructure and further support our finding that Sunshine is a non-viable utility.

The transaction to acquire Sunshine 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, staffing and operational expertise, implementation of modern monitoring and management technologies, and improved customer service capabilities. These improvements are 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 the full acquisition adjustment, minus the land value recovered in the 2025 Rate Case, 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 $5,436,250 for CSWR-Florida's acquisition of the Sunshine water utility. This amount represents CSWR-Florida's full requested acquisition adjustment, minus the land value recovered by the Utility in the 2025 Rate Case.[48] 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.

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

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 Sunshine Utilities, Inc. is approved as set forth above. It is further

ORDERED that the Utility's full requested acquisition adjustment (minus the amount CSWR-Florida recovered from land value in Docket 20250052-WS) of $5,436,250, is approved. Further, we reserve the right to exercise our existing authority under Rule 25-30.0371(6), F.A.C., to revisit the Sunshine 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 final 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 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 Sunshine utilities of Central Florida, Inc. (Sunshine).

The Commission approved the transfer of Sunshine to CSWR-Florida, but denied the requested positive acquisition adjustment in 2022.[49] 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 version of Rule 25-30.0371, F.A.C., nor the Florida Statutes, contain express language indicating that the rule should be applied retroactively.

[49] Order No. PSC-2022-0120-PAA-WU, issued on April 08, 2022, in Docket No. 20210095-WU, *In re: Application for transfer of water facilities of Sunshine Utilities of Central Florida, Inc. and water Certificate No. 363-W to CSWR-Florida Utility Operating Company, LLC, in Marion County.*

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.[50] 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.[51] Absent statutory authority, new or amended rules apply retroactively only when they effect a change in legal procedure.[52] 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 Sunshine 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, Sunshine 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 Sunshine should be classified as a non-viable utility as required under Rule 25-30.0371(3), F.A.C. Accordingly, if Sunshine 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 Sunshine's past and ongoing compliance issues primarily involve administrative, monitoring, reporting, sampling, and other corrective deficiencies, rather than violations indicating unsafe drinking water or a failure to provide adequate service to customers. Although the Sunshine continues to experience certain DEP compliance issues, these deficiencies have not prevented it from providing safe, adequate, and reliable service and facilities to its customers, nor do they indicate significant regulatory enforcement or compliance concerns. For these reasons, Sunshine 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.

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

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[50] *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).
[51] *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).
[52] *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)).

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
Sunshine's Compliance History (2017 – 2022)

A chronology and summary of Sunshine's compliance history for the past 5 years is provided below.[53]

Ashley Heights

1. March 10, 2022 – Compliance Assistance Offer resulting from March 7, 2022, Inspection

    a. Facility did not submit required sampling/testing reports for the synthetic organic contaminant endothall.

    b. Facility did not perform required testing for radiological contaminants radium-228, radium-226, combined uranium, and gross alpha particles, excluding radon and uranium, on time.

Belleview Oaks Estates

1. November 26, 2018 – Federal Safe Drinking Water Information System (SDWIS)[54] – Monitoring and Reporting Violations – January 1, 2017, through December 31, 2018, Compliance Period

    a. Facility missed disinfection byproduct monitoring (two violations).

2. March 10, 2022 – Compliance Assistance Offer following March 8, 2022, Inspection

    a. Facility did not submit required reports for radiological contaminants radium-228, radium-226, combined uranium, and gross alpha particles, excluding radon and uranium, on time.

Country Walk

1. March 10, 2022 – Compliance Assistance Offer resulting from March 2, 2022, Inspection

    a. Facility did not submit required sampling/testing reports for the synthetic organic contaminant endothall.

2. May 16, 2022 – Federal SDWIS – Monitoring Violation – January 1, 2020, through December 31, 2021, Compliance Period

[53] Document No. 01877-2025, Exhibits 3 through 29.
[54] CSWR-Florida provided a workbook listing all violations for the Sunshine water systems documented in the Environmental Protection Agency's SDWIS database for the 5 years prior to acquisition; however, no detailed documentation exists in the database. As such, there may be some overlap with the SDWIS and DEP compliance issues listed.

a. Facility failed to meet monitoring requirements for synthetic organic chemicals (one violation).

Eleven Oaks

1. March 10, 2022 – Compliance Assistance Offer – File review resulting from March 8, 2022, Inspection

   a. Facility did not submit required sampling/testing reports for the synthetic organic contaminant endothall.

2. May 16, 2022 – Federal SDWIS – Monitoring Violation – January 1, 2020, through December 31, 2021, Compliance Period

   a. Facility failed to meet monitoring requirements for synthetic organic chemicals (one violation).

Emil Mar

1. March 10, 2022 – Compliance Assistance Offer resulting from March 2, 2022, Inspection

   a. Facility did not submit required sampling/testing reports for the synthetic organic contaminant endothall.

Florida Heights

1. March 10, 2022 – Compliance Assistance Offer resulting from March 2, 2022, Inspection

   a. Facility did not submit required sampling/testing reports for the synthetic organic contaminant endothall.

   b. Facility did not perform required testing for radiological contaminants radium-228, radium-226, combined uranium, and gross alpha particles, excluding radon and uranium, on time.

2. May 16, 2022 – Federal SDWIS – Monitoring Violation – January 1, 2020, through December 31, 2021, Compliance Period

   a. Facility failed to meet monitoring requirements for synthetic organic chemicals (one violation).

Floyd Clark

1. March 10, 2022 – Compliance Assistance Offer resulting from March 8, 2022, Inspection

a. Facility did not submit required sampling/testing reports for the synthetic organic contaminant endothall.

b. Facility did not perform required testing for radiological contaminants radium-228, radium-226, combined uranium, and gross alpha particles, excluding radon and uranium, on time.

2. May 16, 2022 – Federal SDWIS – Monitoring Violation – January 1, 2020, through December 31, 2021, Compliance Period

a. Facility failed to meet monitoring requirements for synthetic organic chemicals (one violation).

Fore Oaks Estates

1. November 17, 2020 – Federal SDWIS – Monitoring and Reporting Violations – January 1, 2020, through December 31, 2020, Compliance Period

a. Facility missed disinfection byproduct monitoring (two violations).

2. March 10, 2022 – Compliance Assistance Offer resulting from March 2, 2022, Inspection

a. Facility did not submit required reports for radiological contaminants on time, which were required to be performed triennially.

Little Lake Weir

1. December 1, 2017 – Federal SDWIS – Monitoring and Reporting Violations – January 1, 2017, through December 31, 2017, Compliance Period

a. Facility failed to meet monitoring requirements for disinfection byproducts (two violations).

2. December 14, 2017 – Public Notice Issuance

a. Facility required to notice the public of late monitoring and submission of reports for disinfection byproducts total trihalomethanes (TTHM) and haloacetic acids (HAA5).

Oak Haven Quadruplexes

1. March 10, 2022 – Compliance Assistance Offer resulting from March 7, 2022, Inspection

a. Facility did not submit required sampling/testing reports for the synthetic organic contaminant endothall.

2. May 16, 2022 – Federal SDWIS – Monitoring Violation – January 1, 2020, through December 31, 2021, Compliance Period

    a. Facility failed to meet monitoring requirements for synthetic organic chemicals (one violation).

Oakcrest Villas/Sun Resort

1. March 11, 2022 – Compliance Assistance Offer resulting from March 2, 2022, Inspection

    a. Facility did not submit required reports for radiological contaminants on time.

Ocala Gardens

1. November 26, 2018 – Federal SDWIS – Monitoring and Reporting Violations – January 1, 2017, through December 31, 2018, Compliance Period

    a. Facility failed to meet monitoring requirements for disinfection byproducts (two violations).

Ocala Heights

1. December 1, 2017 – Federal SDWIS – Monitoring and Reporting Violations – January 1, 2017, through December 31, 2017, Compliance Period

    a. Facility failed to meet monitoring requirements for disinfection byproducts (two violations).

2. December 14, 2017 – Public Notice Issuance

    a. Facility required to notice the public of late monitoring and submission of reports for disinfection byproducts TTHM and HAA5.

3. November 1, 2019 – Federal SDWIS – Monitoring and Reporting Violations – January 1, 2019, through December 31, 2019, Compliance Period

    a. Facility failed to meet monitoring requirements for disinfection byproducts (two violations).

4. January 22, 2020 – Public Notice Issuance

    a. Facility required to notice the public of late monitoring and submission of reports for disinfection byproducts TTHM and HAA5.

5. February 16, 2021 – Federal SDWIS – Monitoring Violations – October 1, 2020, through October 31, 2020, Compliance Period

    a. Facility failed to conduct required assessment monitoring under the Ground Water Rule (one violation).

    b. Facility failed to meet routine monitoring requirements under the Revised Total Coliform Rule (one violation).

Ocklawaha Water Works (2 Water Treatment Plants (WTPs))

1. December 1, 2017 – Federal SDWIS – Monitoring and Reporting Violations – January 1, 2017, through December 31, 2017, Compliance Period

    a. Facility failed to meet monitoring requirements for disinfection byproducts (two violations).

2. November 15, 2019 – Compliance Assistance Offer resulting from October 30, 2019, Inspection

    a. Facility did not submit required reports for disinfection byproduct sampling.

3. February 5, 2021 – Inspection Related

    a. Check valve at the Ocklawaha Pines plant was not functioning properly.

4. March 10, 2022 – Compliance Assistance Offer resulting from March 8, 2022, Inspection

    a. Facility did not submit required sampling/testing reports for the synthetic organic contaminant endothall.

Quail Run

1. November 26, 2018 – Federal SDWIS – Monitoring and Reporting Violations – January 1, 2017, through December 31, 2018, Compliance Period

    a. Facility failed to meet monitoring requirements for disinfection byproducts (two violations).

2. March 10, 2022 – Compliance Assistance Offer resulting from March 7, 2022, Inspection

    a. Facility did not submit required sampling/testing reports for synthetic secondary foaming agents.

Sandy Acres

1. December 1, 2017 – Federal SDWIS – Monitoring and Reporting Violations – January 1, 2017, through December 31, 2017, Compliance Period

    a. Facility failed to meet monitoring requirements for disinfection byproducts (two violations).

2. December 14, 2017 – Public Notice Issuance

    a. Facility required to notice the public of late monitoring and submission of reports for disinfection byproducts TTHM and HAA5.

3. November 26, 2018 – Federal SDWIS – Monitoring and Reporting Violations – January 1, 2017, through December 31, 2018, Compliance Period

    a. Facility failed to meet monitoring requirements for disinfection byproducts (two violations).

Sun Ray Estates

1. December 1, 2017 – Federal SDWIS – Monitoring and Reporting Violations – January 1, 2017, through December 31, 2017, Compliance Period

    a. Facility failed to meet monitoring requirements for disinfection byproducts (two violations).

2. December 14, 2017 – Public Notice Issuance

    a. Facility required to notice the public of late monitoring and submission of reports for disinfection byproducts TTHM and HAA5.

3. November 15, 2019 – Compliance Assistance Offer – File review following October 30, 2019, Inspection

    a. Facility did not submit required reports for disinfection byproduct sampling.

4. November 20, 2019 – Federal SDWIS – Monitoring and Reporting Violations – January 1, 2019, through December 31, 2019, Compliance Period

    a. Facility failed to meet monitoring requirements for disinfection byproducts (two violations).

5. December 21, 2021 – Warning Letter resulting from October 30, 2019, Inspection

    a. Failure to monitor for disinfection byproduct contaminants during September 2021.

6. January 19, 2022 – Consent Order (OGC File No. 22-0122)

    a. Failed to monitor for disinfection byproducts in September 2021 as required in the facility's sampling plan, in violation of Rule 62-550.514(2)(b), F.A.C.

    b. Required to pay civil penalty in the amount of $1,150 as a result of the violation.

7. February 16, 2022 – Federal SDWIS – Monitoring and Reporting Violations – January 1, 2021, through December 31, 2021, Compliance Period

    a. Facility failed to meet monitoring requirements for disinfection byproducts (two violations).

Sunlight Acres

1. November 26, 2018 – Federal SDWIS – Monitoring and Reporting Violations – January 1, 2017, through December 31, 2018, Compliance Period

    a. Facility failed to meet monitoring requirements for disinfection byproducts (two violations).

2. August 18, 2020 – Compliance Assistance Offer resulting from July 28, 2020, Inspection

    a. Failed to maintain flow meter calibration.

    b. Hydro tank properly inspected but was not completed in the required timeframe (5 years following installation).

Whispering Sands

1. March 10, 2022 – Compliance Assistance Offer resulting from March 7, 2022, Inspection

    a. Facility did not submit required sampling/testing reports for the synthetic secondary foaming agents.

2. May 16, 2022 – Federal SDWIS – Monitoring Violation – January 1, 2020, through December 31, 2021, Compliance Period

    a. Facility failed to meet monitoring requirements for synthetic organic chemicals (one violation).

Winding Waters

1. December 14, 2017 – Public Notice Issuance

    a. Facility required to notice the public of late monitoring and submission of reports for disinfection byproducts TTHM and HAA5.

Sunshine (All 23 Water Systems)

1. May 24, 2022 – CSWR-Florida acquires Sunshine.

The three remaining Sunshine systems, Hilltop at Lake Weir, Oak Hurst, and Ponderosa Pines (2 WTPs) were in compliance with DEP during the specified time period.