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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for an acquisition adjustment for the non-viable utility Neighborhood Utilities, Inc., by CSWR-Florida Utility Operating Company, LLC.	DOCKET NO. 20250130-WS ORDER NO. PSC-2026-0395-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 NEIGHBORHOOD 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

Neighborhood Utilities, Inc. (Neighborhood) is a water utility operating in Duval County, serving approximately 447 water customers as of year-end 2024. We approved the transfer of Neighborhood to CSWR-Florida Utility Operating Company (CSWR-Florida or Utility) in 2022 by Order No. PSC-2022-0364-PAA-WU.[1] As part of the transfer proceeding, we determined that Neighborhood's net book value (NBV) at the time of acquisition was $60,063, with a purchase price of $460,000. 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-2022-0364-PAA-WU, issued on October 25, 2022, in Docket No. 20220019-WU, *In re:# Application for transfer of water facilities of Neighborhood Utilities, Inc. and water Certificate No. 430-W to CSWR-Florida Utility Operating Company, LLC, in Duval County.*

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 Neighborhood 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 shall 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 October 24, 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 $399,937.[2] On April 30, 2026, 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 Neighborhood was transferred to CSWR-Florida.[3] We denied OPC's motion by Order No. PSC-2026-0301-PCO-WS, issued August 24, 2026.[4]

[2] Document No. 14784-2025.
[3] Document No. 02526-2026.
[4] Order No. PSC-2026-0301-PCO-WS, issued August 24, 2026, in Docket Nos. 20250130-WS, *In re: Petition for an acquisition adjustment for the non-viable utility Neighborhood Utilities, Inc., by CSWR-Florida Utility Operating*

This order addresses CSWR-Florida's request for a positive acquisition adjustment with respect to its acquisition of the Neighborhood 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 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

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Company, LLC.; and 2025136-WS, *Petition for an acquisition adjustment for the non-viable utility Rolling Oaks 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.

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 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 data as well as our prior orders and Neighborhood's compliance post-acquisition. Based upon this review, we find that, prior to acquisition, Neighborhood had been unable to maintain safe, adequate, and reliable services and facilities. This was demonstrated by Neighborhood's failure to comply with enforcement actions by state and local regulatory agencies concerning violations of health, safety, and environmental standards. In addition, the system received insufficient investment, repair, maintenance, and had inadequate managerial and operational personnel to ensure safe and reliable service to its customers.

On November 23, 2016, in Neighborhood's last rate case, before the system was acquired by CSWR-Florida, we determined that Neighborhood's quality of service was satisfactory, and its water quality was in compliance with the Florida Department of Environmental Protection (DEP) standards. Regarding the operating condition of Neighborhood's plant and facilities, DEP identified the following deficiencies in Neighborhood's Sanitary Survey Reports dated September 29, 2011, and January 24, 2014: (1) well casings corroded (repeat); (2) aerator screens not cleaned; (3) tank inspections not performed by a licensed engineer; (4) ground storage tank corroded (repeat); and (5) no Operation and Maintenance manual (repeat). Neighborhood corrected all but one deficiency, the tank inspection (No. 3), which was overdue by 18 months. Neighborhood indicated that this deficiency remained uncorrected due to

[11] *Id*.
[12] Rule 25-30.0371(1)(e)2., F.A.C.
[13] Rule 25-30.0371(4), F.A.C.

insufficient funds from declining revenues and requested that the tank inspection be included as a pro forma project.[14]

From 2019 through 2022, prior to CSWR-Florida's acquisition of Neighborhood on November 17, 2022, the system had recurring compliance and operational issues with DEP, as well as monitoring and reporting violations documented in the federal Safe Drinking Water Information System (SDWIS).[15] DEP issues included a bacteriological monitoring violation and failure to provide the required public notice, an inoperable emergency generator resulting in a lack of standby power, corrosion below an aerator, leaking pumps, and biological growth in a well pump. DEP issued multiple warning letters and other regulatory actions addressing these issues, including a Consent Order executed in June 2022 that required payment of $2,500 for violations related to the failed generator, leaking pumps, and biological growth in a well pump. The SDWIS violations involved routine monitoring under the Revised Total Coliform Rule, monitoring and reporting under the Lead and Copper Rule, and inadequate reporting under the Consumer Confidence Rule. A more detailed description of DEP compliance history is provided in Attachment A, which is incorporated and attached to this order.[16]

Neighborhood returned to compliance with DEP before the acquisition on June 7, 2022, upon completion of the requirements in the Consent Order discussed in Item 6 in Attachment A. Our staff reviewed Neighborhood's compliance history following the acquisition and determined the system has remained in compliance with DEP.[17]

As discussed above, Neighborhood has had a history of regulatory compliance issues, prior to acquisition. These historical violations were not limited to managerial or administrative deficiencies such as reporting issues or late submission of filing requirements, but included serious operational and infrastructure related deficiencies that directly affected the condition, maintenance, and operation of the water system, including equipment deterioration, permit exceedances, and ongoing treatment plant failures. Even though Neighborhood is currently in compliance with DEP, we find that the nature, frequency, duration, and severity of Neighborhood's historical deficiencies, considered together with the condition of the system and the Utility's managerial, operational, financial, and technical capabilities, demonstrate an inability to provide and maintain safe, adequate, and reliable service. Based on Neighborhood's history of failing to maintain safe, adequate, and reliable services, we find Neighborhood shall be considered a non-viable utility.

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[14] Order No. PSC-2016-0537-PAA-WU, issued November 23, 2016, in Docket No. 20150181-WU, *In re: Application for staff-assisted rate case in Duval County by Neighborhood Utilities, Inc.*

[15] CSWR-Florida provided a workbook listing all violations for the Neighborhood system documented in the Environmental Protection Agency's SDWIS database for the 5 years prior to acquisition, which identified 5 monitoring and reporting violations; however, no detailed documentation exists in the database. As such, there may be some overlap with the DEP compliance issues listed.

[16] Document No. 14784-2025, Exhibit 3.

[17] Document No. 03101-2026.

B. Insolvency

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

C. Conclusion

Neighborhood meets the criteria 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, Neighborhood has been the subject of enforcement and compliance actions by DEP arising from its historical noncompliance with health, safety, and environmental standards. Prior to acquisition, it has also failed to adequately invest, repair, and maintain its facilities, and additionally has lacked adequate managerial and operational capabilities. Therefore, we find that Neighborhood 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 Neighborhood 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 Neighborhood. 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 May 27, 2021, which includes a purchase price of $460,000 for all assets used by the seller to provide water service to customers in Duval County. The transaction closed in November 2022.[18]

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 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 due diligence to evaluate an actual fair market value. By establishing a purchase price based on

[18] Document No. 014748-2025, page 3.

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 *Asset Valuation Report* dated September 17, 2021, that estimated the original installation cost of the assets in 1991, the hypothetical installation cost in 2021, and an estimated depreciated book value of $438,860.[19] CSWR-Florida also obtained an engineering evaluation conducted by Woodard & Curran, dated August 2021, to assess the condition of the water treatment plant 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 Utility 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 $399,937 to recover the premium it paid to purchase the assets of Neighborhood.[22] The price premium will be included in Neighborhood'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. 01165-2026.
[20] *Id.*
[21] *Id.*
[22] Document No. 014748-2025, page 3.

customer and cost data filed in the docket and amortized over 30 years is $0.16 per month 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 Neighborhood - 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 $399,937 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 Section 25-30.433(1), F.A.C.

A review of Neighborhood's historical chemical analyses, both before and after the acquisition (2020 through 2026), indicated that the system has consistently remained in compliance with DEP's primary and secondary standards. Primary standards protect public health while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. Neighborhood's overall regulatory compliance is discussed in Attachment A.

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 Neighborhood's customers as a result of the acquisition.[24] These improvements are described below.

[23] Document No. 03772-2026 and our calculations.
[24] Document No. 14784-2025.

1. Infrastructure upgrades and preventative maintenance program investments to reduce the risk of system failures, and ensure a 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 which provides 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, improve information delivery to customers regarding system operations, and planned and completed system improvements.
7. Third-party call center that provides round-the-clock access for customers.

8. Cloud-based customer information and billing system that 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 reviewed the complaints received by DEP and our Consumer Activity Tracking System from January 2020 through February 2026.[26] This includes complaints filed prior to CSWR-Florida's acquisition on November 17, 2022. Under the prior owner, DEP received no complaints, and we received one improper billing complaint in 2022. While under CSWR-Florida's ownership, DEP received no complaints, and we received two improper billing

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

complaints in 2025 and 2026, one water pressure complaint in 2025, and one connection delay complaint in 2025.

Our staff also analyzed the complaints received by CSWR-Florida from November 2022 to June 2026; however, complaints filed with the Utility prior to the acquisition are unavailable. Table 1 shows the total number of complaints by category that CSWR-Florida reported.[27] For reference, Neighborhood serves approximately 447 customers.

Table 1
Number of Utility Post-Acquisition Complaints by Category

Year	Billing	Customer Service	Water Product Quality	Service Interruptions	Total
2022	-	1	-	-	**1**
2023	34	5	10	84	**133**
2024	51	9	9	20	**89**
2025	17	12	10	161	**200**
2026	18	11	3	67	**99**
Total	**120**	**38**	**32**	**332**	**522**

Source: Document No. 05209-2026.

The complaints range from billing disputes to service interruptions to general inquiries. Based on the provided complaint log,[28] CSWR-Florida has been responsive to these customer complaints.[29] In order to resolve these complaints, the Utility: (1) assisted customers with payment methodologies and provided payment plans; (2) restored service, repaired lines, corrected the water pressure, and investigated complaints regarding odor and color and tested water quality; and (3) answered questions about the rates and boil water notices.

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 these billing complaints as they arise. CSWR-Florida identified improvements such as a third-party call center and cloud-based billing system intended to improve the customers' experience. Based on the above, we find that Neighborhood'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 Neighborhood's customers.

[27] 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 3-1 may overstate the actual number of customer complaints.
[28] 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.
[29] CSWR-Florida's response to Staff's Third Set of Interrogatories, No. 85 in Docket No. 20250052-WS.

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 DEP's rules. To determine whether Neighborhood's customers will benefit from anticipated improvements in regulatory compliance, as result of CSWR-Florida's acquisition, our staff reviewed Neighborhood'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 issue considers this pre-acquisition compliance history, as detailed in Attachment A, as well as our determination regarding Neighborhood'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.

In the 2016 order issued in Neighborhood's last rate case before the system was acquired by CSWR-Florida, we determined that Neighborhood's quality of service was satisfactory and that its water quality was in compliance with DEP standards. However, our staff also identified deficiencies in the operating condition and maintenance of the plant and facilities, as indicated by DEP, including corroded well casings and tanks, failure to complete required tank inspections, and deficiencies in operation and maintenance documentation.[30] From 2019 through 2022, prior to CSWR-Florida's acquisition, Neighborhood had additional DEP compliance issues involving bacteriological monitoring, public notification, standby power, corrosion, and leaking pumps, as well as SDWIS monitoring and reporting violations.[31] In June 2022, DEP executed a Consent Order addressing several of the outstanding issues, which required payment of a $2,500 penalty.

Neighborhood returned to compliance with DEP on June 7, 2022, prior to acquisition, upon completion of the requirements in the Consent Order discussed in Item 6 in Attachment A. Our staff reviewed Neighborhood's compliance history following the acquisition and determined the system has remained in compliance with DEP.[32]

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[30] Order No. PSC-2016-0537-PAA-WU, issued November 23, 2016, in Docket No. 20150181-WU, *In re: Application for staff-assisted rate case in Duval County by Neighborhood Utilities, Inc.*
[31] Document No. 14784-2025, Exhibit 3.
[32] Document No. 03101-2026.

As part of its petition, CSWR-Florida included a third-party engineering report, from Woodard & Curran, dated April 2021, which evaluated the system and identified 16 projects deemed necessary and their associated cost of $189,000. In addition, CSWR-Florida identified six additional projects based on its own assessment following acquisition.[33] The projects that have been completed by CSWR-Florida total approximately $287,847 and are listed below.[34]

1. Well Pump Replacement (Well #2) – Refurbished vertical turbine pump/motor and pump motor starters, and installed pump motor and 15 Horsepower vertical hollow shaft inverter duty turbine motor. These projects were completed February 1, 2024, April 1, 2024, and January 1, 2026. The total cost is $81,899.

2. Well 2 Maintenance – Cleared vegetation, replaced damaged piping, installed a new flow meter, and refurbished 6" station valve. These projects were completed January 1, 2024, and May 1, 2024. The total cost is $10,674.

3. Hydropneumatic Tank Recoating/Rehabilitation Interior/Exterior – Rehabilitated water and main storage tank to extend its useful life. These projects were completed May 31, 2023, through April 1, 2024. The total cost is $28,409.

4. New Air Compressor Installed – Installed a new air compressor to maintain pressure and air gap in hydro tank. These projects were completed April 1, 2024, and June 1, 2024. The total cost is $10,048.

5. Emergency Generator Replacement – Installed a 60KW generator to ensure the facility can deliver uninterrupted service in the event of a power outage. These projects were completed May 31, 2023, and January 1, 2025. The total cost is $82,682.

6. Chlorine Analyzer Installation – Installed chlorine analyzers to ensure that adequate chlorine residuals are maintained in drinking water, prevent bacteriological contamination issues, and reduce manual testing requirements. These projects were completed January 1, 2024, and April 1, 2024. The total cost is $1,915.

7. Remote Monitoring – Installed remote monitoring equipment to allow operators to monitor the analyzer and ensure they are performing as required. These projects were completed May 31, 2023, June 1, 2024, and June 1, 2025. The total cost of the projects is $11,757.

8. Safety Equipment Installation – Installed new chemical shower and emergency eye wash station at treatment site to ensure operator safety in the event of a fire or

[33] 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.
[34] Document Nos. 14784-2025, 01973-2026, 02792-2026, and 03426-2026.

exposure to disinfection chemicals. These projects were completed April 1, 2024, June 1, 2024, and July 1, 2024. The total cost is $10,838.

9. Booster Pumps Replacements – Replaced booster pumps to ensure the pumping system can continue to provide adequate system pressure due to three pumps failing since closing the acquisition. These projects were completed January 1, 2024, and May 1, 2024. The total cost is $16,326.

10. General Distribution Repairs – Installed automatic flushers on flushing hydrants, exercised/repaired/installed additional isolation valves, repaired any leaks or breaks that could be identified. These projects were completed May 31, 2023, through July 1, 2024. The total cost is $33,299.

11. Tank Inspections – Completed required hydro tank inspections. CSWR-Florida identified an estimated completion of the first quarter of 2024. The actual in-service dates and estimated costs were not available as the third-party operation firm used by CSWR-Florida did not provide the specific details associated with the projects.[35]

12. Tank 2/Aeration Unit Exterior Recoating – Recoated the exterior of Tank 2 to address the longer-term issues related to corrosion until it can be replaced. CSWR-Florida identified an estimated completion of the first quarter of 2024. The actual in-service dates and estimated costs were not available as the third-party operation firm used by CSWR-Florida did not provide the specific details associated with the projects.[36]

13. Flood Lighting Installation – Installed flood lighting for after-hour operation to ensure operators can safely complete maintenance activities after dark and during emergency maintenance responses. CSWR-Florida identified an estimated completion of the fourth quarter of 2023. The in-service dates and estimated costs were not available as the third-party operation firm used by CSWR-Florida did not provide the specific details associated with the projects.[37]

In addition to the projects listed 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 system complies with applicable laws and permit limits. CSWR-Florida also provided a preliminary estimate of $1,250,000 for upgrades to the existing plant, which includes the decommissioning and replacement of both ground storage tanks and aeration treatments. However, these projects have not yet commenced because CSWR-Florida is currently evaluating the possibility of interconnecting the Neighborhood system with JEA (City of Jacksonville). CSWR-Florida began discussions with JEA in January 2026 and indicated that it is currently reviewing cost information for the proposed interconnection.[38]

[35] Document No. 03426-2026.
[36] *Id.*
[37] *Id.*
[38] *Id.*

As previously discussed, Neighborhood has had a history of regulatory compliance issues, prior to acquisition. These historical violations were not limited to managerial or administrative deficiencies, such as, reporting issues or late submission, but included serious operational and infrastructure related deficiencies that directly affected the condition, maintenance, and operation of the water system, including equipment deterioration, permit exceedances, and ongoing treatment plant failures. Given the severity and nature of these violations, we find CSWR-Florida's completed projects and continued investments demonstrate meaningful improvements in regulatory compliance. Therefore, we find that Neighborhood'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.[39]

According to the Utility's petition, CSWR, LLC (CSWR-Florida's parent company) and CSWR-Florida are part of an affiliate group that currently owns and operates water and wastewater systems serving approximately 448,000 customers.[40] 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 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, Neighborhood's O&M expense was $176,445. The Utility's average O&M expense during the 5-year period preceding the acquisition was $159,564. CSWR-Florida acquired Neighborhood on November 17, 2022. In response to Staff's First Data Request, CSWR-Florida projected an

[39] *See* Order No. PSC-2001-2501-FOF-WU, filed December 21, 2001, in Docket No. 1991666-WU, *Application for amendment of Certificate No. 106-W to add territory in Lake County by Florida Water Services Corporation.*
[40] Document No. 14784-2025.

average O&M expense of $155,682 during the first 5 years following the acquisition.[41] Table 2 summarizes Neighborhood's historical and projected O&M expenses.

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

Year	O&M Expense	Difference from Previous Year (%)
2017 (Actual)	$136,080	
2018 (Actual)	$147,440	8.35%
2019 (Actual)	$174,748	18.52%
2020 (Actual)	$163,109	-6.66%
2021 (Actual)	$176,445	8.18%
Pre-Acquisition Average	**$159,564**	
2023 (Projected)	$145,159	
2024 (Projected)	$150,240	3.50%
2025 (Projected)	$155,498	3.50%
2026 (Projected)	$160,940	3.50%
2027 (Projected)	$166,573	3.50%
Projected Post-Acquisition Average	**$155,682**	

Source: Document Nos. 14784-2025, and 01165-2026.

The Utility provided the following (post-acquisition) actual operating expenses for the first three years of operations under CSWR-Florida: $203,233, $232,118, and $254,642 respectively.[42] The average actual O&M expense for the first three years of operations was $229,998. Actual post-acquisition O&M expenses increased by 14.2 percent and 9.7 percent respectively between the first three years. By 2025, Neighborhood's O&M expense had increased to $254,642, approximately 44.3 percent above the pre-acquisition expense level of $176,445 recorded in 2021.

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.[43] 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 Neighborhood will be less than if they were incurred by the utility on a stand-alone basis.[44]

[41] Document No. 01165-2026.
[42] Document No. 03005-2026.
[43] Document No. 03372-2026.
[44] *Id.*

In response to Staff's Sixth 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 utility 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.[45]

We recognize that a portion of post-acquisition expenses are necessary to address aging infrastructure and improve system operations. We also note that Neighborhood 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 and trend upward each year, 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., 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 Neighborhood 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 Neighborhood's ability to attract third-party funding.

As demonstrated in its petition, CSWR-Florida has greater access to capital than Neighborhood 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 Neighborhood 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.[46] 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.

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[45] *Id.*

[46] 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.*

Based on our analysis, we find that CSWR-Florida has demonstrated the customers of Neighborhood 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 it authorized CSWR-Florida to operate several systems in Florida, including Neighborhood.[47]

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

F. Conclusion

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

IV. Appropriate Amount of Positive Acquisition Adjustment

CSWR-Florida requests that we approve a positive acquisition adjustment of $399,937 related to its 2022 purchase of the Neighborhood water system and allow that acquisition adjustment to be amortized over 30 years. The total purchase price for Neighborhood was $460,000 for assets with a NBV of $60,063. The purchase price also included $38,628 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 $361,309. 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.

[47] Order No. PSC-2022-0364-PAA-WU, issued October 25, 2022, Docket No. 20220019-WU, *In re: Application for transfer of water facilities of Neighborhood Utilities, Inc. and water Certificate No. 430-W to CSWR-Florida Utility Operating Company, LLC, in Duval County*.

Table 3
Acquisition Adjustment Summary

Acquired Utility	Purchase Price	Net Book Value	Requested Acquisition Adjustment	Requested Acquisition Adjustment Minus Land Value
Neighborhood	$460,000	$60,063	$399,937	$361,309

Source: Document No. 14784-2025 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 the 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 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.[48] 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 $361,309 through a positive acquisition adjustment. First, the Neighborhood system was a non-viable utility at the time of acquisition. Under its previous ownership, Neighborhood was unable to provide safe, adequate, and reliable service, as evidenced by extensive deterioration of treatment facilities and a documented pattern of enforcement actions and compliance deficiencies by government regulators.

The transaction to acquire Neighborhood 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. In addition, an adjustment is warranted based on the information received in this case, because 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

[48] *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*.

improved customer service capabilities. These improvements are both immediate and ongoing, and they directly address the deficiencies that rendered the system non-viable.

The Neighborhood acquisition is consistent with 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 Docket No. 20250052-WS, 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 $361,309 for CSWR-Florida's acquisition of the Neighborhood water system. This amount represents CSWR-Florida's full requested acquisition adjustment, minus the land value recovered by the Utility in the 2025 Rate Case. 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 a wastewater system. 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 the Neighborhood 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 $361,309 is approved.

Further, we reserve the right to exercise our existing authority under Rule 25-30.0371(6), F.A.C., to revisit the Neighborhood 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.

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 my dissent in Order No. PSC-2026-0301-PCO-WS, the Commission should not approve CSWR-Florida's requested acquisition adjustment for Neighborhood Utilities, Inc. (Neighborhood).

The Commission approved the transfer of Neighborhood 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. The current version of Rule 25-30.0371, F.A.C., does not contain express language signaling it should apply 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.[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, as stated above, the rule does not contain express language allowing retroactive application. For these reasons, the current version of Rule 25-30.0371, F.A.C., should not be applied retroactively to the Neighborhood acquisition adjustments. Instead, the prior version of Rule 25-30.0371, F.A.C.,

[49] Order No. PSC-2022-0364-PAA-WU, issued November 15, 2022, in Docket No. 20220019-WU, *In re: Application for transfer of water facilities of Neighborhood Utilities, Inc. and water Certificate No. 430-W to CSWR-Florida Utility Operating Company, LLC, in Duval County.*

[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)).

should have been applied to this petition, under which we previously determined that CSWR-Florida was ineligible for an acquisition adjustment.

Moreover, 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's decision rests on legal, rather than policy, grounds. Applications that were not previously filed 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
Neighborhood's Compliance History (2019 – 2022)

A chronology and summary of Neighborhood's compliance history is provided below.

1. May 28, 2019 – Warning Letter.
    a. Deficient regarding bacteriological sampling for not providing notice to the public.
    b. Emergency generator did not function.
    c. Corrosion located below aerator on GST2.
2. June 24, 2019 – Public Notice – Bacteriological Notice and Certificate of Delivery.
    a. Public notice verification for monitoring violation, fecal coliform, lab work indicated results for most samples (as identified above in No. 1a).
    b. Included information for one sample which no results or data was available.
3. September 3, 2020 – Warning Letter issued regarding leaking pumps and identifying that the emergency generator was still not functioning (No. 1b).
4. December 14, 2020 – Notice of Incident/Malfunction.
    a. DEP received notification of an incident/malfunction from the system; and advised an inspector may follow up.
5. October 25, 2021/January 11, 2022/April 1, 2022 – Consent Order – Draft Long Form Consent Order 21-0814.
    a. First draft of Consent Order 21-0814.
    b. Violations identified:
        i. No standby power provided (Failed Generator since 2017).
        ii. Leaking high service pump.
        iii. Well Pump 1 had biological growth in pump housing.
        iv. Well Pump 1 leaking.
        v. Final Consent Order – Includes: $2,500 penalty and enforcement costs.

6. June 7, 2022 – Consent Order – OGC 21-0814 ($2,500.00 Penalty/Cost).

    a. Penalty Paid.

    b. The non-compliance was related to condition of assets and backup power being down for a very long time, which then resulted in fines.

7. November 17, 2022 – CSWR-Florida acquires Neighborhood.[53]

[53] Order No. PSC-2022-0364-PAA-WU, issued October 25, 2022, in Docket No. 20220019-WU, *In re: Application for transfer of water facilities of Neighborhood Utilities, Inc. and water Certificate No. 430-W to CSWR-Florida Utility Operating Company, LLC, in Duval County*.