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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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| In re: Petition for an acquisition adjustment for the non-viable utility Rolling Oaks Utilities, Inc., by CSWR-Florida Utility Operating Company, LLC. | DOCKET NO. 20250136-WS<br>ORDER NO. PSC-2026-0396-PAA-WS<br>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 ROLLING OAKS 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

Rolling Oaks Utilities, Inc. (Rolling Oaks) is a water and wastewater utility operating in Citrus County, serving approximately 6,229 water and 5,474 wastewater customers as of year-end 2025. CSWR-Florida Utility Operating Company (CSWR-Florida or Utility) acquired Rolling Oaks in 2022 while the utility was under the jurisdiction of Citrus County. Rolling Oaks' net book value (NBV) at the time of acquisition was $555,680, with a purchase price of $33,000,000. As part of the transfer, CSWR-Florida requested the approval of a positive acquisition adjustment. Citrus County applied our rule in effect at that time, Rule 25-30.0371, F.A.C., and denied the requested positive acquisition adjustment. Upon Citrus County's return of jurisdiction under Section 367.171(1), Florida Statutes (F.S.), we granted grandfather certificates to CSWR-Florida for Rolling Oaks in 2025 by Order No. PSC-2025-0280-PAA-WS.[1]

[1] Order No. PSC-2025-0280-PAA-WS, issued on July 21, 2025, in Docket No. 20240130-WS, *In re: Application for grandfather certificate to operate water and wastewater utility in Citrus County, by CSWR-Florida Utility Operating Company, LLC.*

There is no specific statutory provision addressing acquisition adjustments in Chapter 367, 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 Rule 25-30.0371, F.A.C., 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 Rolling Oaks 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 required consideration of 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.

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 November 7, 2025, CSWR-Florida petitioned us for a positive acquisition adjustment for acquisition of a non-viable system under the amended rule, requesting an acquisition adjustment of $32,444,319.[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 Citrus County at the time Rolling Oaks 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. 14979-2025.
[3] Document No. 02525-2026.
[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 Rolling Oaks 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, *In re: 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] 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 and wastewater service for the 5 years prior to the date of acquisition. Our staff reviewed this data as well as Rolling Oaks' regulatory compliance post-acquisition. Because Rolling Oaks was transferred to CSWR-Florida on November 30, 2022, following Citrus County's rescission of jurisdiction, we did not produce any prior rate case orders.

From 2017 through 2022, prior to CSWR-Florida's acquisition of Rolling Oaks, the wastewater system had recurring compliance and operational issues with the Florida Department of Environmental Protection (DEP), and the water system had monitoring and reporting violations documented in the federal Safe Drinking Water Information System (SDWIS).[14] DEP issues included effluent exceedances for fecal coliform and total residual chlorine, damage to the effluent disposal area fencing, groundwater monitoring exceedances for pH and nitrate-nitrogen, several sanitary sewer overflows (SSOs), and deficiencies identified during inspections involving treatment equipment, facility maintenance, missing emergency contact information, and biosolids reporting. DEP issued multiple Compliance Assistance Offers and other regulatory actions addressing these issues. In September 2022, DEP issued a final permit requiring Rolling Oaks to upgrade the facility to 1 million gallons per day (MGD) and meet a 3 milligrams per liter (mg/L) total nitrogen (TN) limit established in Administrative Order (AO) No. 047-SWD22. The

[11] *Id*.
[12] Rule 25-30.0371(1)(e)2., F.A.C.
[13] Rule 25-30.0371(4), F.A.C.
[14] CSWR-Florida provided a workbook listing all violations for the Rolling Oaks water system documented in the Environmental Protection Agency's SDWIS database for the 5 years prior to acquisition, which identified four monitoring and reporting violations; however, no detailed documentation exists in the database.

SDWIS violations involved monitoring and reporting under the Lead and Copper Rule, the Ground Water Rule, and the Revised Total Coliform Rule. A more detailed description of the DEP compliance history is provided in Attachment A, which is incorporated and attached to this order.[15]

Based upon our staff's review, we find that prior to acquisition, Rolling Oaks had been unable to maintain safe, adequate, and reliable services and facilities. This was demonstrated by Rolling Oaks' 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.

Following the acquisition, DEP issued CSWR-Florida a Warning Letter on March 4, 2026, which contained several required actions for the system to return to compliance. The following are the issues that the DEP Warning Letter identified: (1) the plant had an ongoing discharge of solids to the rapid infiltration basins due to a plant upset; (2) the facility had not complied with AO No. 047-SWD22 (No. 13(a) in Attachment A), which required meeting TN limits; (3) the facility had been reporting flows under the incorrect version of the Discharge Monitoring Reports (DMR); (4) the three-month average daily flow exceeded 50 percent of the permitted capacity for greater than three consecutive months; (5) exceedances were noted in the effluent and groundwater sampling without providing sufficient comments in the DMRs; and (6) groundwater well-pads were not properly maintained. CSWR-Florida is required to complete all necessary improvements to meet the 3 mg/L TN effluent limitation in the AO by October 23, 2027.

Rolling Oaks' wastewater permit renewal (No. 13(a) in Attachment A), states that Rolling Oaks' wastewater treatment plant (WWTP) is required to meet DEP's TN limits. In Exhibit 4 of the petition, CSWR-Florida stated that the WWTP cannot currently meet DEP's TN limits and therefore must be improved and upgraded to handle the 1 MGD capacity identified in the permit renewal. Therefore, Rolling Oaks' WWTP will be replaced by a larger plant designed to meet the TN limits required by DEP, and to handle the increased capacity. CSWR-Florida has engaged a third-party engineering firm to design a new wastewater treatment facility (WWTF) with a true capacity of 1 MGD, and will incorporate treatment processes capable of achieving effective removal of TN. The design of the new facility is currently in development, with an estimated total cost of $20,000,000, and estimated in-service date of August 2028.[16]

As discussed above, Rolling Oaks' wastewater system has had a history of significant regulatory compliance issues prior to acquisition. Although one significant compliance issue remains, CSWR-Florida has committed to a long-term solution through the upgrade of its WWTP. Rolling Oaks' historical violations were not limited to managerial or administrative deficiencies, such as reporting errors or late submissions. They also included serious operational and infrastructure-related deficiencies that directly affected the condition, maintenance, and

[15] Document No. 14979-2025, Exhibit 4.
[16] Document No. 03354-2026.

operation of its wastewater system, including equipment deterioration, permit exceedances, and ongoing treatment plant failures.

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

B. Insolvency

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

C. Conclusion

Rolling Oaks 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, Rolling Oaks has been the subject of enforcement and compliance actions by DEP arising from its historical and ongoing 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 Rolling Oaks 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 Rolling Oaks water and wastewater system satisfies the requirements of an arms-length transaction. The Utility states that the purchase price and terms of sale were determined through negotiations between representatives of CSWR-Florida and Rolling Oaks. 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 December 30, 2021, which includes a purchase price of $33,000,000 for all assets used by the seller to provide water and wastewater service to customers in Citrus County. The transaction closed in November 2022.[17]

[17] Document No. 014979-2025, page 3.

We note however that this is not a "check the box" rule. We have discretion to weigh the evidence on the arms-length transaction requirement. We also have the discretion to infuse our policy on this matter since if it is unclear from the record whether a utility acted fairly to the customers by paying a price that appears to be higher than necessary in lieu of performing more due diligence to evaluate an actual fair market value. By establishing a purchase price based on the anticipation of consumer-funded recovery, the transaction may not wholly be at arms-length because both buyer and seller have an impetus to seek a higher than necessary sale price. 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 August 23, 2022, that estimated the original installation cost of the assets in 1979, the hypothetical installation cost in 2021, and an estimated depreciated book value of $1,887,153.[18] CSWR-Florida also obtained an Appraisal Report by Valbride Property Advisers, dated June 7, 2021, that estimated the market value of the parcel of land owned by Rolling Oaks Utilities at $4,725,000 as of August 22, 2022.[19] CSWR-Florida also obtained an engineering evaluation conducted by Clearpoint Consulting Engineers, P.A., dated March 2022, to assess the condition of the water and WWTP 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]

[18] Document No. 01170-2026.
[19] *Id.*, page 95.
[20] *Id.*
[21] *Id.*

CSWR-Florida requested approval of a positive acquisition adjustment of $32,444,319 to recover the premium it paid to purchase the assets of Rolling Oaks.[22] The price premium will be included in Rolling Oaks' rate base and ultimately increase the rates paid by customers. The bill impact associated with the Utility's request when formulated through the latest assumed customer and cost data filed in the docket and amortized over 30 years is $11.96 per water customer and $11.96 per wastewater customer 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 Rolling Oaks - 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 $32,444,319 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 attempts to address customer satisfaction (water and wastewater), pursuant to Section 25-30.433(1), F.A.C.

A review of Rolling Oaks' historical chemical analyses, both before and after the acquisition (2020 through 2026), indicated that the system has consistently remained in compliance 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. Rolling Oaks' overall regulatory compliance is discussed in greater detail in Attachment A.

[22] Document No. 014979-2025, page 3.
[23] Document No. 03772-2026 and our staff's calculations.

Pursuant to Rule 25-30.0371(3)(b)10., F.A.C., CSWR-Florida listed the actual and expected improvements in the quality of service provided to Rolling Oaks' customers as a result of the acquisition.[24] These improvements are described below.

1. Infrastructure upgrades and preventative maintenance program investments to reduce the risk of system failures, and ensure safe and reliable water and wastewater systems, 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 codes on bills, and a Florida-specific website, that improve information delivery to customers regarding system operations, as well as 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 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]

[24] Document No. 14979-2025.
[25] *Id*.

Additionally, our staff reviewed the complaints received by DEP[26] from January 2020 through February 2026, and our Consumer Activity Tracking System (CATS) from May 2024 through February 2026.[27] This includes complaints filed prior to CSWR-Florida's acquisition on November 30, 2022. Under the prior owner, DEP received one boil water notice complaint in July 2022. While under CSWR-Florida's ownership, DEP received one boil water notice complaint in 2026, one odor complaint in 2024, and two miscellaneous complaints in 2023. Additionally, post-acquisition, between 2024 and 2026, CATS recorded six improper billing complaints, one outage complaint, three water pressure complaints, one inaccurate meter reading complaint, and one unfulfilled disconnection request complaint.

Our staff also analyzed the complaints received by CSWR-Florida from December 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.[28] For reference, Rolling Oaks serves approximately 11,703 customers.

**Table 1**
**Number of Utility Post-Acquisition Complaints by Category**

| Year | Billing | Customer Service | Wastewater Odor/Quality Issues | Water Product Quality | Service Interruptions | Total |
|---|---|---|---|---|---|---|
| **2022** | 1 | - | - | - | 16 | **17** |
| **2023** | 538 | 70 | 5 | 15 | 537 | **1,165** |
| **2024** | 370 | 111 | 12 | 24 | 311 | **828** |
| **2025** | 269 | 54 | 48 | 19 | 719 | **1,109** |
| **2026** | 54 | 36 | 39 | 15 | 771 | **915** |
| **Total** | **1,232** | **271** | **104** | **73** | **2,354** | **4,034** |

Source: Document No. 05210-2026.

The complaints range from billing/payment disputes to service interruptions to general inquiries. Based on the provided complaint log,[29] CSWR-Florida has been responsive to these customer complaints.[30] In order to resolve the complaints, the Utility: (1) assisted customers with payment methodologies, provided payment plans, and sent out technicians to investigate meter issues; (2) cleaned out sewer lines from backups and clogs, restored service, repaired lines, and corrected the water pressure; (3) investigated complaints regarding odor and color and tested water quality; (4) answered questions about the rates and boil water notices; and (5) returned call-back requests within 48 hours or by a specified timeframe.

[26] Document No. 01474-2026.
[27] Rolling Oaks became subject to our jurisdiction on May 28, 2024; therefore, the we do not have any CATS records prior to this date.
[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 1 may overstate the actual number of customer complaints.
[29] For each customer contact, the complaint log provided by CSWR-Florida identified the customer's name and account number, the date and time the customer contact was received and resolved, the applicable system, the category of the contact, and a description of the contact and its resolution.
[30] CSWR-Florida's response to Staff's Third Set of Interrogatories, No. 85 in Docket No. 20250052-WS.

The identified customer concerns should be further mitigated by the distribution line repair and remote monitoring projects, which will be discussed further below along with the Utility's regulatory compliance. In addition, the wastewater system has been subject to several significant compliance issues with DEP, such as SSOs, which CSWR-Florida plans to remedy. While CSWR-Florida also reported receiving billing complaints as discussed above, it appears that CSWR-Florida has been responsive to these complaints as they arise and identified improvements such as a third-party call center and cloud-based billing system intended to improve the customer's experience.

Based on the above, we find that Rolling Oaks' 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. The additional regulatory compliance projects to address the wastewater system shall also improve quality of service as it relates to sewage overflows, which pose environmental and health concerns. We find these improvements will enhance the quality of service provided to Rolling Oaks' 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 DEP's rules. To determine whether Rolling Oaks' customers will benefit from anticipated improvements in regulatory compliance, as a result of CSWR-Florida's acquisition, our staff reviewed Rolling Oaks' compliance history for the 5 years preceding the date of the acquisition, as well as its compliance history post-acquisition.

As discussed in Part 1 of this order and Attachment A, CSWR-Florida submitted any notices of violation, consent decrees or other regulatory actions issued during the 5 years prior to the date of acquisition, pursuant to Rule 25-30.0371(3)(b)8., F.A.C. Our staff reviewed this information along with DEP records. Our analysis in this section considers this pre-acquisition compliance history, as detailed in Attachment A, as well as the system's compliance following CSWR-Florida'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. Rolling Oaks was transferred to CSWR-Florida on November 30, 2022, following Citrus County's rescission of jurisdiction, and there have been no subsequent rate cases; thus there are no Commission rate case orders for our review.

For the 5 years preceding the acquisition, Rolling Oaks' water system experienced consistent monitoring and reporting violations with DEP primarily associated with total coliform

from positive bacteriological tests, as well as monitoring and reporting violations documented in the federal SDWIS, as discussed in Part I of this order; however, the system maintained a compliant status with DEP during this time period.[31] Following the acquisition, CSWR-Florida has maintained the water system's DEP compliance.[32]

As addressed in Part I of this order and Attachment A, Rolling Oaks' wastewater system had recurring compliance and operational issues with DEP prior to CSWR-Florida's acquisition, including effluent and groundwater monitoring exceedances, SSOs, and deficiencies involving treatment equipment, facility maintenance, and biosolids reporting. In September 2022, DEP issued a final permit requiring Rolling Oaks to upgrade the facility to 1 MGD and meet a 3 mg/L TN limit established in Administrative Order No. 047-SWD22 (No. 13(a) in Attachment A). Following the acquisition, DEP issued a Warning Letter in March 2026 addressing continued wastewater compliance issues, including failure to meet the 3 mg/L TN limit, reporting deficiencies, and other operational and maintenance deficiencies. CSWR-Florida is required to complete the necessary improvements to meet the 3 mg/L TN limit by October 23, 2027.

As part of its petition, CSWR-Florida included a third-party engineering report, from Clearpoint Consulting Engineers, P.A., dated March 2022, which evaluated the water system and identified six projects deemed necessary and their associated cost of $1,457,500. In addition, CSWR-Florida identified two additional projects based on its own system assessment following acquisition.[33] The water system projects that have been completed by CSWR-Florida total $1,308,722 and are listed below.

1. Disinfection System – Installed chlorine monitoring system, refurbished chlorine injector, rebuilt disinfection residual monitoring equipment, refurbished sterner pump, installed French drain discharge line, and replaced/cleaned injection point and duck bill. These projects were completed May 31, 2023, through December 1, 2024. The total cost of the projects is $89,511.

2. Distribution System – Repaired isolation valves, repaired fire/flushing hydrants, and repaired leak. These projects were completed May 31, 2023, through November 1, 2025. The total cost of the projects is $564,125.

3. Electrical System – Refurbished charging system, installed breaker panel/site lighting, installed new conduit/wiring to control box, installed new starter motor, refurbished fuel injection pump. These projects were completed May 31, 2023, through September 1, 2025. The total cost of the projects is $83,057.

4. Meters – Installed new meters. These projects were completed May 31, 2023, through June 1, 2025. The total cost of the projects is $188,524.

[31] Document No. 14979-2025, Exhibit 4.
[32] Document No. 03354-2026.
[33] The total number of projects identified in the engineering and Utility assessments does not match the total number of projects listed due to some project categories being combined.

5. Remote Monitoring – Installed remote monitoring equipment and supervisory control and data acquisition system on well. These projects were completed May 31, 2023, through January 1, 2025. The total cost of the projects is $70,928.

6. Site Improvements – Refurbished well houses, painted wells, removed trees, replaced well house exterior doors, and installed fencing. These projects were completed May 31, 2023, through January 1, 2025. The total cost of the projects is $213,152.

7. Wells – Refurbished well, well pump motor, well pipe, and vertical turbine pump, installed new meter spigot, and replaced lube lines. These projects were completed May 31, 2023, through September 1, 2025. The total cost of the projects is $99,425.

For the wastewater system, the third-party engineering report identified ten projects deemed necessary and their associated costs of $1,937,500. In addition, CSWR-Florida identified seven additional projects based on its own system assessment following acquisition.[34] The wastewater projects that have been completed by CSWR-Florida total approximately $1,937,733.

1. Aeration Equipment – Refurbished blower and blower rooms, and installed new aeration drop leg and diffusers. These projects were completed May 31, 2023, through April 1, 2025. The total cost of the projects is $231,227.

2. Clarifier Upgrades & Improvements – Refurbished clarifier and repaired damaged skimmer arm. These projects were completed April 1, 2024, and June 1, 2025. The total cost of the projects is $160,046.

3. Collection System/Sewer System – Refurbished gravity sewer main, sewer main, sewer lateral, and effluent line, and installed isolation valves, effluent pump, and new riser outfall pipe. These projects were completed January 1, 2024, through January 1, 2026. The total cost of the projects is $97,547.

4. Disinfection System – Installed chlorine monitoring system, piping for disinfection residual monitoring equipment, and duplex skit mount system, and replaced baffles in chlorine contact chamber. These projects were completed January 1, 2024, through March 1, 2025. The total cost of the projects is $30,119.

5. Electrical System – Installed submersible pump control panel, new light/outlet, new conduit/light, float control system, and 40 horsepower (HP) soft starter, completed electrical upgrades for blower room and lift station, refurbished lift station control panel, and constructed H-Frame for control boxes and remote monitoring. These projects were completed January 1, 2024, through June 1, 2025. The total cost of the projects is $100,930.

[34] 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.

6. Facility Structures – Poured concrete containment system for screening and converted lime tank to influent surge tank. These projects were completed January 1, 2024, through June 1, 2025. The total cost of the projects is $46,435.

7. Lift Stations – Refurbished lift station, force main, gate valve, and base elbow, installed chain for sewage pump, check valve, 3 HP sewage pump, floats/floats system, base/rail system, magnetic flow meter, and guide rails and piping for pump, and primed lift station pump. These projects were completed May 31, 2023, through January 1, 2026. The total cost of the projects is $408,384.

8. Monitoring Equipment – Installed remote monitoring units, chlorine monitoring system, and composite samplers. These projects were completed May 31, 2023, through January 1, 2025. The total cost of the projects is $154,613.

9. Pumping Equipment – Replaced broken pumps. This project was completed January 1, 2024. The total cost of the project is $3,884.

10. Safety – Installed eye wash and safety shower, and refurbished safety cabinets and handrails. These projects were completed January 1, 2024, through January 1, 2025. The total cost of the projects is $22,220.

11. Site Improvement – Installed garage doors for lab, lift stations lighting, lift stations fencing, electric gate opener, and fencing at the WWTF, removed vegetation, constructed building over tank/skid, refurbished walking beam, parking lot/driveway, maintenance building, and lab, painted tank/chlorine contact chambers and WWTF, and poured concrete pad around chlorine contact chambers. These projects were completed May 31, 2023, through April 1, 2025. The total cost of the projects is $619,119.

12. Solids Handling Equipment Installation – Installed solids handling equipment. These projects were completed April 1, 2024, and May 1, 2025. The total cost of the projects is $52,997.

13. Treatment Equipment Installation – Installed treatment equipment. This project was completed March 1, 2024. The total cost of the project is $10,212.

In addition to the improvements 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, permit compliance information, and helps to ensure the system complies with applicable laws and permit limits. Additionally, as discussed in Part I of this order, CSWR-Florida plans to replace the existing Rolling Oaks WWTP because it cannot currently meet DEP's 3 mg/L TN limit or the 1 MGD capacity requirement established in the September 2022 permit renewal. CSWR-Florida has engaged a third-party engineering firm to design a new facility with treatment processes capable of achieving the required TN removal and

a true capacity of 1 MGD. The project is estimated to cost $20,000,000 and be placed in service by August 2028.[35]

As previously discussed, Rolling Oaks' wastewater system has had a history of significant regulatory compliance issues prior to acquisition. Although one significant compliance issue remains, CSWR-Florida has committed to a long-term solution through the upgrade of its WWTP. However, Rolling Oaks' historical violations were not limited to managerial or administrative deficiencies, such as reporting errors or late submissions, but included serious operational and infrastructure-related deficiencies that directly affected the condition, maintenance, and operation of its wastewater 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 Rolling Oaks' 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.[36]

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.[37] 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.

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[35] Document No. 03354-2026.
[36] *See* Order No. PSC-2001-2501-FOF-WU, filed December 21, 2001, in Docket No. 19991666-WU, *Application for amendment of Certificate No. 106-W to add territory in Lake County by Florida Water Services Corporation.*
[37] Document No. 14979-2025.

In 2021, the final year of operation prior to acquisition by CSWR-Florida, Rolling Oaks' O&M expense was $2,451,109. Rolling Oaks' average O&M expense during the two-year period preceding the acquisition was $2,447,062. The Utility was not able to provide annual reports for 2017 through 2019. CSWR-Florida acquired Rolling Oaks on November 30, 2022. In response to Commission staff's First Data Request, CSWR-Florida projected an average O&M expense of $2,456,459 during the first 5 years following the acquisition.[38] Table 2 summarizes Rolling Oaks' historical and projected O&M expenses.

**Table 2**
**Rolling Oaks' Actual and Projected O&M Expenses Pre- and Post-Acquisition**

| Year | O&M Expense | Difference from Previous Year (%) |
|---|---|---|
| 2017 (Actual) | N/A | |
| 2018 (Actual) | N/A | |
| 2019 (Actual) | N/A | |
| 2020 (Actual) | $2,443,014 | |
| 2021 (Actual) | $2,451,109 | 0.33% |
| **Pre-Acquisition Average** | **$2,447,062** | |
| 2022 (Projected) | $2,290,420 | |
| 2023 (Projected) | $2,370,584 | 3.50% |
| 2024 (Projected) | $2,453,555 | 3.50% |
| 2025 (Projected) | $2,539,429 | 3.50% |
| 2026 (Projected) | $2,628,309 | 3.50% |
| **Projected Post-Acquisition Average** | **$2,456,459** | |

Source: Document Nos. 14979-2025 and 03006-2026.

The Utility provided the following (post-acquisition) actual operating expenses for the first three years of operations under CSWR-Florida: $3,881,519, $3,511,102, and $3,191,974 respectively.[39] The average actual O&M expense for the first three years of operations was $3,528,198, 44.2 percent above the pre-acquisition average O&M expense, and 43.6 percent above the Utility's projected average O&M expense during the first 5 years following the acquisition.

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.[40] 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

[38] Document No. 01170-2026.
[39] Document No. 03006-2026.
[40] Document No. 03373-2026.

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 Rolling Oaks will be less than if they were incurred by the utility on a stand-alone basis.[41]

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 9.5 percent and 9.1 percent respectively between the first three years. By 2025, Rolling Oaks' O&M expense had decreased from CSWR-Florida's first year of operations to $3,191,974, approximately 30.2 percent above the pre-acquisition expense level of $2,451,109 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.[42]

We recognize that a portion of post-acquisition expenses are necessary to address aging infrastructure and improve system operations. We also note that Rolling Oaks 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., 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 Rolling Oaks 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 Rolling Oaks' ability to attract third-party funding.

As demonstrated in its petition, CSWR-Florida has greater access to capital than Rolling Oaks through its affiliation with its parent company CSWR, LLC, which has obtained private placement financing through Brookfield Asset Management, LTD (Brookfield).[43] 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 Rolling Oaks prior to the acquisition. CSWR-Florida's greater access

[41] *Id.*
[42] *Id.*
[43] Document No. 03006-2026.

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 and obtain commercial debt financing upon conclusion of its rate case.[44] CSWR-Florida's goal is to achieve a more balanced capital structure of approximately 50 percent equity and 50 percent debt through the use of non-affiliated commercial debt financing.

Based on our analysis, we find that CSWR-Florida has demonstrated the customers of Rolling Oaks 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 made a similar determination when we authorized CSWR-Florida to operate several systems in Florida, including Rolling Oaks.[45]

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

F. Conclusion

We find the customers of Rolling Oaks 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.

[44] 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.*
[45] Order No. PSC-2025-0280-PAA-WS.

## IV. Appropriate Amount of the Positive Acquisition Adjustment

CSWR-Florida requests that we approve a positive acquisition adjustment of $32,444,319 related to its 2022 purchase of Rolling Oaks' water and wastewater systems and allow that acquisition adjustment to be amortized over 30 years. The total purchase price was $33,000,000 for assets with a NBV of $555,680. The purchase price also included $5,119,143 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 $27,325,176. 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.

**Table 3**
**Acquisition Adjustment Summary**

| Acquired Utility | Purchase Price | Net Book Value | Requested Acquisition Adjustment | Requested Acquisition Adjustment Minus Land Value |
|---|---|---|---|---|
| Rolling Oaks | $33,000,000 | $555,680 | $32,444,319 | $27,325,176 |

Source: Document No. 14979-2025 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 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.[46] The purpose for this exception was historically to encourage large, sophisticated companies to buy and operate smaller, troubled utilities, to facilitate better quality of service to the utility's customers and improved operation, investment, and maintenance of the utility. Rule 25-30.0371, F.A.C., allows us to grant a full, partial, or no acquisition adjustment.

[46] *See*, *e.g.*, Order No. PSC-2020-0458-PAA-WS, issued November 23, 2020, in Docket No. 20190170-WS, *In re: Application for transfer of facilities and Certificate Nos. 259-W and 199-S in Broward County from Royal Utility Company to Royal Waterworks, Inc*.

The information filed in the docket supports a finding that CSWR-Florida shall recover $27,325,176 through a positive acquisition adjustment. First, the Rolling Oaks system was a non-viable utility at the time of acquisition. Under its previous ownership, Rolling Oaks was unable to provide safe, adequate, and reliable service, as evidenced by extensive deterioration of treatment facilities, repeated failures of its treatment plant, and a documented pattern of enforcement actions and compliance deficiencies by government regulators.

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

The Rolling Oaks 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 $27,325,176 for CSWR-Florida's acquisition of the Rolling Oaks wastewater system. This amount represents CSWR-Florida's full requested acquisition adjustment, minus the land value recovered by the Utility in the 2025 Rate Case. The land value will be excluded from the positive acquisition adjustment approved in this docket to avoid double recovery.

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

## V. Appropriate Amortization Period

Under Rule 25-30.0371(5), F.A.C., we determine the amortization period for all acquisition adjustments. In this instance, and pursuant to Rule 25-30.0371(5), F.A.C., amortization will begin on the date of issuance of the order approving the acquisition adjustment or on the date the sale closes, whichever occurs last. In its petition, the Utility requested an amortization period of 30 years. This amortization period was formulated based on the Utility's

belief that 30 years aligns with the average lifespan of water and wastewater systems. Further, spreading the acquisition over a longer period will lessen the rate impact relative to a shorter period. We concur in this assessment, and thus, find that the 30-year amortization period is reasonable. Pursuant to Rule 25-30.0371(5), F.A.C., the amortization period shall begin on the date of issuance of the final order approving the acquisition adjustment.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that CSWR-Florida Utility Operating Company, LLC's petition for an acquisition adjustment for its acquisition of the Rolling Oaks Utilities Corporation 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 $27,325,176 is approved. Further, we reserve the right to exercise our existing authority under Rule 25-30.0371(6), F.A.C., to revisit the Rolling Oaks 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 Rolling Oaks Utilities, Inc. (Rolling Oaks).

In 2022, the Citrus County Board of Commissioners approved the sale and transfer of Rolling Oaks to CSWR, but denied the requested positive acquisition adjustment.[47] Later, Rolling Oaks would be transferred to the jurisdiction of the Commission and was granted a grandfather certificate.[48] Citrus County 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-

[47] Resolution No. 2022-108 from the Citrus County Board of County Commissioners, issued November 7, 2022.
[48] Order No. PSC-2024-0267-FOF-WS, issued July 25, 2024, in Docket No. 20240095-WS, *In re: Resolution of the Board of County Commissioners of Citrus County declaring Citrus County subject of the provisions of Sections 367, F.S.*; Order No. PSC-2025-0280-PAA-WS, issued July 21, 2025, in Docket No. 20240130-WS, *In re: Application for grandfather certificate to operate water and wastewater utility in Citrus County, by CSWR-Florida Utility Operating Company, LLC.*

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.[49] Section 120.54(1)(f), Florida Statute (F.S.), states "an agency may not adopt retroactive rules, including retroactive rules intended to clarify existing law, unless that power is expressly authorized by statute." Florida and federal case law expand upon this principle, opining that new or edited rules that clarify an existing rule must not establish new substantive requirements.[50] Absent statutory authority, new or amended rules apply retroactively only when they effect a change in legal procedure.[51] Accordingly, new or revised rules do not apply to legal matters arising before the rule change unless retroactive application is expressly authorized by the enabling statute or the changes effectuated by the rule are merely procedural. Because the amendments to the existing rule were substantive rather than procedural, they cannot be applied retroactively on the basis that they constitute procedural changes. Further, 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 Rolling Oaks acquisition adjustments. Instead, the prior version of Rule 25-30.0371, F.A.C., 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,

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

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**
**Rolling Oaks' Compliance History (2017 – 2022)**

A chronology and summary of Rolling Oaks' wastewater compliance history is provided below.[52]

1. December 21, 2017 – Inspection Related – Compliance Evaluation Inspection and resulting Compliance Assistance Offer, dated January 9, 2018

    a. Inspection noted potential noncompliance.

    b. Issues noted:

        i. Effluent exceedances noted May 2015 through December 2017: One Fecal Coliform and 19 Total Residual Chlorine exceedances.

        ii. Fencing around effluent disposal area heavily damaged.

        iii. Groundwater exceedances noted May 2015 through December 2017: Numerous pH and nitrate-nitrogen exceedances.

2. January 24, 2018 – Inspection Related – Compliance Assistance Offer Closure

    a. Compliance Assistance Offer closure following the December 21, 2017, inspection (No. 1) recognizing the Rolling Oaks' efforts to address deficiencies.

3. April 14, 2018 – Incident/Malfunction Reporting Related

    a. Spill of raw wastewater reported associated with newly installed bar screen due to missing collection drum.

4. April 15, 2018 – Incident/Malfunction Reporting Related

    a. Spill of raw wastewater reported associated with newly installed bar screen due to missing drain line from collection drum back to lift station.

5. April 17, 2018 – Incident/Malfunction Reporting Related

    a. Spill of raw wastewater reported associated with newly installed bar screen due to need for baffle plate in debris collection drum to reduce splashing.

6. January 27, 2019 – Sanitary Sewer Overflow (SSO)

[52] Document No. 14979-2025, Exhibit 4.

7. February 22, 2019 – Incident/Malfunction Reporting Related – Abnormal Event – SSO

    a. SSO caused by "high flow," but did not state specifically where the spill came from at the plant.

8. May 5, 2019 – Incident/Malfunction Reporting Related – Abnormal Event Report – SSO

    a. High flow SSO event and DEP determined that the abnormal event did not have substantial impact to the environment and was appropriately addressed.

9. October 24, 2019 – Inspection Related – Compliance Evaluation Inspection Report and resulting In-Compliance Letter, dated November 13, 2019

    a. Inspection letter with In-Compliance finding as noted non-compliance regarding need for rust removal and preventative maintenance for monitoring wells was corrected within 30 days of inspection letter.

10. May 4, 2020 – Incident/Malfunction Reporting Related – Abnormal Event – Clarifier Offline

    a. Bypass of clarifier to repair rake.

11. June 4, 2021 – Non-Compliance Related – Abnormal Event SSO – 40,000 Gallons

    a. 40,000 gallons discharged and rerouted back into the plant caused by blockage of 20" transfer line.

    b. Blockage cleared.

    c. Discharged mixed liquor collected and put back into plant.

    d. Spill area sanitized with lime.

12. November 17, 2021 – Inspection Related – Compliance Evaluation Inspection Report and resulting in a Compliance Assistance Offer Closure Letter, dated December 14, 2021

    a. Inspection during permit renewal noted potential violations:

        i. Clarifier showed solids passing over weir, and trash, scum, algae on wrong side of weir.
        ii. Skimmer appeared to not be functioning.

        iii. Aeration basins were not free of clogs/not providing adequate mixing.

        iv. Uneven distribution of aeration in basin.

v. Not all blower motors were functioning.

vi. Scum noted in chlorine contact chamber.

vii. Chlorine contact chamber baffles were not functioning properly.

viii. Stilling well had notable sludge and debris.

ix. No emergency contact info at lift station locations.

x. Handrails and catwalks were in poor condition.

xi. Facility had not submitted Treatment Facility Biosolids Annual Summary Reports to DEP.

xii. pH exceedances noted repeatedly in groundwater wells.

xiii. SSOs noted in preceding 12 months.

13. September 27, 2022 – Final Permit No. FLA011869-011-DW1P/NR

    a. Permit issuance included need to upgrade facility to 1 million gallons per day and to meet 3 milligrams per liter (mg/L) total nitrogen limit in Administrative Order No. 047-SWD22.

14. November 30, 2022 – CSWR-Florida acquired Rolling Oaks.