

State of Florida



Public Service Commission

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

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

DATE: July 25, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Sewards, Thurmond) *ALM*
Office of the General Counsel (Sandy) *JSC*

RE: Docket No. 20240068-WS – Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Sunshine Water Services Company.

AGENDA: 08/06/24 – Regular Agenda – Tariff Suspension – Participation is at the discretion of the Commission

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: 08/27/24 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

Sunshine Water Services Company (Sunshine or Utility) is a Class A utility providing water and wastewater services to approximately 35,171 water and 29,547 wastewater customers in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties. Rates were last established for this Utility in its 2020 rate case.¹

On June 28, 2024, Sunshine filed its application for the rate increase at issue in the instant docket. The Utility elected to proceed directly to hearing pursuant to Section 367.081, Florida Statutes (F.S.). On July 26, 2024, staff sent the Utility a letter indicating deficiencies in the filing

¹Order No. PSC-2021-0206-FOF-WS, issued June 4, 2021, in Docket No. 20200139-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Utilities, Inc. of Florida.*

of its minimum filing requirements (MFRs). Corrections to the MFRs are due no later than August 28, 2024. The official date of filing will be established for noticing purposes once the deficiencies are cured.

The Utility's application for an increase to water and wastewater rates is based on the historical 13-month average period ended December 31, 2023 and includes adjustments for pro forma projects. Sunshine has also requested an increase in service availability charges and establishment of customer deposits.

Additionally, Sunshine has requested authorization to defer benefits and costs incurred as a result of its parent company's merger. In 2022, Sunshine's parent companies, Corix Infrastructure Inc. and Corix US, entered into a transaction agreement to merge its businesses with IIF Subway Investment LP, SWMAC, and SouthWest Water Company. As the transaction occurred at the parent level, Sunshine was not directly affected.

In 2021, the Utility filed an application for acknowledgment of a name change from Utilities, Inc. of Florida to Sunshine Water Services.² In 2023, Sunshine recorded total company operating revenues of \$22,532,175 and \$28,276,590 for water and wastewater, respectively. The Utility also recorded net operating income of \$4,397,860 and \$4,947,111 for water and wastewater, respectively.

The 60-day statutory deadline for the Commission to suspend the Utility's requested rates is August 27, 2024. This recommendation addresses the suspension of the Utility's requested rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, F.S.

²Order No. PSC-2022-0094-FOF-WS, issued February 21, 2022, in Docket No. 20210185-WS, *In re: Application for name change on Certificate Nos. 414-W, 592-W, 496-W, 278-W, 040-W, 107-W, 204-W, 410-W, 567-S, 347-S, 509-S, 369-S, 081-S, 465-S, 225-S, 229-S, 305-S in Charlotte, Highlands, Lake, Lee, Marion, Orange, and Pasco, Pinellas, Polk, and Seminole Counties, from Utilities, Inc. of Florida to Sunshine Water Services Company d/b/a Sunshine Water Services.*

Discussion of Issues

Issue 1: Should the Utility's proposed final water and wastewater rates be suspended?

Recommendation: Yes. Sunshine's proposed final water and wastewater rates should be suspended. (Thurmond, Swards)

Staff Analysis: Section 367.081(6), F.S., provides that the rates proposed by a utility shall become effective within sixty days after filing unless the Commission votes to withhold consent of implementation of the requested rates. Further, the above referenced statute permits the proposed final rates to go into effect, under bond, escrow, or corporate undertaking eight months after filing unless final action has been taken by the Commission.

Staff has reviewed the filing and the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. Staff believes that it is reasonable and necessary to require further amplification and explanation regarding this data, and to require production of additional and/or corroborative data. This further examination will include a review by staff accountants and engineers. To date, staff has initiated an audit of Sunshine's books and records, as well as an audit of the Utility's parent, to examine allocated investment and operating expenses. This combined audit is currently due on October 17, 2024. Staff believes additional discovery requests will be necessary. Therefore, staff recommends suspension of the Utility's proposed rate increase to allow staff and any intervenors sufficient time to adequately and thoroughly examine the appropriateness of the Utility's request for final rate relief.

Issue 2: Should this docket be closed?

Recommendation: The docket should remain open pending the Commission's final action on the Utility's requested rate increase. (Sandy)

Staff Analysis: The docket should remain open pending the Commission's final action on the Utility's requested rate increase.